



**KNOWTHECHAIN APPAREL & FOOTWEAR BENCHMARK,**

**AUGUST 2018**

lululemon athletica inc.

**Abstract**

Commitments and programs targeted at addressing human trafficking and forced labour in our supply chain

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## KnowTheChain Apparel & Footwear Benchmark

### ENGAGEMENT QUESTIONS

#### 1. Documents

KnowTheChain aims to decrease the reporting burden for companies. Therefore, we will review information available on your company’s public website. However, to ensure we take into consideration all relevant documents, we invite you to provide us with links to any statements, reports, webpages, or documents that you would us to take into account as we review your company’s approach to managing forced labour risks in its supply chains.

- Links to our relevant website pages and all public documents are provided in the following section of this disclosure, Commitment and Governance

#### 2. Membership in industry and multi-stakeholder associations

Please indicate your membership in industry and multi-stakeholder associations relevant to addressing forced labour in the supply chain.

Organization/Association	Participation	Focus
Better Work (ILO and IFC)	Participant Brand (a Non-Partner Brand) in countries where Better Work operates and where we have factories: Vietnam, Haiti, Indonesia, Cambodia	Shared audits, shared remediation, best practices, issues landscape, policy conversations
Foreign Migrant Worker (FMW) Brand Collaborative	Participant, Coordinator	Founded in 2016, six apparel and footwear brands actively collaborate on monitoring and remediation of forced labour issues in shared facilities, and sharing of standard, approaches and tools. Current participants include Patagonia, lululemon athletica, New Balance, Mountain Equipment Cooperative, Outerknown, Brooksrning.
“No fees” Roadmap Collaboration	Partner	Launched in 2017, informal partnership between Patagonia and lululemon to implement a shared roadmap and tools to achieve “no fees”
Sustainable Apparel Coalition (SAC)	Member	Leverage meeting platform to engage apparel and footwear brands in shared conversation around FMW standards. In partnership with FMW Brand Collaborative and SLCP and Patagonia, will host a roundtable at May 2018 member meeting with the intent of introducing a larger, industry-wide conversation.
Social and Labor Convergence Project (SLC)	Member + participant in Tools Working Group	Leverage membership to build industry-wide engagement on FMW issues and standard approaches.

Verite	Engagement	lululemon engaged Verite on an ongoing basis to help evolve our FMW standard, develop a “no fees” implementation approach, and support training and implementation
American Apparel and Footwear Association (AAFA)	Member, Participant Social Responsibility Committee	Share information and best practices
Better Cotton Initiative (BCI)	Link to indicator 2.1 section 3	“BCI does not operate in countries where forced labour is orchestrated by the government”
Source Intelligence	Link to indicator 2.1 section 3	Conflict minerals reporting program
Global Recycling Standard	Link to indicator 2.1 section 3	GRS has social requirements that include zero tolerance of forced, bonded, indentured and prison labour

## THEME 1 COMMITMENT AND GOVERNANCE

### 1.1 Commitment

The company:

(1) has publicly demonstrated its commitment to addressing human trafficking and forced labour.

We are committed to ensuring that there is no forced labour or human trafficking in our supply chains or in any part of our business. Our commitment to responsible supply chain is articulated on our website, incorporated into our policies and implemented through our management approach.

Website

- We are committed to ensuring that there is no forced labour or human trafficking in our supply chains or in any part of our business. This commitment, our core policies and management approach are set out on our website.
  - See Responsible Supply Chain: <http://info.lululemon.com/sustainability/responsible-supply-chain>

Supply chain commitments, policies and procedures

- **Supplier selection:** A responsible supply chain starts with us and the decisions we make, which is why we first and foremost select suppliers that share our values, and are partners in achieving comprehensive business objectives: “Our partners around the globe make it possible for us to develop and create beautiful products. Because we don’t own our manufacturing facilities, we take great care in selecting our suppliers through a screening process that helps to identify and suppliers that share our company values and screen out any that don’t.”
  - See Responsible Supply Chain: <http://info.lululemon.com/sustainability/responsible-supply-chain/building-partnerships>
- Our **Vendor Code of Ethics** (VCoE) pertains to our suppliers and is the cornerstone of our approach to a responsible supply chain, outlining our legal, humane and ethical standards of production. The VCoE is based on industry-recognized principles and standards, including the International Labour Organization’s conventions, the Universal Declaration of Human Rights, the United National Global

Compact Principles, and the UK Modern Slavery/California Transparency Acts. Any form of forced labour is a zero tolerance Code violation. Our VCoE assessment process helps us to maintain our standards by auditing all of our potential partners before starting a business relationship together, and then monitoring and improving on an ongoing basis.

- See our VCoE: [http://info.lululemon.com/content/dam/lululemon/www-images/Sustainability/1page\\_lululemon\\_vendorCoE\\_2.1\\_English.pdf](http://info.lululemon.com/content/dam/lululemon/www-images/Sustainability/1page_lululemon_vendorCoE_2.1_English.pdf)
  - See our VCoE management approach: <http://info.lululemon.com/sustainability/responsible-supply-chain/vendor-code-of-ethics>
  - See our assessment process: <http://info.lululemon.com/sustainability/responsible-supply-chain/assessment-process>
- Our **Foreign Migrant Worker (FMW) Standard** details our zero tolerance VCoE expectations with respect to a group highly vulnerable to forced labour and human trafficking practices, migrant workers who have travelled within country or from overseas to obtain employment. It stipulates that all work must be completed on a voluntary and legal basis. It sets out our minimum requirements for the appropriate and ethical recruitment and management of foreign migrant workers by or on behalf of suppliers doing business with us.
    - See our FMW Standard (Appendix B)
  - Our **Global Code of Business Conduct and Ethics** is our highest-level policy and sets out our zero-tolerance approach to practices of forced or involuntary labour, child labour, or human trafficking of any kind within our operations and supply chain.
    - See our Code: <http://investor.lululemon.com/corporate-governance-document.cfm?documentid=2420>

#### Additional Disclosures

- We report our actions to manage human rights risks and eliminate all forms of modern slavery in our supply chain under the *UK Modern Slavery Act 2015* and *California Transparency Disclosure in Supply Chains Act 2010*.
  - See our full disclosure here: [http://pnimages.lululemon.com/content/dam/lululemon/www-images/Footer/Sustainability/Updated\\_lulu-modern-slavery-statement-2017\\_EN.pdf](http://pnimages.lululemon.com/content/dam/lululemon/www-images/Footer/Sustainability/Updated_lulu-modern-slavery-statement-2017_EN.pdf)

## 1.2 Supply Chain Standards

The company's supply chain standard:

(1) requires suppliers to uphold workers' fundamental rights and freedoms (those articulated in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work), including the elimination of forced labour;

(2) has been approved by a senior executive;

(3) is easily accessible from the company's website;

(4) is updated regularly, following internal review and input from external stakeholders; and

(5) is communicated to the company's suppliers.

**Supply Chain Standards (1 – 5)**

lululemon’s supply chain framework helps us uphold workers’ fundamental rights and eliminate forced labour in our supply chain. The framework consists of six key elements as detailed in the below table:

<b>Policy/ Code</b>	<b>Application</b>	<b>Commitment</b>	<b>Location</b>	<b>Review and Approval</b>	<b>Communicated to suppliers</b>
<i>Global Code of Conduct and Business Ethics</i>	lululemon’s highest ethical policy for directors, officers and employees	“We will not use forced or involuntary labour, child labour, or engage in human trafficking - nor will we tolerate any other individual or organization who engages in such practices. We are committed to a responsible supply chain, and all vendors must agree to uphold our ethical standards of production and adhere to our Vendor Code of Ethics.”	<a href="http://investor.lululemon.com/corporate-governance-document.cfm?documentid=2420">http://investor.lululemon.com/corporate-governance-document.cfm?documentid=2420</a>	updated regularly  annually review by Audit Committee of the Board of Directors  last updated March 2018	We require our employees to acknowledge and agree to comply with our Code of Conduct on an annual basis. We also provide online and in person training. Tier 1 and Tier 2 suppliers receive training on select CoC topics.
<i>Vendor Code of Ethics (VCoE)</i>	lululemon’s highest policy for suppliers and their supply chains	Based on industry-recognized principles and standards, including the International Labour Organization’s conventions, the Universal Declaration of Human Rights, the United National Global Compact Principles, and the UK Modern Slavery/California Transparency acts.  Forced or bonded labour is a zero-tolerance issue “The Vendor must ensure there is no use of Forced Labour, including but not limited to involuntary overtime and prison, indentured, trafficked or bonded labour. All work must be completed on a voluntary and legal basis and in good faith.”	<a href="http://info.lululemon.com/content/dam/lululemon/www-images/Sustainability/1page_lululemon_vendorCoE_2.1_English.pdf">http://info.lululemon.com/content/dam/lululemon/www-images/Sustainability/1page_lululemon_vendorCoE_2.1_English.pdf</a>	updated regularly  annually reviewed and approved by CEO and COO  last updated February 2018	We require all new suppliers (tier 1 and tier 2) to review and sign our VCoE through our Supplier Agreement. Suppliers receive an updated VCoE manual annually. Annual formal VCoE training is conducted for relevant finish-goods and raw materials suppliers.
<i>Foreign Migrant Worker (FMW) Standard v2.0</i>	Sets forth minimum requirements for the appropriate and ethical recruitment and management of foreign migrant workers by or on behalf of suppliers doing business with lululemon.	“lululemon is committed to eradicating all forms of Human Trafficking and Forced Labour in our company’s supply chain. Recognizing that some of the most vulnerable groups are migrant workers who have traveled from overseas to obtain employment, we have established a FMW standard that we require all our vendors to adhere to in order to offer the greatest	The FMW Standard is embedded in our VCoE manual.  See Appendix B - Foreign Migrant Worker Standard	updated regularly  annually approved by VP Global Sustainability  last updated January 2018	Suppliers (tier 1 and tier 2) annually receive an updated VCoE manual, which includes the FMW Standard. All Taiwanese suppliers receive annual in-person training on the FMW Standard, and others receive online training.

Policy/ Code	Application	Commitment	Location	Review and Approval	Communicated to suppliers
		protection for this class of worker.”			
Certificate of Compliance	A document certifying that the supplier conforms to the requirements set out in the Vendor Code of Ethics and Vendor Code of Ethics Manual	“If the Vendor Facility fails to comply with the VCoE’s zero tolerance requirements, lululemon may in its sole discretion determine if the business relationship will continue.”	Internal document	updated annually, or as required,  approved by VP Global Sustainability	Suppliers (tier 1, tier 2 and subcontractors) must sign as part of Supplier Agreement; all subcontractors must sign on ongoing basis. The CoC is resigned only when changes are made.
Supplier Agreement	lululemon’s legal contract between lululemon and suppliers, which includes acknowledgment of implementation of the Vendor Code of Ethics and expectation that the supplier will provide a Certificate of Compliance	“Supplier understands the VCoE and VCoE Manual and will strictly comply with its terms and any amendments thereto provided by lululemon from time to time hereafter. Supplier will require and certify that all of its facilities, suppliers, contractors, subcontractors, employees and vendors that manufacture or assemble the Products or components of the Products comply with this VCoE and VCoE Manual.”	Internal document	updated as required  approved by VP Global Sustainability	All suppliers must sign.

### Input from stakeholders

We typically conduct internal reviews of our core policies with formal or informal external stakeholder input. For example:

- Our VCoE is reviewed annually, with input from internal functions as well as external stakeholders. In 2017, we evolved our VCoE to explicitly require worker feedback systems, which had previously been detailed only in the VCoE Manual, to reflect third-party benchmarks and best practice conversations.
- In 2016/17, we partnered with Verite to develop our FMW Standard v2.0. Through this process we sought input from our key suppliers and other brands.

*For additional engagement details, see our response to question 1.5 Stakeholder Engagement.*

### 1.3 Management and Accountability

The company:

(1) has a committee, team, program, or officer responsible for the implementation of its supply chain policies and standards that addresses human trafficking and forced labour

Accountability and oversight for our Vendor Code of Ethics program, the cornerstone of our approach to a responsible supply chain, outlining our legal requirements, cascades through our organization.

