



KNOWTHECHAIN APPAREL & FOOTWEAR BENCHMARK,

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lululemon athletica inc.

Abstract

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

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ENGAGEMENT QUESTIONS

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 in the following countries: Vietnam, Haiti, Indonesia, Cambodia	Shared audits, shared remediation, shared capacity building, best practices, issues landscape, policy conversations.
Fair Labor Association	Participating Company	Multi-Stakeholder Initiative on improving working conditions in supply chains worldwide. lululemon was accepted as a participating company in February 2020, with the goal of becoming an accredited member by 2022.
Responsible Business Alliance's "Responsible Labour Initiative"	Member	World's largest industry coalition dedicated to corporate social responsibility in global supply chains. We participate in regular working groups and engage with our peers around industry-wide collaboration on forced labour. We also utilize the training materials created by RLI to raise awareness on issues of forced labour within our supply chain.
Foreign Migrant Worker (FMW) Brand Collaborative	Participant/Coordinator	Founded in 2016, seven apparel and footwear brands actively collaborate on monitoring of and continuous improvement on forced labour issues in shared facilities. This collective approach includes capacity building, and developing and sharing standards and tools. Current participants include Adidas, Brooks, lululemon athletica, Mountain Equipment Cooperative, New Balance, Outerknown, and Patagonia.
"No fees" Roadmap Collaboration	Partner	Launched in 2017, this informal partnership between Patagonia and lululemon has evolved to focus on continuous improvement on and monitoring of "no fees" in factories with foreign migrant workers.
Sustainable Apparel Coalition (SAC)	Member	Industry initiative to measure and improve social and environmental sustainability impacts. We have leverage meeting platform to engage apparel and footwear brands in shared conversation around FMW standards.

Social and Labor Convergence Project (SLC)	Member	Leverage membership to build industry-wide engagement on FMW issues and standard approaches.
American Apparel and Footwear Association (AAFA)	Member, Participant Social Responsibility Committee	Share information and best practices
Better Cotton Initiative (BCI)	Member	The Better Cotton Principles prohibit the use of forced labour. We use BCI Cotton in our products. See additional information in sections 2.1.3 and 3.1.1.
Textile Exchange	Members	We use the Global Recycling Standard, GRS, which includes social requirements that include zero tolerance of forced, bonded, indentured and prison labour. See response to question 3.1.1.

1.0 COMMITMENT AND GOVERNANCE

1.1 Commitment

The company:

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

We are committed to continually improving our practices in order to prevent modern slavery, including forced labour and human trafficking, in our supply chains or in any part of our business. Our commitment to responsible supply chain is incorporated into our policies and implemented through our management approach, which are articulated on our website.

- Our stand on human supply chain human rights, our key responsible supply chain policies, and supply chain transparency disclosures are found here:
 - Supply Chain Transparency Acts: <https://info.lululemon.com/sustainability/responsible-supply-chain/human-rights-and-working-conditions/california-transparency-in-supply-chains-act>
- Our approach to a responsible supply chain is found here:
 - Responsible Supply Chain: <http://info.lululemon.com/sustainability/responsible-supply-chain>

1.2 Supply Chain Standards

The company's supply chain standard:

(1) requires suppliers to respect the ILO core labor standards, which include the elimination of forced labor;

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

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

(4) is communicated to the company's suppliers; and

(5) 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 policies addressing forced labor and human trafficking.

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.

Policy/ Code	Application	Commitment	Location	Review and Approval	Communicated to suppliers
<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."	http://investor.lululemon.com/index.php/static-files/295c18fd-79dc-453d-9af3-7beade5501dc	annually review by Audit Committee of the Board of Directors updated as needed last reviewed March 2020	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 Code of Conduct 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 Nations 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."	http://info.lululemon.com/content/dam/lululemon/www-images/Sustainability/1page_lululemon_vendorCoE_2.1_English.pdf	annually reviewed and approved by VP of Sustainable Business and Impact updated as needed last update February 2018	We require all new tier 1 and tier 2 suppliers to review and sign our VCoE through our Supplier Agreement. Formal VCoE training is conducted for all new tier 1 and tier 2 suppliers prior to onboarding, as part of the New Vendor Assessment Process. Additional training is provided upon request, as part of other initiatives, and when substantial updates are made to the VCoE.
<i>Foreign Migrant Worker (FMW) Standard v2.0</i>	Sets forth minimum requirements for the appropriate and ethical recruitment and	"lululemon is committed to eradicating all forms of Human Trafficking and Forced Labour in our company's supply chain. Recognizing that some of	The FMW Standard is embedded in our VCoE manual.	annually approved by VP Sustainable Business and Impact	Tier 1 and tier 2 suppliers receive a VCoE manual, which includes the FMW Standard, at supplier onboarding or when updates are made.