#### Organizational Management and Accountability

<b>Role</b>	<b>Responsibility</b>
Chief Operating Officer	<ul style="list-style-type: none"> <li>Ultimately accountable for Global Code of Conduct and Business Ethics, and Vendor Code of Ethics (VCoE) program performance.</li> </ul>
Chief Compliance Officer	<ul style="list-style-type: none"> <li>Accountable for all compliance. Oversees Global Code of Conduct and Business Ethics.</li> <li>Leads the Governance, Risk and Compliance (GRC) committee, a cross-functional group of executives meeting monthly to discuss issues related to risk, compliance and progress. Elevated supply chain risks are considered by this group. Participants include lululemon’s Chief Operations Officer as well as executives from Supply Chain, Human Resources, Sustainability, Finance, Quality, Legal, Enterprise Risk and Internal Audit, and Retail functions.</li> </ul>
Chief Supply Chain Officer	<ul style="list-style-type: none"> <li>Leads Global Supply Chain function and strategy (Sourcing, Production, Quality, Raw Materials and Logistics), which includes sustainability commitments.</li> <li>Collaborates with VP Global Sustainability to identify and manage supply chain sustainability issues.</li> </ul>
VP Global Sustainability	<ul style="list-style-type: none"> <li>Leads the Global Sustainability function.</li> <li>Responsibility includes VCoE and Foreign Migrant Worker (FMW) standards, strategy, management approach, implementation and performance.</li> </ul>
Global Director of Partner Sustainability and Supplier Sustainability Team	<ul style="list-style-type: none"> <li>Leads the Supplier Sustainability Team.</li> <li>Responsibility includes implementation of VCoE and FMW standard implementation. Responsible for supplier assessments, managing performance improvement, and building capacity within the supply chain.</li> </ul>

**(2) has tasked a board member or board committee with oversight of its supply chain policies and standards that address human trafficking and forced labour.**

- lululemon’s Board Audit Committee is accountable for the Global Code of Conduct and Business Ethics, Vendor Code of Ethics and related standards that address human trafficking and forced labour. The Committee signed off on lululemon’s 2017/18 UK Modern Slavery and California Transparency in Supply Chain Act disclosure in June 2017. The Audit Committee also provides oversight on supply chain risk via the Governance, Risk and Compliance Committee as well as via direct reporting from the Chief Operating Officer and Chief Compliance Officer.

**1.4 Training**

The company undertakes programs which include:

(1) the training of all relevant decision-makers within the company on risks, policies, and standards related to human trafficking and forced labour

- At least annually, we conduct formal employee trainings on our VCoE program, as well as in specific focus or risk areas.
  - Training includes understanding of the VCoE – why it matters, what expectations are, how we implement them, as well as procedures and actions for resolution. In the past two years, we have integrated a focus on forced labour and how we are identifying and addressing these issues.
  - Training covers senior decision makers, employees with ongoing relationships with suppliers (in sourcing, quality, production, procurement, design and product development), and employees who respond to guest questions.

- Specific to forced labour, senior supply chain decision-makers have been trained on the FMW Standard, including v2.0, which requires “no fees” for workers. All key internal functions received training in Q1 of the year. Further, senior sourcing and production decision makers participate in and help lead supplier training. For example, in January 2018, the Director of the Taiwan lululemon Liaison Office (LLO) and VP of Asia LLOs participated in a day-long training for the launch of The FMW Standard v2.0. In addition to building understanding, business participation signals to our suppliers that VCoE and FMW Standard expectations are core business expectations.

## (2) the training and capacity-building of suppliers on risks, policies, and standards related to human trafficking covering key supply chain contexts

Training applies to strategic suppliers, which make up approximately eighty percent of our production volume, as well as to all other tier 1 and tier 2 suppliers.

### New suppliers

- Prior to starting a business relationship with lululemon, we educate potential tier 1 and tier 2 suppliers on our VCoE expectations and rationale, common issues that they might encounter, as well as best practice solutions. This education covers forced labour issues, particularly as they pertain to foreign migrant workers. Potential suppliers conduct a VCoE self-assessment, which helps them understand our expectations and application of the VCoE. They then undergo a VCoE audit by lululemon or an independent 3<sup>rd</sup> party.
- Once accepted as a supplier by lululemon, the new supplier’s key representatives participate in a week-long onboarding process at our Vancouver head office to learn about our culture and standards of business, including ethical (e.g. anti-bribery and anti-corruption) and social compliance, and sustainability. They then undergo functional training in Asia.

### Existing suppliers

- Tier 1 and tier 2 suppliers are trained annually on our VCoE expectations. Any significant program changes are communicated in-person and updates are communicated through online webinars. For example:
  - In 2016, suppliers were trained on our VCoE v2.0 and the FMW Standard through all-day, in-person sessions in Taiwan, Vietnam and China, and via webinar sessions for rest of Asia (Cambodia, Philippines, Indonesia, Bangladesh, Sri-Lanka), Europe (Italy, Portugal), and North/South America (Canada, US, El Salvador, Peru, Honduras, Columbia).
  - Annually, all suppliers participate in VCoE webinar training, which will include a review of our expectations and a deeper exploration of best practices in persistent challenge areas.
- Tier 1 and tier 2 suppliers are trained as-needed on specific focus areas or areas of high risk. For example:
  - All of our suppliers employing foreign migrant workers participated in full day in-person trainings delivered by Verite and lululemon in Taiwan. For “no fees” training in January 2018, we require that supplier participants include decision makers from top management, human resources, compliance and the individual leading lululemon’s business accounts. 58 participants represented 19 suppliers. Over the next two years as the suppliers implement our FMW standard including “no fees” requirement, lululemon will provide support through regular joint learning sessions and quarterly engagements.
- We facilitate regionally-relevant, issue-specific training with other brand partners and multi-stakeholder groups. For example:
  - In October 2017, we engaged our Taiwan suppliers using foreign migrant workers in a direct hiring service session training hosted by the Direct Hiring Service Centre of the Labour Department (7 suppliers participated).



## 1.5 Stakeholder Engagement

In the last three years, the company has engaged relevant stakeholders by:

(1) providing at least two examples of engagements on forced labour and human trafficking with policy makers, worker rights organisations, local NGOs, or other relevant stakeholders in countries in which its suppliers operate, covering different supply chain contexts

Our key area of engagement with stakeholders, including NGOs, IGOs and industry, has been around the issue of forced labour as it pertains to foreign migrant workers. In our supply chain, tier 2 suppliers are the primary employers of foreign migrant workers. The majority of these supplier facilities are located in Taiwan, with the remainder in Korea and Japan. We conducted extensive stakeholder engagement prior to launching our FMW Standard v1.0 in 2015, focused on tier 2 Taiwan suppliers. We conducted further in-depth engagement to create v2.0 of our FMW Standard in 2017, focused on tier 1 and 2 suppliers in Taiwan and beyond.

- In 2015/16, we engaged with Taiwan stakeholders (including Taiwan’s workforce development agency, Taiwan’s FMW office, other industries, several progressive brands, and our Taiwanese tier 2 suppliers) to understand migrant workers’ rights and current reality, develop a vision for success, and identify steps for progress. We launched lululemon’s FMW Standard v1.0 in July 2015 and achieved compliance in all audited facilities by December 2016.
- In 2016/17, we engaged Interpraxis, a third-party consultancy, and partnered with Verite, a workers’ rights NGO, to develop lululemon’s FMW Standard v2.0. The intent of v2.0 was to expand the scope to include suppliers outside of Taiwan (primarily Japan and Korean) and tier 1, and to include a “no fees” component. Stakeholder consultation on the evolved Standard included engagement with:
  - Policy makers:
    - Taiwan’s workforce development agency, Taiwan’s FMW office (in person conversations)
  - Non-governmental and workers’ rights organizations:
    - Verite input included an assessment of best practices, and recommendations regarding the application of the standard in operating contexts of Taiwan, Japan, and Korea. Verite also conducted supplier training and engagement and engaging around our approach to achieving “no worker fees” by December 2019.
    - Representatives of Asian trade unions and NGOs, e.g. CSO Network Japan, ASEAN CSR, (invited feedback).
  - Suppliers (tier 1 and tier 2):
    - 9 suppliers (incl tier 1, 17 participants) participated in forced labour dialogue and training on “no fees” pathway in March 2017 (all day session).
    - 8 suppliers (incl tier 1) participated in our draft FMW Standard v2.0 consultation in October 2017 (online survey and teleconference).
  - Brands:
    - 5 brands provided feedback on our draft FMW Standard v2.0 Standard consultation in September 2017 (online survey and teleconference). Brands stated that that they would consider adopting the same standard and approach, which we will encourage through conversations with the FMW Brand Collaborative, and at SAC/SLCP roundtable in May 2018.

(2) actively participating in one or more multi-stakeholder or industry initiatives focused on eradicating forced labour and human trafficking across the industry.

Collaborative industry and multi-stakeholder engagement is central to our approach and strategy, as stated in our Foreign Migrant Worker Standard, "...we will seek partnerships with key stakeholders such as government, NGOs, local communities and other brands in order to make system-wide change that will have impact beyond

our supply chain.” We participate in several multi-stakeholder initiatives tackling supply chain issues, including traceability and worker rights.

- We are active participants the FMW Apparel and Footwear Brand Collaborative, an informal collaboration of 6 apparel and footwear brands focusing on corrective action resolutions in shared facilities and developing shared standards and approaches to foreign migrant worker issues. The collaboration was initiated in late 2016, and we have since piloted activities in two shared facilities, and shared perspectives on our FMW Standard and implementation approach. The approach was developed in partnership with Patagonia, drawing on shared learning and tools. Next steps include the continued broadening of a shared approach to corrective action resolutions and towards aligning our foreign migrant worker standards and approaches. Further, we have initiated a broader roundtable within the SAC and SLCP, in partnership with key brands.

*See additional examples of our participation in the table, Memberships in Industry and Multi-stakeholder Associations, theme 2 of this disclosure.*

## **THEME 2 TRACEABILITY AND RISK ASSESSMENT**

### **2.1 Traceability**

The company discloses:

(1) the names and addresses of its first-tier suppliers;

We work with a select supplier base and trace all tier 1 (finished goods) suppliers and their subcontractor suppliers and facilities.

- We currently work with a total of 55 tier 1 facilities and 44 declared subcontractors in regions throughout the world. We publicly disclose the names and locations of tier 1 facilities:
  - For lululemon’s list of garment facility names, locations and range of employees, see:  
<https://info.lululemon.com/sustainability/responsible-supply-chain/building-partnerships/how-we-partner>

(2) the countries of below first-tier suppliers (this does not include raw material suppliers);

We work with a select supplier base and trace tier 2 (fabric mills) suppliers and their subcontractor suppliers and facilities.

- We work with a total of 75 tier 2 fabric mill facilities and 100 declared subcontractors.
- The highest proportion of tier 2 facilities are located in Taiwan. Other tier 2 facilities are located in Southeast Asia (Japan, Australia, New Zealand, South Korea, Vietnam, Sri Lanka, Indonesia, Thailand, Malaysia), China, Europe (Italy, Austria, France, Germany, Portugal, Turkey), North America (USA), and South America (El Salvador, Peru, Colombia).

(3) the sourcing countries of raw materials at high risk of forced labour and human trafficking

- A majority of our raw materials are synthetic, primarily nylon, polyester and elastane. Our natural raw material inputs consist of cotton (under 5% of total raw materials), followed by wool, regenerated cellulose and natural rubber (respectively, less than 1% of total raw materials). We recognize the higher potential risk

of forced labour in the production of agriculture-based raw materials and are aware that cotton and natural rubber source countries include China, Indonesia, and Sri Lanka.

- We have mapped some of our raw material supply chain and are implementing a next level approach to traceability and raw material choices.

*For additional information on approaches to manage risk in raw material purchasing, see our response to question 3.1.1.*

(4) some information on its suppliers' workforce.

The following table provides an approximation of our supplier workforce.

	Number of supplier employees <sup>1</sup>	Gender (% female)	Number of foreign migrant workers <sup>2</sup> (approximate)
Tier 1- Finished goods	126,500	Appx 75%	Less than 100
Tier 2 - Fabric Mills	28,500	Appx 35%	2,350
Tier 1 & 2 subcontractors	9,000		750
<b>Total</b>	<b>164,000</b>		<b>3,160</b>

## 2.2 Risk Assessment

The company discloses:

(1) details on how it conducts human rights supply chain risk or impact assessments that include forced labour risks or assessments that focus specifically on forced labour risks

We assess human rights risks within our supply chain by identifying and monitoring risk factors by region and country, worker type, and key processes. We mitigate risk through careful screening and selection of values-aligned suppliers, targeted strategies, strict policies and procedures, oversight built into our business operations, and the knowledge and skills of our employees. Our supply chain risk assessment includes the following three components:

Ongoing supplier assessment and evaluation:

- Supplier assessments - Core to our process is establishing long-term relationships with suppliers, which facilitates opportunities to identify, evaluate and address risk (a majority of our strategic suppliers have been partners for over seven years.) We intentionally maintain a consolidated and curated supply chain and assess all new suppliers on:
  - Financial and reputational risk, assessments include the use of Navex Global RiskRate platform.
  - Human and labour rights practices, through VCoE (including FMW Standard) monitoring.
- Vendor Code of Ethics (VCoE) monitoring – We conduct VCoE assessments upon engagement of every new supplier and subsequently at least every 18 months (annually, for strategic suppliers and suppliers who operate in a high-risk context). In addition, we assess subcontractors that who trigger any one of the three risk categories listed below. *For additional details on our assessment process see our response to question 6.1.*

<sup>1</sup> Numbers are likely understated as not all tier 2 facilities or subcontractors have been audited.

<sup>2</sup> Foreign management and office staff are not included in these numbers.

Annual and ongoing social and environmental supply chain risk reviews and diligence:

- Annually, we review four risk categories, refine category criteria and evaluate thresholds. We use this information to update our processes and due diligence approach accordingly. On-the-ground findings from our teams trigger updates to our risk assessments. Risk categories include:
  - Human rights issues, practices and legislation – this includes tracking thought leader and NGO dialogue (e.g. ILO, Global Compact, Verite), existing and emerging legislation, and through industry and multi-stakeholder collaborations and trends
  - Country risk - We use a country risk assessment process to evaluate the overall and specific types of environmental, social, political risk in different countries. We subscribe to and use BSI's SCREEN (Supply Chain Risk Exposure Evaluation Network), and further leverage general and country-specific data and reports from organizations such as Verite, AAFA, Better Work. Country risk assessments help inform strategies. For example, we monitor facilities in high-risk countries more frequently and work closely with our suppliers (e.g. two suppliers have facilities in Bangladesh, which we assess at least annually, versus a facility in the USA which we monitor at least every 18 months). Further, we identified countries with high likelihood of foreign migrant workers, and invest in country specific strategies.
  - Worker type risk - We classify foreign migrant workers as vulnerable workers. Upon engagement with any facility, we assess the presence of foreign migrant workers and conduct audits of practices relative our VCoE and Foreign Migrant Worker Standard. Any subcontractor to a tier 1 or tier 2 facility that has foreign migrant worker is also assessed and monitored.
  - Process risk - We assess risk of human and environmental harm from key processes to determine the type and level of monitoring that is required. For example, dye and printing is considered to be a high-risk process, whereas knitting is not. All subcontractors that conduct high-risk processes are assessed to our VCoE standard.

Corporate risk management processes:

- Enterprise Risk Management - lululemon's enterprise risk management (ERM) process prioritizes top risks across the business and is informed by functional risk management. Global Sustainability and Supply Chain functions participate in the ERM process, and ensure human and labour rights risks are considered. Risks and mitigation approaches are presented to the Executive and Board. *For additional information on oversight of risk see our response to question 1.3.1 and 1.3.2.*

(2) details on forced labour risks identified in different tiers of its supply chain.

Tier 2 suppliers:

- Our risk processes had identified foreign migrant workers as a group particularly vulnerable to forced labour practices in our and other industries, due to recruitment practices, inability to speak local language and understand rights, and limited recourse. Our country risk research indicated that developed countries tend to have a relatively higher number of foreign migrant workers as they are necessary to fill jobs and meet economic growth objectives.
- Through our supplier assessment and risk processes, lululemon became aware that many of our fabric mill suppliers employed foreign migrant workers (only 1 finished goods factory audited employs foreign migrant workers). Taiwan was prioritized as a country-of-focus due to high likelihood of foreign migrant workers and the fact a high proportion of our raw materials are sourced from here. Our response was to develop a Foreign Migrant Worker Standard, initially focused on Taiwan, and now applicable to all suppliers.

Raw materials:

- Through our country risk assessment processes, we identified the potential for forced labour in the cotton industry in Uzbekistan. As a result, in October 2013, we signed the Responsible Sourcing Network's *Cotton Pledge* to end forced child and adult labour in the harvesting of cotton in Uzbekistan, and are in midst of signing the same for Turkmenistan. To support this commitment, we now:
  - Require our suppliers who supply cotton products to make a declaration to us that they are not using cotton sourced from Uzbekistan.
  - As we deepen visibility raw materials, we are committed sourcing BCI cotton, and building relationships and visibility of Pima cotton suppliers.

*For additional details on our identified raw materials risks and our activities in response, see our response to questions 2.1.3 and 3.1.1.*

## **THEME 3: PURCHASING PRACTICES**

### **3.1 Purchasing Practices**

Purchasing practices and pricing may both positively impact labour standards in the company's supply chain, and increase risks of forced labour and human trafficking. The company:

(1) is taking steps towards responsible raw materials sourcing

A majority of our raw materials are synthetic, primarily nylon, polyester and elastane. Our natural raw material inputs consist of cotton (under 5% of total raw materials), followed by wool, regenerated cellulose and natural rubber (respectively, less than 1% of total raw materials). Steps in responsible raw material sourcing include:

- We have mapped some of our raw material supply chain and are implementing a next level approach to traceability and raw material choices by 2020. Among other initiatives, we:
  - Will continue to map tier 3 (raw materials) in order of risk and impact for more complete traceability.
  - Are signatories to the Responsible Sourcing Network's *Cotton Pledge* to end forced child and adult labour in harvesting cotton in Uzbekistan (in progress, Turkmenistan).
  - Joined and will implement the Better Cotton Initiative (BCI) for cotton and develop next-level transparency where BCI does not exist (e.g. Pima in Peru).
  - Tried FSC certified natural rubber in a line of yoga mats (2017) and will scale to full mat platform.
  - Will increase use of recycled polyester and nylon, using GRS certification.

(2) is adopting responsible purchasing practices in the first tier of its supply chain

We recognize that practices such as short-term contracts, excessive price pressure, and order volatility increase the risk of human right and labour violations, including forced labour practices. We take steps to mitigate risks caused by certain purchasing practices by:

- Sharing plans and projections with a long-term view - Our supplier partnerships are based on long term relationships, not short-term contracts. All of our strategic suppliers have been partners for over 7 years. We engage in multi-year planning discussions (in-season, 1, 2 and 3 year, as well as 5 year for core programs) and provide suppliers with long-term planning horizons. We review supply capacity on an ongoing basis and discuss performance and allocations with suppliers in quarterly supplier reviews.
- Conducting quarterly self-assessments of purchasing practices - As part of our quarterly supplier reviews, we also discuss and assess lululemon's practices, and implement actions for continual improvement. For the past two years, we have focused on cross-functional buy process improvements, which include improved forecast projections, eliminating unnecessary supplier reconciliations, and adopting industry

standard purchasing practices, to improve supplier workflows and reduce order volatility. For example, we implemented new tools, such as Tradestone, to improve buy processes. We may also move a significant amount of our core products to a monthly order purchase program, to help suppliers smooth their production processes.

- Avoiding excessive price pressures - We work with suppliers to understand their costs and reflect these in our pricing, using transparent cost sheets that are reviewed together to identify solutions for mutually elevated performance, an approach intended to achieve quality, innovation and ethical sourcing.
- Tracking and addressing root causes of overtime - Overtime is often a symptom of sudden changes in workload due to order volatility, which may increase risk of forced labour practices. The most common rationales for overtime are production planning in peak season, and unforeseen circumstances (e.g. natural disaster, raw material issues). To better understand reasons for overtime (or other undesirable practices), we require suppliers to request approval and provide a rationale for overtime. We track rationales, identify systemic issues and work internally and with our suppliers to address these and allocate capacity in ways that minimizes volatility.

(3) provides procurement incentives to first-tier suppliers to encourage or reward good labour practices (such as price premiums, increased orders, and longer-term contracts).

- We carefully select our tier 1 and tier 2 suppliers with the intention of creating long term relationships. The stability of our supplier base is a reflection of this approach, where our strategic suppliers have been partners for over seven years.
- Supplier reviews are conducted quarterly, and VCoE scores count as an equal part of supplier evaluation criteria, along with quality, on-time delivery, price etc. Suppliers with high sustainability performance and aligned capacity are favoured for increases in orders (pending assessment of other risk parameters, e.g. maintaining below a threshold of overall supplier capacity). Further, operating costs associated with ethical sourcing are identified and reflected in our cost agreements.

### **3.2 Supplier Selection**

The company:

(1) assesses the risks of forced labour at potential suppliers prior to entering into any contracts with them.

We carefully select our suppliers with the intention of creating long term relationships with values-aligned companies. Compliance with our VCoE, which sets out our zero-tolerance policy on forced labour, is a non-negotiable pre-condition to start and maintain a business partnership with us. All suppliers are required to uphold our VCoE requirements.

Engaging new suppliers involves an in-depth assessment process.

- Our Sourcing function initiates the onboarding process of a potential new supplier, seeking suppliers for their capabilities while considering social and environmental risks.
- For potential suppliers located in any countries that we have not engaged with to date, Sustainability provides a country assessment. For example, we have decided to currently not pursue opportunities in India or Myanmar for country risk reasons.
- Once a potential supplier has been identified and supplier information reviewed:
  - lululemon educates potential supplier on VCoE topics and expectations.
  - The potential supplier conducts a self-assessment of their practices and submits the results to the Supplier Sustainability team for review. The self-assessment educates the facility on

expectations and positions them to make improvements before a formal VCoE assessment is conducted.

- An in-house team of experts and/or third-party assessment partners conduct a 120-point VCoE assessment, and if applicable, our Foreign Migrant Worker Standard. This involves at least two days on-site to review documentation, conduct visual inspections, and interview workers.
- Upon completion of the VCoE assessment, results are reviewed by Sustainability and the facility management and Corrective and Preventative Action plans are developed. If the potential supplier passes the assessment and commits to ongoing improvement, Sustainability approves continuation of the supplier engagement process. If the potential supplier does not pass the assessment, it must remediate deficiencies with verification from the Partner Sustainability team prior to engagement, or is rejected.
  - In 2017, five potential tier 1 and tier 2 suppliers with unacceptable practices, made improvements and were subsequently approved for onboarding.

*For more information about our risk assessments or audit process, see our responses questions 2.2.1 and 6.1.*

(2) addresses risks of forced labour related to sub-contracting.

- Our Sourcing function works with suppliers to understand their capacity and capabilities. When certain capabilities or capacity does not exist in-house, the supplier must declare the specific subcontractors that they intend to use and gain lululemon authorization. This expectation is part of our Supplier Agreement.
- lululemon holds direct relationships with all finished goods and most raw material supplier facilities. All subcontractors for lululemon production must be declared and approved by our VP Global Sustainability and VP Sourcing. As outlined in our Certificate of Compliance “at all times, manufacturing Vendor Facility must keep lululemon informed about the current locations of the production facilities where products for lululemon are manufactured, as well as provide contact details and locations of its subcontractors and on request, main suppliers of raw materials.”
- Suppliers must train all subcontractors on lululemon’s VCoE expectations. All subcontractors must sign lululemon’s Certificate of Compliance upon engagement and conduct a self-assessment of their practices.
- In addition, lululemon conducts on-site assessments for potential new subcontractors that are considered high-risk (have potentially high-risk manufacturing processes, employ foreign migrant workers, or are located in high-risk countries). These subcontractors undergo a 1-day VCoE assessment, similar to the approach described above, and must pass the assessment to become an approved subcontractor:
  - In 2017, of 16 potential subcontractors, 12 sufficiently improved their performance to gain approval. Four were rejected for long-term use due to unwillingness to make sufficient improvements to achieve our standards.

### **3.3 Integration into Supplier Contracts**

The company:

(1) integrates supply chain standards addressing forced labour and human trafficking into supplier contracts.

The VCoE addresses forced labour and human trafficking and encompasses the Foreign Migrant Worker Standard. We integrate these standards into our supply chain through our Supplier Agreement, the contract between lululemon and our suppliers.

- Our Supplier Agreement states: “Supplier understands the Vendor Code of Ethics and the Vendor Code of Ethics Manual and will strictly comply with its terms and amendments thereto provided by lululemon from

time and time hereafter. Supplier will require and certify that all of its facilities, suppliers, contractors, subcontractors, employees and vendors that manufacture or assemble the Products or components of the Products comply with this Vendor Code of Ethics and Vendor Code of Ethics Manual.”

- In order to enter into a business relationship with us, suppliers must sign a Certificate of Compliance, a document certifying that it conforms to the requirements set out in the Vendor Code of Ethics and Vendor Code of Ethics Manual.

### **3.4 Cascading Standards through the Supply Chain**

The company:

(1) requires its first-tier suppliers to take steps to ensure that their own suppliers implement standards that are in-line with the company's supply chain standards addressing forced labour and human trafficking.

Supplier assessments of suppliers

- We require all tier 1 and 2 suppliers to ensure that their own suppliers implement standards aligned with our VCoE. As noted in our Supplier Agreement: “Suppliers will require and certify that all of its facilities, suppliers, contractors, subcontractors, employees and vendors that manufacture or assemble the Products or components of the Products comply with this Vendor Code of Ethics and Vendor Code of Ethics Manual.”
- We conduct full assessments of all our tier 1 and tier 2 facilities upon commencement of a business relationship and at least every subsequent 18 months. We also assess subcontractors with high-risk processes, in high-risk countries and/or that employ foreign migrant workers. However, we expect our suppliers to conduct assessments of these subcontractors and supply us with findings prior to our independent assessment.