Policy/ Code	Application	Commitment	Location	Review and Approval	Communicated to suppliers
	management of foreign migrant workers by or on behalf of suppliers doing business with lululemon.	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 protection for this class of worker."	See Appendix B - Foreign Migrant Worker Standard	updated as needed last update January 2018	All tier 1 and tier 2 Taiwanese suppliers received in-person training on the FMW Standard in 2018. All tier 1 and tier 2 suppliers in Japan received in person training on the VCoE and FMW in 2018.
Certificate of Compliance (CoC)	A document certifying that the supplier understands and 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 as needed approved by VP Sustainable Business and Impact	Tier 1 and tier 2 suppliers and must sign the CoC as part of the Supplier Agreement. All tier 1 and tier 2 subcontractors must sign the CoC in order to become an approved subcontractor.
Supplier Agreement	lululemon's legal contract between lululemon and suppliers, which includes acknowledgement of Vendor Code of Ethics requirements and an agreement to 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 needed approved by VP Sustainable Business and Impact	All suppliers must sign.

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

We typically conduct internal reviews of VCoE and FMWS with formal or informal external stakeholder input. For example:

- Our VCoE and FMW Standard are reviewed annually and updated as necessary to incorporate evolving best practices as well as our external commitments. Prior to revising, we seek input from internal functions as well as external stakeholders.
 - In 2016/17, we partnered with Verité to develop our FMW Standard 2.0, and through this process we sought input from our key suppliers, other brands and civil society stakeholders.

- In 2017, we evolved our VCoE to require worker feedback systems, in response to third-party benchmarks and best practice input.
- In 2020, we are in process of updating our VCoE to at minimum align with the Fair Labor Association's *Workplace Code of Conduct*. Our update process includes additional engagement of relevant stakeholders.

For additional engagement details, see section 1.5.1.

(5) 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 policies addressing forced labor and human trafficking.

Our VCoE applies to both tier 1 and tier 2 suppliers as well as their subcontractors.

- Our Supplier Agreement requires, "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."
- Our Subcontractor Request form requires that a supplier "...reviews and educates the subcontractor's management on lululemon athletica's VCoE requirements." As part of the subcontractor approval process, suppliers are required to complete a VCoE assessment of the subcontractor and provide this to the Partner Sustainability Team.

For additional engagement details on cascading our supply chain policies, see section 1.4.3.

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

Core functions responsible for supply chain are set out below.

Organizational Management and Accountability

Role	Responsibility
Chief Compliance Officer	<ul style="list-style-type: none"> • Accountable for compliance and for Global Code of Conduct and Business Ethics. • 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.
Chief Supply Chain Officer	<ul style="list-style-type: none"> Leads Global Supply Chain function and strategy (Sourcing, Production, Quality, Raw Materials and Logistics), which includes sustainability commitments. Collaborates with VP Sustainable Business and Impact to identify and manage supply chain sustainability issues.
VP Sustainable Business and Social Impact	<ul style="list-style-type: none"> Leads the Sustainable Business and Social Impact functions including the Responsible Supply Chain Program Oversees the VCoE and Foreign Migrant Worker (FMW) Standard, strategy, management approach, implementation and performance.
Director, Partner Sustainability	<ul style="list-style-type: none"> Leads the in-country Responsible Supply Chain team. Responsible for implementation of VCoE and FMW standard, supplier assessments, managing performance improvement, and building capacity within the supply chain.
Manager, Social Responsibility in Supply Chain	<ul style="list-style-type: none"> Leads corporate program development and stakeholder engagement.