Foreign Migrant Worker Standard

- Our FMW Standard sets out the minimum requirements for the appropriate and ethical recruitment and management of foreign migrant workers by or on behalf of suppliers doing business with lululemon. The FMW Standard is encompassed by the VCoE. We require our suppliers who engage foreign migrant workers to ensure that both the VCoE and FMW Standards “are fully implemented and fulfilled by its company, its subcontractors, and its recruiting agents.” Suppliers are expected to educate all subcontractors on lululemon’s standards and expected practices.
- According to our FMW Standard , suppliers *may* use ethical recruitment agents, and if they do, “vendors shall have a direct contract with any recruitment agents specifying the terms and conditions for recruitment and hiring of foreign migrant workers, including adherence to the requirements of this standard and the Vendor Code of Ethics.” The FMW Standard requires suppliers to conduct proper due diligence on recruitment agents and sub-agents prior to and during their engagement to ensure adherence to terms of the FMW Standard and VCoE. *For additional information on required due diligence of recruitment agencies, see our response to question 4.3.1.*

Verification

- See Section 3.2.2 and Section 6.2.2. In 2017, 60% of all declared subcontractors were assessed.

Scoring

- Supplier scorecards reflect the performance of their subcontractors. A supplier’s overall score reflects the lowest score of their subcontractor.



## THEME 4: RECRUITMENT

### 4.1 Recruitment Approach

The company:

(1) has a policy that requires direct employment in its supply chain;

Our Foreign Migrant Worker (FMW) Standard requires direct employment between our suppliers and foreign migrant workers, even where recruitment agencies are involved in the recruitment process:

- 1.a, “Vendors shall employ foreign migrant workers where permissible by law, so that the employment relationship is directly between the vendor and the foreign migrant workers. Recruitment agents shall not have an employer-employee relationship with any foreign migrant workers that are placed at vendor’s facilities.”

(2) requires employment and recruitment agencies in its supply chain to uphold workers' fundamental rights and freedoms (those articulated in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work), including the elimination of forced labour.

Vendor Code of Ethics:

- lululemon’s Vendor Code of Ethics (VCoE) expressly forbids any forced, bonded, indentured, involuntary prison labor, slavery or trafficking of persons as zero tolerance issues.

Foreign Migrant Worker Standard

- This Standard sets the minimum requirements for the appropriate and ethical recruitment and management of foreign migrant workers by or on behalf of vendors doing business with lululemon. According to our FMW Standard, “Vendors shall establish an appropriate policy and management systems for foreign migrant workers. This includes establishing due diligence and monitoring programs to screen and manage any recruitment agents used to select, recruit and/or transport foreign migrant workers. Vendors shall also establish systems to oversee the training and management of foreign migrant workers on equal terms to local workers, consistent with local law and the requirements in lululemon’s FMW Standard.”
- As stated in the FMW Standard:
  - 6.a, We require our suppliers to ensure that both the VCoE and the FMW Standard are fully implemented and fulfilled by its subcontractors and its recruiting agents.
  - 1.a, “Where recruitment agents are used, vendors shall only use legally licensed recruiters in both sending and receiving countries.”
  - 1.d, “Vendors shall have a direct contract with any recruitment agents specifying the terms and conditions for recruitment and hiring of foreign migrant workers, including adherence to the requirements of this standard and lululemon’s VCoE”.
  - 1.f, “Vendors shall conduct regular monitoring of recruitment agents, including audits, to ensure they meet requirements specified in the contract, the lululemon FMW standards and lululemon’s VCoE.”
  - 1.g, “Recruitment agents shall conduct due diligence on sub-agents including legal status and compliance history and are to disclose the details of any sub-agents to vendors including the terms of agreement between the recruiter and the sub-agent.”

(3) discloses information on the recruitment agencies used by its suppliers.

- As part of our VCoE and our FMW Standard assessment, suppliers are asked to disclose the names of their recruitment agencies. We require that suppliers use only licensed recruitment agencies, and that we have access to the legal service agreements.
- Most of the nineteen suppliers that employed foreign migrant workers in January 2018 are based in Taiwan. They use approximately 30 recruitment agencies, including agencies based in Taiwan as well as in worker sending countries (Vietnam, Philippines, Indonesia and Thailand.) Lululemon has visibility of the names of these agencies.

#### **4.2 Recruitment Fees**

The company:

(1) requires that no worker in its supply chain pay for a job—the costs of recruitment should be borne not by the worker but by the employer (“Employer Pays Principle”)

- We require that the cost of recruitment fees for foreign workers be borne by the supplier. As stated in our FMW Standard section 2a, “Foreign migrant workers shall not be required to pay for their employment. The costs and fees associated with recruitment, travel and processing of foreign migrant workers shall be covered by the vendor.” Table 1 of the FMW Standard Appendix sets out the specific fees and costs to be covered by suppliers.
- We also require that contracts explicitly prohibit the charging of recruitment-related fees to potential migrant workers by either the recruitment agent or sub-agents.
- Working with stakeholders, we launched a two-year plan to achieve “no fees” in Taiwan by December 2019. This requires going beyond meeting legal and contractual requirements. The approach requires supplier development of policy, plans and management systems for effective implementation of the “no fees” roadmap, and includes quarterly milestones and progress reviews.

(2) takes steps to ensure that such fees are reimbursed to the workers, in the event that it discovers that fees have been paid by workers in its supply chain.

- We require suppliers to reimburse fees to workers. As stated in our FMW Standard section 2.b, “Vendors should pay the costs of recruitment directly to the extent possible. When not possible, or where the foreign migrant worker is legally required to pay a fee or cost directly, the foreign migrant worker shall be reimbursed by the vendor as soon as practicable upon arrival, but no later than one month after the worker’s arrival in the receiving country.”
- When violations of this expectation are found, corrective action plans are developed to remedy the issue. For example, in 2017 we found that a supplier was not reimbursing airfare costs as agreed upon in labour contracts. Partnering with another brand, we engaged with the supplier until the issue was remedied and Foreign migrant workers were reimbursed.

#### **4.3 Monitoring and Ethical Recruitment**

The company:

(1) takes steps to ensure employment and/or recruitment agencies used in its supply chain are monitored to assess and address risks of forced labour and human trafficking.

## Policy and standards

- lululemon's VCoE expressly forbids any forced, bonded, indentured, involuntary prison labor, slavery or trafficking of persons. Our FMW Standard sets out the minimum requirements for the appropriate and ethical recruitment and management of foreign migrant workers by or on behalf of vendors doing business with lululemon. According to our FMW Policy, "Vendors shall establish and appropriate policy and management systems for foreign migrant workers. This includes establishing due diligence and monitoring programs to screen and manage any recruitment agents used to select, recruit and/or transport foreign migrant workers. Vendors shall also establish systems to oversee the training and management of foreign migrant workers on equal terms to local workers, consistent with local law and the requirements in lululemon's FMW Standard." As stated in the FMW Standard:
  - 1.f, "Vendors shall conduct regular monitoring of recruitment agents, including audits, to ensure they meet requirements specified in the contract, the lululemon FMW standards and lululemon's VCoE."
  - 1.g, "Recruitment agents shall conduct due diligence on sub-agents including legal status and compliance history and are to disclose the details of any sub-agents to vendors including the terms of agreement between the recruiter and the sub-agent."

## Assessments

- Through our VCoE and FMW assessments, we review personnel files of foreign migrant workers, which lists the recruitment agency used, and ensure the agencies used are licenced as per the law.
- The agencies used by ten of our 19 suppliers with foreign migrant workers have been reviewed by Verite and a brand that shares these suppliers, Patagonia. As we implement the FMW Standard v2.0, we will also conduct reviews and require that representatives from recruitment agencies be present with relevant documents. We will conduct interviews on their policies and practices, along with worker interviews to confirm what was reported. In addition, our FMW Implementation Roadmap requires our suppliers to train recruitment agencies on lululemon's FMW standards and on the risks of forced labour and human trafficking, and to monitor their compliance. Our approach includes conducting direct assessments of select recruitment agencies.

(2) provides details of how it supports ethical recruitment in its supply chain.

## Ongoing oversight and due diligence

- Suppliers are required to have a direct contract with any recruitment agents specifying the terms and conditions for recruitment and hiring of foreign migrant workers, including adherence to the FMW Standard and the VCoE. Suppliers are also required to conduct proper due diligence on recruitment agents and sub-agents prior to and during their engagement to ensure adherence to terms of the FMW Standard and VCoE.
- Currently, we require access to and regularly review foreign migrant worker employment files and recruitment agency legal service agreements during facility assessments.
- As previously noted, our FMW standard requires the use of legal and ethical recruiters and establishes a no-fees recruitment model. *For additional examples of how we are supporting and encouraging ethical recruitment, see our responses to questions 4.1, 4.2, and 4.3.*

## FMW Standard v2.0 Implementation Roadmap

- In conjunction with launching our FMW Standard v2.0 in January 2018, we developed a FMW Standard Implementation Roadmap, providing tools and guidance to suppliers for achieving ethical recruiting (direct or indirect). Existing tools shared with suppliers include:
  - Implementation approach with steps, deliverables, tools and review timelines.

- sample “no fees” approach and implementation plan,
  - recruitment forecast as well as direct and indirect hiring cost comparison tools,
  - sample FMW policy and commitment statement,
  - a recruitment agency screening, evaluation and selection tool.
- Supplies help to identify the tools, trainings and collaborations that best support them in achieving our ethical recruiting requirements.
- In addition to program support and regular VCoE assessments, a full-time role has been created, located in Taiwan, to support progress on this topic.

#### Supplier training and collaboration

- Ethical recruitment is a key component of our FMW standard. We have conducted extensive supplier training as outlined throughout this disclosure. As part of the FMW Standard v2.0 Implementation Roadmap, lululemon has committed to facilitating two training or sharing sessions per year, to support and help build capacity within our supply chain. Ethical recruitment will continue to be a primary topic.

## 4.4 Migrant Worker Rights

The company:

(1) takes steps to ensure migrant workers understand the terms and conditions of their recruitment and employment, and also understand their rights.

Our suppliers are required to ensure migrant workers understand the terms and conditions of recruitment, employment and their rights prior to commencing work. As stated in our FMW Standard:

In sending country:

- 4.a, “Vendors shall implement a process to ensure that every foreign migrant worker attends an in-depth briefing in their native language prior to signing a contract of employment and departure from sending country. If the vendor is unable to conduct the pre-departure briefing, recruitment agents should conduct the briefing using content directly provided by the vendor.”
- 6.c, “Employment contracts shall be provided to foreign migrant workers for review in their native language in advance of their signing and departure from the sending country. Contracts must be signed voluntarily and may not be provided to foreign migrant workers for signature at the airport. For illiterate foreign migrant workers, the contract terms and conditions shall be verbally explained in their native language prior to signing the contract.”
- Appendix Table 2 (Mandatory Employment Contract Terms): Contract terms must include a description of the location and nature of the work to be performed, wages, regular work hours and shifts, estimated minimum net pay per month.

In receiving country:

- 4.b, “The vendor shall implement a process to ensure all foreign migrant workers attend a comprehensive orientation in their native language in the receiving country before they commence work. The orientation shall be conducted by the vendor at the workplace and all training time shall be recorded as paid hours.” The training will cover foreign migrant worker rights, as well as other programs to ensure their safety and wellbeing.

In addition, our VCoE includes requirements for training on rights. The implementation of these requirements are verified through our VCoE and FMW Standard assessments. (Note: migrant workers include employees from within countries.)

(2) takes steps to ensure its suppliers refrain from restricting workers' movement, including through the retention of passports or other personal documents against workers' will.

- Our FMW Standard requires that the rights of foreign migrant workers be equal with that of local workers, except where specified by law. FMW Standard contains other provisions to support workers' free movement, including:
  - 5.a, "Neither vendors, recruitment agents, nor any other third parties shall hold original foreign migrant worker identification documents, passports, travel papers, or other personal documents, unless required by law. Where vendors are legally required to hold documents, they shall securely store and protect the documents and must implement alternative means to enable foreign migrant workers to access their personal documents at all times to ensure the principle of freedom of movement for foreign migrant workers."
  - 5.b, Suppliers must provide foreign migrant workers with individual, safe, secure, lockable storage for documents and other valuables.
  - 3, Foreign migrant workers shall not be required to lodge deposits or post bonds. They shall not be required to participate in savings programs, unless legally required. Neither the vendor nor any recruitment agents are allowed access to foreign migrant worker bank accounts at any time.
- All of our tier 1 and 2 suppliers, as well as subcontractors, have implemented the requirement for safe, secure, lockable storage for passports and other valuables

(3) takes steps to ensure migrant workers are not discriminated against, and not retaliated against, when they raise grievances; and

- Specific to foreign migrant workers, the FMW Standard further requires that the rights of foreign migrant workers be equal with that of local workers, except where specified by law. As per the FMW standard:
  - 7.a, "The treatment of foreign migrant workers should be equal with that of local workers except where specified by law."
  - 7.b, "Vendors shall ensure that foreign migrant workers are treated ethically and humanely, and provided with a safe working environment, consistent with lululemon's VCoE and not subject to any form of discrimination, threats, harassment or abuse."
- Specific to grievances, our VCoE requires that no workers experience discrimination and are not retaliated against when they raise grievances. the FMW Standard requires suppliers to:
  - 9.a, "Vendors shall have effective, confidential grievance mechanisms, available in the foreign migrant worker's native language, and shall ensure that workers can raise grievances without intimidation or fear of retaliation. Such mechanisms should also include the ability to report grievances anonymously if desired, unless restricted by law."
  - 9.b, "Vendors shall have procedures in place to respond to and address grievances in a prompt manner. The resolution of grievances shall be reported back to workers. Workers who disagree with how a grievance is resolved shall be given the opportunity to appeal the decision. No retaliation shall be taken against foreign migrant workers who report grievances in good faith."
- Effective implementation of these requirements is assessed in VCoE and FMW standard assessments, as well as through ongoing presence of lululemon quality educators, and distribution of contact information to workers.

(4) provides evidence of how it works with suppliers to ensure migrant workers' rights are respected.

- Since 2015, lululemon has worked with all tier 1 and tier 2 suppliers using foreign migrant workers, to ensure legal expectations are implemented. As a result of communication and engagement, suppliers, as well as subcontractors, have returned passports and eliminated forced saving practices. While a straightforward expectation, addressing supplier concerns required providing clear and ongoing guidance on approaches

as well as sharing experiences from other suppliers. Leaders were willing to directly share their learning with other suppliers, in peer-to-peer conversations.

- We also partnered with suppliers to develop strategies and share learning, beyond legal requirements. For example, one of our suppliers developed a program to enable foreign migrant workers to cook local foods, and celebrate local events, and shared details of this program at one of our trainings. With respect to “no fees”, after initial training in March 2017, two suppliers proactively developed and are implementing plans that include direct hiring practices, and shared their approach and learning at the launch of FMW Standard v2.0.
- We support our suppliers in evolving the practices of their suppliers (our subcontractors). In 2017, eighteen subcontractors improved their practices as a result of collaborative engagement with our suppliers and with lululemon.
- We work in partnership with our suppliers and engaged them in the development of the FMW Standard and Implementation Roadmap. As result of their input, we evolved our “no fees” timeline and approach to align with that of another brand. We have also developed supplier-requested tools that support effective implementation (e.g. recruitment agency checklist).

## **THEME 5: WORKER VOICE**

### **5.1 Communication of Policies**

The company takes steps to ensure:

(1) its policies and standards, which include human trafficking and forced labour, are available in the languages of its suppliers' workers; and

- Our Vendor Code of Ethics (VCoE), which contains our zero-tolerance requirement against forced labour, requires: “The Vendor must communicate information on employee rights and obligations defined by this Code and applicable laws both orally and through the posting of the lululemon Code of Ethics in the language of employees.”
- We require all suppliers to post our VCoE in prominent areas in their facilities, and in languages understood by local and foreign workers. We have translated our VCoE translated into the national languages of our supplier countries, as well as the main languages spoken by their workers. Currently, our VCoE is available in Bengali, French, Cantonese, Indonesian, Khmer, Mandarin, Sinhala, Spanish, Tagalog, Thai, Vietnamese, Korean, and Japanese.
  - As per our website (<https://info.lululemon.com/sustainability/responsible-supply-chain/vendor-code-of-ethics>), requests for the VCoE in these languages can be made by emailing [SUSTAINABLEPARTNER@LULULEMON.COM](mailto:SUSTAINABLEPARTNER@LULULEMON.COM)
- In VCoE assessments and regular supplier visits, we verify posting of the VCoE.

(2) its human trafficking and forced labour policies and standards are communicated to workers in its supply chain.

- In addition to posting our VCoE, suppliers are required to communicate employee rights verbally and through training. Forced labour and human trafficking is included in core training expectations, with unique requirements for foreign migrant workers See: *Appendix B, FMW Standard, section 4.*
- The content and frequency of communication with workers is inconsistent across our supply chain. In early 2018, we engaged a third-party organization, Interpraxis, to conduct a Worker Voice and Grievance Mechanism Assessment, to baseline our practices and identify and prioritize opportunities for improvement in these areas.

## 5.2 Worker Voice

The company:

- (1) works with relevant stakeholders to engage with and educate workers in its supply chain on their labour rights;
  - To date, lululemon has engaged with workers primarily through our suppliers and at times through third parties. In early 2018, we engaged a third-party organization, Interpraxis, to conduct a Worker Voice and Grievance Mechanism Assessment, to assess our practices and prioritize opportunities for improvement. This assessment includes stakeholder engagement and worker education.
  - Our Partner Sustainability Team supports our suppliers in a consulting capacity, helping them to address issues and implement good practices, including those related to worker rights. Support ranges from coaching to providing best practices and active capacity building.
  
- (2) takes steps to ensure that there are worker-to-worker education initiatives on labour rights in its supply chain;

We encourage suppliers to help their employees understand their rights as workers, and our Partner Sustainability Team provides support as needed, as noted above in 5.2.1.

Sample supplier initiative:

- A strategic tier 1 supplier with factories in Bangladesh, Cambodia, China, Indonesia, Vietnam, is actively taking steps to educate its workers on their rights to collective bargaining and freedom of association and their right to collectively bargaining. The supplier consults with lululemon in developing, implementing and evaluating this program.
- These steps include:
  - Training during the recruitment process covering:
    - management's willingness and openness to engage with duly elected workers' representatives
    - adherence to FLA and ILO standards
    - the supplier's code of conduct
    - lululemon's Vendor Code of Ethics
  - Employee interviews and mandatory employee orientation to reinforce worker's rights.
  - Annual worker training includes a refresher course on worker's rights.
  - FLA & ILO codes as well as our Vendors Code of Ethics are displayed on the employee bulletin boards and in other prominent place where workers gather.
  - Quarterly worker surveys at factories to help management understand and identify worker concerns, with findings such as bathroom cleanliness, quality of meals, and working conditions.
  - An engagement and grievance mechanism (LaborVoices) is being piloted, with the intent of creating a standardized mechanism across all factories.

Sample corporate initiative:

The FMW Standard v2.0 requires factories to develop and deliver training programs to educate foreign migrant workers on their rights. All training materials and plans were submit to lululemon for review (July 2018), and are currently being assessed. At quarterly in-person meetings of vendors with foreign migrant workers, best practices and tools will be shared.

As per our Worker Voice and Grievance Mechanism project commitment (Section 5.2.1), lululemon will continue to work with our suppliers on worker engagement.

(3) provides evidence of the positive impact of worker engagement in its supply chain; and

In 2015, lululemon held extensive interviews with foreign migrant workers in facilities in Taiwan, particularly with Vietnamese workers. As these workers better understood their rights and were able to articulate them to their employer, conditions improved including return of documents, evolved living conditions, and stopped required savings. In 2016, workers from three factory locations messaged their Regional Partner Sustainability Manager directly, to let him know of the improvements and how they appreciated a workplace that trusted and respected them.

With respect to the supplier using the LaborVoices grievance line, that supplier used surveys to track improvements on issues raised through the grievance line. Results included, for example, measureable increases in satisfaction with workplace cleanliness.

(4) provides at least two examples of worker engagement initiatives covering different supply chain contexts.

To date, lululemon has engaged with workers through on-site conversations during assessments, indirectly through third parties, or through our suppliers.

Supplier-worker engagement example (tier 1, Bangladesh):

- We encourage our suppliers to engage directly with workers. *For an example of supplier-worker engagement, see our response to questions to 5.2.1 and 5.2.2*

Corporate-supplier-worker engagement example (tier 2, Taiwan):

- As noted in the response to 5.2.2, our FMW Standard and program has a requirement for factories to develop training programs to educate foreign migrant workers on their rights.

As per our commitment in Section 5.2.1, we have engaged a third-party organization, Interpraxis, to conduct a Worker Voice and Grievance Mechanism Assessment, to baseline our practices and prioritize opportunities for improvement. This assessment includes stakeholder engagement and worker education.



### 5.3 Freedom of Association

The company:

(1) describes how it works with suppliers to improve their practices in relation to freedom of association and collective bargaining

- Our policies set our expectations with regards to freedom of association and collective bargaining:
  - The VCoE requires that, “The Vendor must allow employees the right to choose, form, belong or not belong to a union, or any other type of employee organization, and take part in related activities.”
  - Our FMW Standard states, “Foreign migrant workers shall have the right to freely join unions in accordance with local law.”
- We train all tier 1 and 2 suppliers annually on our VCoE requirements (for additional information on training, see our response to question 1.4.2).
- We assess whether workers are able to pursue alternative forms of organizing through worker interviews and document reviews. If areas of non-compliance are identified, we develop CAPA plans that blend training and coaching to help suppliers meet our standards and improve their practices in relation to freedom of association and collective bargaining. For example, in a factory where we discovered issues between the union and management, we worked with the supplier in collaboration with other brands, leading to outcomes that include factory management undergoing training.
- As noted in our response to 5.2.1, our Partner Sustainability Team supports our suppliers in an partner or consulting capacity, helping them address issues and implement good practices, which may include those related to worker rights. The team’s support ranges from on-going conversations to sharing best practice examples to providing more active capacity building.

(2) works with local or global trade unions to support freedom of association in its supply chain;

We engage with trade unions when we discover an issue, or they reach out to us. In 2017/18, we engaged with two unions on freedom of association topics, one of which resulted in improved processes. The first example is in the Americas, where management engaged in training to enable better understanding of union function and relationship. The second example is in SE Asia, where as a result, management and the union are working together to create more proactive worker engagement systems.

(3) takes steps to ensure workplace environments in which workers are able to pursue alternative forms of organizing (e.g., worker councils or worker-management dialogues) where there are regulatory constraints on freedom of association

- No countries within which we operate prohibit participation in trade unions. However, China bans the establishment of trade unions independent of the sole official trade union, and Vietnam requires approval of the union by a higher Local union organization. Further, restrictions exist in Malaysia (foreign migrant workers are restricted from trade unions).
- We assess whether workers are able to pursue forms of organizing through our VCoE assessments, which include worker interviews, and communicate with factory management in these countries to create and/or maintain environments where alternative channels and forms of organizing exist. As of the end of 2017:

- Tier 1 - approximately 85% of finished goods facilities in Vietnam, and approximately 50% of facilities in China have unions or worker councils.
- Tier 2 - 100% of fabric mill facilities in Vietnam and approximately 60% of facilities in China have unions or worker councils.

(4) provides at least two examples covering different supply chain contexts of how it improved freedom of association for supply chain workers.

- In 2017, we identified a situation in the Americas where a supplier's support for union employees was being questioned as a result of procedures related to layoffs. We participated in ongoing discussions with the supplier, other brands and worker NGOs to achieve solutions that were mutually agreed upon by the supplier and the union, supported by a third-party mediator engaged by both parties, thereby achieving a positive resolution.
- In 2018, we identified an unresolved industrial dispute in Asia where an employee dismissal was deemed interference with freedom of association by the courts. Having conducted an assessment, including engagement with all parties and representative NGO, we are actively encouraging the supplier to resolve the issue. The issue is still under resolution.

#### **5.4 Grievance Mechanism**

The company:

(1) takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labour conditions in the company's supply chain is available to its suppliers' workers and relevant stakeholders

Corporate-level:

- Suppliers' workers can report a grievance to lululemon via email or SMS.
- Our contact email ([sustainablepartner@lululemon.com](mailto:sustainablepartner@lululemon.com)) is visible on the VCoE, which is displayed in local languages in all supplier and subcontractor factories. Emails are tracked on an ongoing basis by Director of Partner Sustainability, and reported within 48 hours of occurrence to the Vice President.
- Workers can also contact their regional Partner Sustainability Managers via SMS. Our Partner Sustainability Managers leave their name cards with workers they have interviewed in the facilities, and these cards include their contact details and SMS coordinates. Workers contact these managers directly to report issues and lodge complaints.
- Any third-party stakeholder may contact us [sustainablepartner@lululemon.com](mailto:sustainablepartner@lululemon.com) email. This address is communicated on the How we Partner page of our website, as well as on the VCoE and Supply Chain Transparency Acts pages. See:
  - <https://info.lululemon.com/sustainability/responsible-supply-chain/building-partnerships/how-we-partner>
  - [https://info.lululemon.com/content/dam/lululemon/www-images/Sustainability/March2018page\\_lululemon\\_vendorCoE\\_2.1\\_English.pdf](https://info.lululemon.com/content/dam/lululemon/www-images/Sustainability/March2018page_lululemon_vendorCoE_2.1_English.pdf)
  - <https://info.lululemon.com/sustainability/responsible-supply-chain/human-rights-and-working-conditions/california-transparency-in-supply-chains-act>
- As per our commitment in Section 5.2.1, we engaged a third-party organization, Interpraxis, to conduct a Worker Voice and Grievance Mechanism Assessment. This assessment includes a baseline of current corporate and supplier-level grievance mechanism practices, and prioritizes opportunities for improvement. The assessment is complete, and among other priority recommendations, a corporate level grievance mechanism using technology beyond email and SMS will be piloted in two country locations by the end of 2018.

*For additional details on the process of our corporate grievance mechanism, see our response to question 7.2.A.1.*

Supplier-level:

- We expect our supplier facilities to establish effective grievance mechanisms. Our VCoE states: “The Vendor must ensure there is an internal grievance system that allows for anonymity and confidentiality. Employee comments must be responded to in a timely manner.”
- Seventy-eight percent of our tier 1 facilities and almost 60 percent of our tier 2 facilities have established grievance mechanisms. We are working with those who do not have feedback mechanisms to establish them, and are encouraging suppliers to reach beyond grievance mechanisms to consider proactive worker engagement approaches (i.e. satisfaction surveys, etc.) to better understand the desires and realities of their employees.
- A number of suppliers use impartial entities to establish and manage the grievance mechanism, particularly in tier 1. For example, one strategic supplier has piloted the use of LaborVoices in a higher-risk country, and is assessing implementation across other countries. Another strategic supplier is in process of implementing a hotline across all global facilities using Navex.

*For additional details on the requirements for our supplier grievance mechanism, see our response to question 7.2.A.1.*

(2) takes steps to ensure that the existence of the mechanism is communicated to its suppliers' workers;

Corporate-level

- Our contact email ([sustainablepartner@lululemon.com](mailto:sustainablepartner@lululemon.com)) is visible on the VCoE posters, which are prominently displayed in local languages in all supplier and subcontractor factories.
- Our Partner Sustainability Managers emphasizes the existing complaint channels when they visit facilities and engage with individual or groups of workers.
- Suppliers are required to train their workers on lululemon’s feedback mechanisms as part of their worker orientation. As stated in the Vendor Code of Ethics:
  - Within 30 days of employment, the Vendor must provide employees with introductory trainings on procedures regarding terms of employment, probationary period, wages, benefits, regular hours of work, overtime policy, disciplinary practices, grievance system, human rights and occupational health and safety.
  - The Vendor must communicate information on employee rights and obligations defined by this Code and applicable laws both orally and through the posting of the lululemon Code of Ethics in the language of employees.

Supplier-level

- Suppliers conduct training on their own feedback mechanisms. The content of this training is reviewed by Partner Sustainability Managers as part of our the VCoE assessment.
- Select suppliers conduct more extensive training. In the case of our suppliers working with LaborVoices, that organization has on-the-ground personnel conducting local language training to teach workers how to effectively use the grievance channels.

(3) takes steps to ensure that workers or independent third-parties are involved in the design or performance of the mechanism, to ensure that its suppliers' workers trust the mechanism.

- Corporate-level: As per our commitment in Section 5.2.1, we engaged Interpraxis, an independent third-party organization with expertise in designing and assessing grievance mechanisms to help us continuously improve our expectations and practices, based on the criteria in clause 31 of the UNGPs related to grievance mechanism effectiveness. The completed assessment also provides recommendations on how our suppliers can improve their operational grievance mechanisms and enhance trust among workers, so that workers will feel comfortable accessing these internal and external mechanisms.
- As per Section 5.4.1, a pilot of a Corporate Grievance mechanism beyond email and SMS will be implemented by end of 2018, with continued engagement of Interpraxis, as well as worker representatives.

Supplier-level

- Several key suppliers who have or are implementing worker engagement mechanisms have engaged with workers and independent third parties in the design or performance of their mechanisms (e.g. supplier using Labor voices, supplier using Navex), to improve the approach, and build trust and understanding of confidentiality. In select worker interviews, Partner Sustainability Managers inquire about the effectiveness of mechanisms.

(4) discloses data about the practical operation of the mechanism, such as the number of grievances filed, addressed, and resolved, or an evaluation of the effectiveness of the mechanism;

- Through our corporate grievance mechanism, which tracks tier 1 and tier 2 suppliers' workers concerns, workers can contact us via email or SMS. Between January 2016 and August 2018, we have classified 9 pieces of feedback as labour grievances in the following categories: unjust dismissal, health and safety, remuneration, human rights).
- Of these cases:
  - 6 have been resolved and closed; 1 has been resolved, with verification scheduled; 2 cases remain open and are under active resolution
  - 6 were submit by workers directly (3 by grievance email, 1 by SMS, 2 in factory); 2 were submit by 3<sup>rd</sup> party NGOs (1 by grievance email, 1 direct email), 1 was submit by 3<sup>rd</sup> party audit vendor (direct email)

*For additional details on the process of our grievance mechanism, see our response to questions 5.4.1 and 7.2.A.1.*

(5) provides evidence that the mechanism is available and used by workers below tier one in its supply chain, or by relevant stakeholders in key supply chain contexts.

- Through our corporate grievance mechanism, both tier 1 and tier 2 suppliers' workers can contact us via email or SMS.
- Of the above nine grievances noted above: 5 were received from tier 1 workers and 4 from tier 2 workers; of the 9 grievances, 7 were received from Asia and 3 from Americas

As per our commitment in Section 5.2.1, we are working to learn more about the effectiveness of our current approach and opportunities for improvement, particularly for more vulnerable workers.

## **THEME 6: MONITORING**

## 6.1 Auditing Process

The company has a supplier audit process that includes:

Our approach:

- We have developed a consolidated, focused and strategic supplier base, where our top ten suppliers account for a majority of our purchase orders in both finished goods (tier 1) and fabrics mills (tier 2). We assess all new facilities, and only approve a supplier for onboarding if the required level of performance is achieved. We assess all facilities at least every 18 months, and conduct on-site visits to all strategic facilities at least annually, though typically more frequently. (We do not yet assess trim facilities, and will integrate these into our audits by 2019.)
- We require all subcontractors to be approved by lululemon and assess subcontractors risk based on the presence of one or more of the following risk factors: the presence of foreign migrant workers; high country risk; and/or high-risk processes.
- We conduct shared supplier monitoring selectively with certain brands. We also participate in the SLCP, FMW Brand Collaborative, and Better Work in support of shared monitoring.

Our process:

- Assessments are conducted using our in-house team of experts as well as commissioned third party assessments when we require capacity and/or to maintain independence. When third party audit reports are available, we purchase or request them for comparison and collaborative purposes. For example, we are a participant company in and purchase audits from Better Factories and Better Work, and have engaged Better Work to conduct our audits (e.g. Haiti).
- Full assessments are at least two days in length, and include meetings with facility management, site visit, document reviews and employee interviews.
- A 120-point questionnaire guides our assessment, which is expanded in cases of foreign migrant labour. All assessments end in closing meetings with facility senior management to present findings. A corrective and preventative action plan (CAPA) is developed, and remediations are implemented on an agreed-upon timeframe.

(1) non-scheduled visits;

- As per our Supplier Agreement, we have the right to conduct both announced and unannounced assessments.

(2) a review of relevant documents;

- Document reviews are conducted as part of full assessments.
- Documents reviewed include those related to labour conditions (policies, contracts, payment records, wage slips, recruiter service agreements and contracts), documents related to training (content and attendance), grievances (submissions and responses), and disciplinary action (records and responses).

(3) Interviews with workers;

- A typical assessment includes interviews with a minimum of 10 employees, consisting of management and workers from various departments. Interviews include union representation, and where applicable, foreign migrant workers in their local language. Typically, the larger the facility, the more workers interviewed.
- Worker interviews cover questions on the recruitment process and contract terms, identification documents, wage processes, and regular questions with respect to human rights and labour practices.

(4) visits to associated production facilities and related worker housing; and

- During a full assessment, we conduct a physical tour of the site, and where relevant, assess the living conditions in factory dormitories and canteens. We also check locations for independent storage of and access to identification documents.

(5) supplier audits below the first tier.

- We conduct full assessments of all our tier 2 (fabric mill facilities) suppliers upon commencement of a business relationship and at least every 18 months subsequent.
- We expect our suppliers to conduct assessments of all their subcontractors and supply us with findings prior to our independent assessment.
- We conduct independent assessments of all new high-risk subcontractors (triggered by one or more of the following factors: located in a high-risk country; potential for worker or environmental exposure from high-risk process; employment of foreign migrant workers]. We reassess these facilities at least every 18 months.

*For additional details on supplier assessments of their subcontractors, see our response to question 3.4.1.*

## **6.2 Audit Disclosure**

The company discloses:

(1) the percentage of suppliers audited annually

We assess all new finished goods (tier 1) and fabric mill (tier 2) facilities before commencing business. We reassess at least every 18 months, or more frequently for strategic or high-risk suppliers. (We do not yet assess trim facilities, and will integrate these into our audits by 2019.)

- In the past year (ending Jan 31<sup>st</sup>, 2018), we assessed:
  - Tier 1: 100% of total finished goods facilities (55 facilities)
  - Tier 2: 94% of our top ten fabric mills and 72% of total fabric mills (75 facilities)

(2) the percentage of unannounced audits

- As our approach is to build partnerships based on shared values, we typically we do not conduct unannounced audits, although we have the legal right to do so as per our Supplier Agreement.
- In the past year (ending Jan 31<sup>st</sup>, 2018), under 1% of our total audits were unannounced (one unannounced audit was conducted, results were aligned with expectations).

(3) the number or percentage of workers interviewed during audits;

- Every assessment includes interviews with a minimum of 10 workers, and typically 20 depending on the size of the facility.

(4) information on the qualification of the auditors used; and

Our assessments are conducted by a combination of in-house experts as well as third-party auditors, when require external capacity, local language capabilities, and/or to maintain independence.

- **In-house team** - Our audit team consists of in-the-field assessors, reporting to the Global Director of Partner Sustainability. Each team member has at least ten years of experience with combined qualifications that include SA 8000, ICTI, EICC, and WRAP. Each team member undertakes additional training annually, and has completed Verite's training on detecting and acting on forced labour risks.

- **Third-party** – Elevate and BSI are our primary 3<sup>rd</sup>-party social compliance audit suppliers. We have also engaged Better Work to conduct our VCoE assessments in certain countries. We ensure our assessors are qualified and have appropriate certifications, including SA 8000, ISO14001, OHSAS18000. We require that any facility employing foreign migrant workers is assessed by an auditor with demonstrated experience in forced labour and foreign migrant worker issues and rights. In the past year (ending Jan 31<sup>st</sup> 2018), 19% of total assessments were conducted by 3<sup>rd</sup> parties.

(5) Summary of Findings, including details regarding any violations revealed.

lululemon's initial audit findings were typical of common practice in apparel and other industries, and have been remediated. Below are findings linked to foreign migrant workers.

- In 2015 our assessments of tier 2 facilities and subcontractors employing foreign migrant workers identified the following issues:
  - Withholding passports:
    - Supplier facility – Twenty of 30 facilities assessed withheld passports, and all twenty have effectively remediated this issue.
    - Subcontractors – Thirty five of 37 subcontractors assessed withheld passports, and all 35 have effectively remediated the issue.
  - Mandatory savings
    - Supplier facilities – Twenty-nine of 30 facilities assessed required mandatory savings, and all 29 have effectively remediated this issue.
    - Subcontractors – Twenty-eight of 37 declared subcontractors assessed required mandatory savings, and all 28 have effectively remediated this issue.

Overall, in 2017 the most frequent findings were related to:

- Tier 1 facilities: workplace health and safety, working hours, chemical and waste management; and
- Tier 2 facilities: workplace health and safety, chemical and waste management, working hours, and in select countries, benefits

## THEME 7: REMEDY

### 7.1 Corrective Action Plans

The company's corrective action plans include:

(1) potential actions taken in case of non-compliance, such as stop-work notices, warning letters, supplementary training, and policy revision;

We know that most suppliers will not achieve 100% rating across all Vendor Code of Ethics (VCoE) criteria. Our approach to corrective action is one of continuous improvement intended to create positive and lasting change, while reflecting industry realities.

- When areas of non-compliance are identified through a VCoE assessment, or other processes, our suppliers are required to develop Corrective and Preventative Action plans (CAPAs), which include root cause analysis, agreed-upon solutions, a timeframe for implementation, and key responsibilities. Suppliers are able to leverage our support, where needed, including training and coaching to develop and implement CAPAs. In the case that the non-compliance identified is an issue of immediate risk to workers, it is escalated to executive attention within lululemon's Sustainability and Sourcing teams, who oversee the CAPA development and implementation.

- Our zero-tolerance policies need to be followed at all times, without exception. Non-compliance with zero tolerance expectations must be addressed immediately (30 days or less, depending on the issue). If an identified zero tolerance issue is not corrected within 30 days, an escalation process is triggered, the stages of which include executive engagement, a warning to the supplier, and a reassessment of business volume. For persistent non-compliance with zero-tolerance policies, we maintain the right to terminate a supplier relationship.

(2) a means to verify remediation and/or implementation of corrective actions, such as record review, employee interviews, spot-checks, or other means;

- CAPAs must be reviewed and approved by the Regional Manager, Partner Sustainability, and the Director, Partner Sustainability.
- Progress is monitored on an ongoing basis by the Regional Manager, Partner Sustainability and reported to Sourcing and Production through scorecards and quarterly supplier reviews meetings.
- Verification of CAPA implementation is conducted through in-person visits that may include interviews, document reviews, physical checks, or where appropriate, through desktop verification (e.g. photo submissions with records of work completed). lululemon maintains the right to conduct unannounced audits.

(3) potential consequences if corrective actions are not taken; and

- Our interest is always to work in partnership with suppliers to resolve issues. However, if CAPA implementation timelines are missed or non-improvement persists, consequences include reductions in order volumes. In a worst-case scenario, lululemon has the right to and may terminate the supplier contract.

(4) a summary or an example of its corrective action process in practice.

- As per question 6.2.5, our VCoE assessments identified common business practices that were in contravention of our FMW Standard. As is our process, each facility created a CAPA for issue resolution. lululemon supported the facilities through best practices tools and training, and worked with suppliers to help them better understand our expectations and respect the rights of foreign workers. Suppliers implemented changes, including creating secure spaces for workers to keep and directly access their passports. By early 2016, all assessed facilities had remediated the issues, and the results had been verified through in-person assessments.

*For additional information on findings through our VCoE assessment process, see our response to question 6.2.5.*

## **7.2 Remedy Programs / Response to Allegations**

A. If no allegation regarding forced labour in the company's supply chain has been identified in the last three years, the company discloses:

(1) a process for responding to the complaints and/or reported violations of policies and standards;

- The Supplier Sustainability Team acknowledges complaints and/or allegations of violations of our standards received through lululemon's corporate grievance mechanism (or via indirect sources) within 48 hours.



- The Supplier Sustainability Team will assess the complaint within 1 to 4 weeks; any alleged policy violation or human rights grievance is then acted upon immediately.
- The Team contacts the complainant(s) and the facility, and in some cases other stakeholders (e.g. brands with whom we share the facility, independent NGOs, legal counsel), to better understand the issues and its resolution.
- Where the issue is a violation of our Vendor Code of Ethics (VCoE), the parties are informed of the results of any conclusions and Corrective and Preventative Action (CAPA) plans are developed, with immediate and consistent follow up on any necessary remedial action until the issue is resolved.
- The grievance or complaint is deemed resolved when the complainant is satisfied with the resolution or lululemon has determined through its monitoring framework that the issue has been resolved in accordance with VCoE expectations.
- Vice President, Global Sustainability must approve closure of all cases.

(2) at least two examples of outcomes for workers of its remedy process in practice, covering different supply chain contexts.

- As per question 6.2.5 and 7.1.4, tier 2 supplier assessments identified common business practices that were in non-compliance with the VCoE and FMW Standard, such as holding the identification documents of workers. We worked with these suppliers to develop Corrective and Preventative Action (CAPA) plans to ensure these issues were remedied. By December 2016, all of the suppliers had returned documents to workers and implemented changes in their practices, primarily by creating safe spaces for workers to keep and directly access their passports, such as lockers.
- As per question 5.3.4, in 2017, we identified a situation in the Americas where a proactive supplier's support for union employees was being questioned as a result of procedures related to layoffs. We participated in ongoing discussions with the supplier, other brands and worker NGOs, and the supplier achieved positive resolutions that were mutually agreed upon by the supplier, the union and independent third parties.

*For additional information on findings through our VCoE assessment process and related resolutions, see our response to question 6.2.5 and 7.1.4.*

## **SUPPLEMENTAL DISCLOSURES**

### **Measureable and Time-Bound Commitments to Address Forced Labour**

1. We have engaged a third-party organization, Interpraxis, to conduct a Worker Voice and Grievance Mechanism Assessment, to be completed by July 2018. This assessment includes a baseline of current corporate and supplier-level grievance mechanism practices, and identify and prioritize opportunities for improvement. New corporate-level mechanisms will be piloted by end of 2018.
2. We have mapped some of our raw material supply chain and are implementing a next level approach to traceability and raw material choices, with a strategy and roadmap to 2022.

### **Compliance with Regulatory Transparency Requirements**

- We are committed to ensuring that there is no forced labour or human trafficking in our supply chains or in any part of our business. This commitment, our core policies and management approach are set out on our website. See Supply Chain Transparency Acts: <http://info.lululemon.com/sustainability/responsible-supply-chain/human-rights-and-working-conditions/california-transparency-in-supply-chains-act>

**Due Diligence on Retailing Third-Party Products**

- lululemon engaged in co-branded products, and occasionally, retails 3<sup>rd</sup> party products that do not contain the lululemon label (e.g. APC shoes). We apply the standard to co-brands and 3<sup>rd</sup> party products sold in lululemon stores.

**APPENDIX A: DEFINITIONS**

Foreign migrant workers - workers who have travelled within country or from overseas to obtain employment

FMW Standard – lululemon’s Foreign Migrant Worker Standard

Tier 1 supplier: finish goods facilities

Tier 2 supplier: fabric mill facilities

Tier 3 supplier: raw materials

VCoE: lululemon's Vendor Code of Ethics- the cornerstone of our approach to a responsible supply chain.

Note: Throughout this disclosure the terms Vendor and Supplier are used interchangeably.

**APPENDIX B: FOREIGN MIGRANT WORKER (FMW) STANDARD V2.0**



## Foreign Migrant Worker Standard 2.0

January 16, 2018

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**OBJECTIVE**

At lululemon our values of honesty, courage, personal responsibility and connection are more than words; they are the foundation of our company and are embedded in everything we do. Our values help guide us when choosing our supply chain partners and setting expectations. We work with Vendors who share our values – who are accountable; who recognize and uphold legal, humane and ethical standards of production and care for the environment. A commitment to these internationally recognized principles is the foundation; lululemon is committed to progress beyond legally required codes of conduct.

The objective of this standard is to set out the minimum requirements for the appropriate and ethical recruitment and management of foreign migrant workers (FMW) by or on behalf of vendors doing business with lululemon.

**LULULEMON'S COMMITMENT**

lululemon is committed to eradicating all forms of Human Trafficking and Forced Labour in our company's supply chain. Recognizing that some of the most vulnerable groups are migrant workers who have travelled from overseas to obtain employment, we have established a Foreign Migrant Worker (FMW) Standard that we require all of our vendor partners to adhere to in order to offer the greatest protection for this class of workers.

We acknowledge that reaching and maintaining these standards is a long-term and ongoing commitment by our Vendors. lululemon will encourage and support our vendors toward continuous and sustainable improvement over time. Furthermore, we will seek partnerships with key stakeholders such as government, NGO's, local communities and other brands in order to make system-wide change that will have an impact beyond our own supply chain.

**SCOPE AND DEFINITIONS**

All vendors and vendor facilities globally that are involved in manufacturing lululemon's products, materials, parts, components, subassemblies, and/or involved in processes related to that manufacturing, or on behalf of lululemon.

- **Due diligence** is a comprehensive investigation of a business or person prior to signing a contract, concerning the organization's ability to offer a certain standard of care regarding a specific product or service.
- A **foreign migrant worker** is an individual that migrates from his or her home country to another country for specific purposes of employment.<sup>3</sup>
- **Human trafficking** is the recruitment and transportation of people from one place to another, or one country to another by use of deception, threat or force for the purposes of exploitation, including forced labour.<sup>4</sup>
- **Native language** is the language of the foreign migrant worker's country of origin or a language that the foreign migrant worker speaks and understands.
- **Receiving country** is the country where the vendor's facility or business operation is located and where the foreign migrant worker is working.
- **Recruitment agents** shall mean private employment agencies (PEA), labour recruiters, labour brokers, and any other third parties involved in the recruitment, selection, hiring, transportation, and/or in some cases management of foreign migrant workers in either sending or receiving countries.<sup>5</sup>
- **Sending country** is the foreign migrant worker's country of origin and citizenship.
- **Sub-agents** are any third parties used by a recruitment agent to help facilitate the recruitment, selection, hiring, and/or transportation of foreign migrant workers.
- A **vendor** (or supplier, the language is used interchangeably in this standard) is a person or company that contractually provides goods and/or services to lululemon as one of the contributors to the development process on the way to the ultimate customer. A supplier could produce and deliver raw materials, partially assembled components, custom parts, or any consumable supplies or services.

**LULULEMON'S FOREIGN MIGRANT WORKER POLICY**

lululemon's Vendor Code of Ethics expressly forbids any forced, bonded, indentured, involuntary prison labour, slavery or trafficking of persons. Recognizing the particular vulnerability of foreign migrant workers to exploitative labour practices and risks of forced labour, this policy sets out the minimum requirements for the recruitment, selection, hiring and management of foreign migrant workers by or on behalf of vendors doing business with lululemon.

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<sup>3</sup> Excludes foreign workers with permanent residency and/or professional employees on short or long-term international assignments. Professional employees are defined as those engaged in work that is predominantly intellectual and varied in character as opposed to more routine mental, manual, mechanical, or physical work; such work involves the consistent exercise of discretion and judgment in its performance and is of such a character that the output produced or the result accomplished cannot be standardized in relation to a given period of time.

<sup>4</sup> The United Nations expands this definition further, but for the purposes this standard, we will use this definition to describe how human trafficking is most often portrayed in the supply chain.

<sup>5</sup> Recruitment agents typically operate in both the sending and receiving countries. Receiving country brokers typically work with Sending country brokers in country of origin or residence of migrant workers to identify and recruit potential job candidates.

Vendors must comply with all applicable national and local labour laws, together with the lululemon Vendor Code of Ethics. Where this standard and the national or local laws and/or guidelines have requirements in the same area, vendors shall meet the more stringent requirements.

All work shall be voluntary and foreign migrant workers shall be free to terminate their employment with a vendor upon reasonable notice without penalty. Foreign migrant workers shall not be required to pay for their employment. Vendors shall maintain adequate controls to ensure that workers have not been charged recruitment or placement fees during their recruitment process.

There shall be no fraud, deception, bribery or coercion in the recruitment, placement, transportation or management of foreign migrant workers. Vendors and their recruitment agents shall be transparent at all times with foreign migrant workers about all aspects of employment terms and conditions. All foreign migrant workers must be employed and paid directly by the vendor, not by agents, sub-agents, or third parties. All foreign migrant workers must be provided a written employment contract, in their native language, prior to departure from the sending country that describes all the terms and conditions of their employment with the vendor.

Neither vendors, recruitment agents nor any other third parties shall hold original foreign migrant worker identification documents, passports, travel papers or other personal documents, unless required by law.

Vendors shall establish an appropriate policy and management systems for foreign migrant workers. This includes establishing due diligence and monitoring programs to screen and manage any recruitment agents used to select, recruit and/or transport foreign migrant workers. Vendors shall also establish systems to oversee the training and management of foreign migrant workers on equal terms with local workers, consistent with local law and the requirements in lululemon's Foreign Migrant Worker Standard.

**LULULEMON'S STANDARD FOR FOREIGN MIGRANT WORKERS**

This section outlines the standards we expect from our vendors who engage foreign migrant workers. Vendors are responsible for ensuring that both the lululemon Code of Ethics and these Foreign Migrant Worker standards are fully implemented and fulfilled by its company, its subcontractors, and its recruiting agents.

The standard below is designed to reflect the typical recruitment and employment cycle of foreign migrant workers including; pre-employment; employment and repatriation of foreign migrant workers.

**1. Use of Foreign Migrant Worker Recruiting Agents**

- a) Vendors shall employ foreign migrant workers where permissible by law, so that the employment relationship is directly between the vendor and the foreign migrant workers. Recruitment agents shall not have an employer-employee relationship with any foreign migrant workers that are placed at vendor's facilities.
- b) Recruitment agents may be used to help vendors with the recruitment and selection process and other support and management services. Where recruitment agents are used, vendors shall only use legally licenced recruiters in both the sending and receiving countries.
- c) Vendors shall conduct proper due diligence on recruitment agents and sub-agents prior to their engagement. Such due diligence shall evaluate the recruitment agent's legal status, ethical practices, any record of penalties or complaints, and their ability to fulfil all Vendor's requirements as well as meeting the specifications of this standard and lululemon's Vendor Code of Ethics.
- d) Vendors shall have a direct contract with any recruitment agents specifying the terms and conditions for recruitment and hiring of foreign migrant workers including adherence to the requirements of this standard and lululemon's Vendor Code of Ethics.
- e) Contracts shall explicitly prohibit the charging of recruitment related fees to potential migrant workers by either the recruitment agent or sub-agents.
- f) Vendors shall conduct regular monitoring of recruitment agents, including audits, to ensure that they meet the requirements specified in the contract, the lululemon FMW standards and lululemon's Vendor Code of Ethics. All monitoring and audit records shall be available for review.
- g) Recruitment agents shall conduct due diligence on sub-agents including legal status and compliance history and are to disclose the details of any sub-agents to vendors including the terms of agreement between the recruiter and the sub-agent.



**2. Recruitment Fees and Costs**

- a) Foreign migrant workers shall not be required to pay for their employment. The costs and fees associated with recruitment, travel and processing of foreign migrant workers shall be covered by the vendor, at a minimum as specified in **Table 1 of the Appendix**.
- b) Vendors should pay the costs of recruitment directly to the extent possible. When not possible, or where the foreign migrant worker is legally required to pay a fee or cost directly, the foreign migrant worker shall be reimbursed by the vendor as soon as practicable upon arrival, but no later than one month after the worker's arrival in the receiving country.

**3. Deposits / Forced Savings**

- a) Foreign migrant workers shall not be required to lodge deposits or post bonds at the time of their recruitment or at any point during their employment.
- b) Foreign migrant workers shall not be required to participate in savings programs, unless legally required. If a foreign migrant worker chooses to voluntarily participate in a savings program, the worker shall retain full access to his or her account at all times. Neither the vendor nor any recruitment agents are allowed access to foreign migrant worker bank accounts at any time.

**4. Orientation and On-site Training of Foreign Migrant Workers**

- a) Vendors shall implement a process to ensure that every foreign migrant worker attends an in-depth briefing in their native language prior to signing a contract of employment and departure from the sending country. If the vendor is unable to conduct the pre-departure briefing, recruitment agents should conduct the briefing using content directly provided by the vendor.
- b) The vendor shall implement a process to ensure that all foreign migrant workers attend a comprehensive orientation in their native language in the receiving country and before they commence work. The orientation shall be conducted by the vendor at the workplace and all training time shall be recorded as paid working hours.

**5. Document Retention / Storage**

- a) Neither vendors, recruitment agents, nor any other third parties shall hold original foreign migrant worker identification documents, passports, travel papers, or other personal documents, unless required by law. Where vendors are legally required to hold documents, they shall securely store and protect the documents and must implement alternative means to enable foreign migrant workers to access their personal documents at all times to ensure the principle of freedom of movement for foreign migrant workers.
- b) Vendors must provide foreign migrant workers with individual, safe, secure, lockable storage for documents and other valuables. Such storage shall be adequately protected from unauthorized access.

**6. Employment Contracts for Foreign Migrant Workers<sup>6</sup>**

- a) Employment contracts for foreign migrant workers shall be signed directly with the vendor, not with a recruitment agent. If the legal employment contract template is provided and includes agent representatives, it must clearly identify that the vendor is the employer. Foreign migrant workers shall be employed and managed directly by the vendor.
- b) Vendors and their recruitment agent shall honor the signed employment contract and other signed legal

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<sup>6</sup> In countries where the legal employment agreement is other than an employment contract, such as an employment letter or other agreement, such a document may be used, provided it is legally enforceable in the receiving country and meets the requirements contained in this standard.

- documentation with the foreign migrant worker.
- c) Employment contracts shall be provided to foreign migrant workers for review in their native language in advance of their signing and departure from the sending country. Contracts must be signed voluntarily and may not be provided to foreign migrant workers for signature at the airport.
    - i. For illiterate foreign migrant workers, the contract terms and conditions shall be verbally explained in their native language prior to signing the contract.
  - d) Vendors shall only hire foreign migrant workers who are legally permitted to work in the receiving country and employment contracts shall be legally valid and enforceable in the receiving country.
  - e) Employment contracts must meet all of the requirements contained in the lululemon Vendor Code of Ethics and not contain provisions restricting foreign migrant workers from exercising their rights to freedom of association and collective bargaining in accordance with local law.
  - f) Foreign migrant workers shall be provided with a signed copy of their employment contract in their native language prior to their departure from the sending country.<sup>7</sup>
  - g) All employment contracts shall stipulate, at a minimum, the terms in **Table 2 of the Appendix**.
  - h) Contract substitution is prohibited. Any amendments to the employment contract after arrival in the receiving country must be in line with local labor laws, clearly explained to the foreign migrant workers, and fully and freely consented to. If an amendment is for materially worse terms and the foreign migrant worker does not consent to the change they shall be provided the choice to terminate their contract without penalty; they shall be reimbursed employment related fees and be provided return transportation to the sending country.
  - i) The required notice period for foreign migrant workers to terminate their contracts early shall not exceed one month, or less per local law. Foreign migrant workers shall not be penalized for early termination of their employment contract with required notice. See **Table 3 of the Appendix** for requirements on termination of employment contracts without required notice.

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<sup>7</sup> Foreign migrant workers already in the receiving country at point of hire with valid working documents shall sign contracts prior to beginning employment.

**7. Working Conditions During Employment**

- a) The treatment of foreign migrant workers should be equal with that of local workers except where specified by law. This typically includes pay equity (the same wage rate for the same job), equal opportunity for bonuses, regular and overtime hours, shift arrangements, holidays, insurance and any other benefits, except where different pay provisions and benefits are mandated by local law.
- b) Vendors shall ensure that foreign migrant workers are treated ethically and humanely, and provided with a safe working environment, consistent with the lululemon Vendor Code of Ethics and not subjected to any forms of discrimination, threats, harassment or abuse.
- c) Where vendors provide accommodations for foreign migrant workers, they shall be safe, hygienic, and well maintained with access to potable water, clean toilet facilities, sanitary food preparation areas (if applicable), appropriate emergency exits, fire suppression and notification equipment, clean bathing / showering facilities, adequate heat and ventilation, reasonable personal space, and secure storage. Such accommodations shall meet or exceed host country housing and safety standards. Foreign migrant workers shall also be provided with safe transportation between their accommodations and place of work where applicable.
- d) Foreign migrant workers shall not be unreasonably restricted in their movements including during working hours to access drinking water and toilets, to leave the facility during meal breaks or from vendor provided accommodations unless there are legitimate security concerns or where required by law. Any such restrictions should be clearly specified in the employment contract and should be applied equally to both local and foreign migrant workers.
- e) Foreign migrant workers shall have the right to freely join unions in accordance with local law.
- f) Foreign migrant workers shall be free to return home during their eligible leave, without having to pay any form of deposit, and free from threat of termination or other penalty.
- g) All facility policies and procedures and relevant notices shall be provided in the foreign migrant worker's native language.
- h) Foreign migrant workers shall be adequately trained in the facility's policies and procedures, health and safety requirements, exit routes in case of fire or other emergencies and any other job-related requirements necessary to their role prior to commencing their employment. Such training shall be conducted in the native language of the foreign migrant workers.
- i) Foreign migrant workers shall be provided access to proper medical care when they are ill or injured with assistance from translators if they do not speak the local language.

**8. Wages and Working Hours**

- a) Foreign migrant workers should be compensated at the same level for the same work as local workers and shall be provided with no less than the minimum wage and benefits specified by local law.
- b) Foreign migrant workers shall be paid directly by the vendor. They may not be paid by/via a third party.
- c) Foreign migrant workers shall be provided a pay slip with appropriate details to understand the basis on which they are compensated. This shall include separate itemization for overtime, bonuses, deductions and other components of wages.
- d) Pay slips shall be provided in the foreign migrant worker's native language, or the worker shall be provided a key or legend to enable them to translate the itemization.
- e) The vendor must ensure that employees working hours do not exceed local law, or 60 hours per week, whichever is less, including overtime, on regular basis, except under extenuating circumstances. All overtime must be voluntary and compensated at a premium rate and offered equally to all employees without discrimination.

**9. Grievance Mechanisms**

- a) Vendors shall have effective, confidential grievance mechanisms, available in the foreign migrant worker's native language, and shall ensure that workers can raise grievances without intimidation or fear of retaliation. Such mechanisms should also include the ability to report grievances anonymously if desired, unless restricted by law.
- b) Vendors shall have procedures in place to respond to and address grievances in a prompt manner. The resolution of grievances shall be reported back to workers. Workers who disagree with how a grievance is resolved shall be given the opportunity to appeal the decision. No retaliation shall be taken against foreign migrant workers who report grievances in good faith.

**10. Post Employment and Repatriation**

- a) Vendors shall pay legally or contractually required return transportation costs for workers (airfare, transportation related taxes, exit fees and/or any other related costs) upon completion of an employment contract
- b) Should a vendor need to terminate a worker's contract early due to downsizing, facility closure, or other related event, the vendor shall pay the cost of return transportation to the worker's home country. Alternatively, if other legal employment opportunities are available in the receiving country and the worker wishes to take such employment instead of returning home then they may do so.
- c) Where, applicable, vendors must provide return transportation in a way that permits a foreign migrant worker to seek victim services, legal redress or to serve as a witness in an enforcement action related to trafficking in persons.
- d) Transportation costs either to the receiving country or return costs to the sending country are not required to be paid by the vendor for foreign migrant workers already within the receiving country at time of hire with valid working documents. Additionally, return transportation costs are not required to be paid by the vendor if the foreign migrant worker finds alternative legal employment in the receiving country upon completion of the employment contract.
- e) Vendors should consider providing for transportation costs if a foreign migrant worker terminates his or her contract early due to unforeseen circumstances such as family emergency or critical illness.

**APPENDIX**
**Fees and costs**

Ultimately, all fees and costs outlined in Table 1 are to be covered by the vendor.

<b>Table 1: Fee and costs to be covered by vendor</b>
<ul style="list-style-type: none"> <li>• Agency service fees, recruitment or placement service fees in both sending and receiving countries</li> <li>• Government required levies or processing fees* in both sending and receiving countries</li> <li>• Airfare or fare for other mode of international transport, terminal fees, and travel taxes</li> <li>• Visas (<i>passport costs may be covered by migrant workers</i>)</li> <li>• Work and/or residence permits (including renewals)</li> <li>• Mandatory pre-employment skills tests required for employment by sending and receiving countries, or by the vendor</li> <li>• Mandatory pre-employment medical exams in sending and receiving countries</li> <li>• Pre-and/or post departure training or orientation</li> <li>• Transportation in receiving country to and from airport to supplier facility or provided accommodations</li> </ul>

*\* All government fees paid by vendors must be well documented (with receipts) and cannot include facilitation payments*

<b>Table 2: Mandatory Employment Contract Terms**</b>
<ul style="list-style-type: none"> <li>• Name and address of the vendor (the employer)</li> <li>• Worker's full name</li> <li>• Worker's date of birth</li> <li>• Work start date and duration of contract</li> <li>• Contract termination requirements including notice period not to exceed 1 month, or less per local law</li> <li>• Contract renewal provisions</li> <li>• Description of the location and nature of work to be performed</li> <li>• Regular wage rate</li> <li>• Overtime and holiday rates</li> <li>• Regular work hours and shifts</li> <li>• Anticipated overtime hours with total working hours not to exceed 60 hours per week or local law, whichever is lower</li> <li>• Estimated minimum net pay per month</li> <li>• Method and frequency of wage payment</li> <li>• Any bonuses and conditions for earning them</li> <li>• Any allowances</li> <li>• Full listing of any and all deductions including specifications of the type and amount of each deduction and which, if any, are optional</li> <li>• Description of additional benefits including medical insurance coverage, accident/injury insurance, holidays, annual leave, sick leave, and/or any other applicable benefits (some details may be included in employee handbook or other policy documents)</li> <li>• Detailed description of living conditions and breakdown of any deductions for accommodations, meals, transportation or other services provided or offered by the vendor</li> <li>• Description of repatriation process and details of the costs to be borne by the vendor and the foreign migrant worker</li> <li>• Any other facility specific requirements as required</li> </ul>

**Table 2: Mandatory Employment Contract Terms\*\***

- Any other terms required by applicable laws and regulations, including those related to prohibition on trafficking in persons
- Clear prohibition on charging of recruitment or placement fees
- No terms restricting a worker's rights to freedom of association and collective bargaining consistent with local law.

**\*\* These above terms can also be described in employee handbooks or other official documents that are available in native languages of workers.**

**Table 3: Payment in lieu of notice for early termination of employment contracts**

- If a foreign migrant worker does not give required notice the vendor may charge a penalty as per local law.
- Exemptions from payment in lieu of notice:
  - Termination for cause, through proper discipline and termination procedures
- Vendors are encouraged to waive the notice period requirements if the worker requests early contract termination due to family emergencies, health reasons, or other legitimate uncontrollable events.