(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 2019/20 UK Modern Slavery and California Transparency in Supply Chain Act disclosure in June 2019. The Audit Committee also provides oversight on supply chain risk, as well as via direct reporting from the 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.

- We conduct formal trainings on responsible supply chain and our VCoE requirements for decision makers and employees working in areas of specific risk.
 - Training includes understanding of the VCoE – why it matters, what expectations are, how we implement, how we address specific risks, and 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.
- We conduct training specific to forced labour for senior supply chain decision-makers on an as-needed basis. Training covers forced labour and related supply chain risks, actions taken by the Partner Sustainability Team, as well as their responsibilities to prevent forced labour.

- In 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 2019, the Mekong Club, an NGO group, conducted training for our supply chain leaders and other relevant roles on areas related to forced labour.
- In 2020, All key decision-makers In Sourcing and Quality at our Vancouver headquarters, as well as the LLOs In Taiwan and Hongkong were trained on forced labour. Topics Included challenges of forced labour in the supply chain in general, and an Introduction Into lululemon's standards and activities, as well as the Impact of responsible purchasing practices on preventing forced labour. Training was mandatory, and participants learnings were evaluated.

(2) trains its first-tier suppliers on risks and policies that address forced labour and human trafficking and discloses the percentage of first-tier suppliers trained

We train all suppliers through our New Vendor Approval Process, when we update our programs, and on areas of specific risk.

- In 2019, we provided a range of general and specific Issue-based trainings for all of our tier 1 and tier 2 suppliers. Our Partner Sustainability Team conducted a total of 236 training hours for both managers and makers.

New suppliers: Our New Vendor Approval Process includes training and education on forced labour and human trafficking:

- 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 must conduct a VCoE self-assessment and undergo a formal VCoE assessment. Both assessments help suppliers understand our expectations and the application of the VCoE.
- Once accepted as a supplier by lululemon, the new supplier's key representatives participate in a 3-day 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. Our Asian suppliers then undergo additional functional training in Asia. In 2019, 20 supplier companies (9 tier 1 and 11 tier 2), which included 52 individual vendor employees, attend our onboarding program.

Existing suppliers: We train existing tier 1 and tier 2 suppliers when we update our program, practices, or policies and as-needed on specific focus areas or areas of high risk. We also facilitate regionally-relevant, issue-specific training with other brand partners and multi-stakeholder groups.

- At our 2019 Quality Summit in Hong Kong, we trained tier 1 and tier 2 Asia suppliers on the VCoE and FMW Standard.

- In 2019, we provided trainings to Japan-based suppliers on the specifics of our Responsible Supply Chain Program and VCoE requirements. The trainings also included specific content on lululemon's zero tolerance towards forced labour.
- In 2018 and 2019, we provided 9 training sessions for our tier 1 and tier 2 Taiwan suppliers to provide support and capacity building around our FMW Standard and its implementation. Representatives from brand partners participated in certain training segments, including sessions on engagement with recruitment agencies and promotion ethical recruitment practices.
- In 2020, we partnered with the Responsible Business Alliance to deliver e-learning on recognizing and preventing forced labour in the supply chain. All tier 1 and tier 2 suppliers are required to complete this training e-learning by May.

(3) engages in capacity building to enable its suppliers to cascade its supply chain policies that address forced labour and human trafficking to their own supply chains and/ or trains suppliers below the first tier on such policies.

Our tier 1 and tier 2 suppliers as well as subcontractors are expected to uphold our VCoE requirements and, where applicable, adhere to our FMW Standard. To help our suppliers understand and uphold our standards, we engage in capacity building through multiple channels.

- Our training for new and existing suppliers includes content on our expectations and specific challenges with regards to promoting and enforcing our VCoE requirements for subcontractors. *For additional details on training, see section 1.4.2.*
- Our VCoE assessments process enables us to provide capacity building on relevant issues, including subcontractor engagement. We have also developed a self-assessment tool to support vendors in tracking the VCoE performance of their subcontractors. *For details on our VCoE assessment process, see section 6.1.*
- Our collaborations with our suppliers and brand partners facilitate capacity building on specific issues, such as foreign migrant worker rights and implementation of our FMW Standard. *For additional details on our collaborations, see sections 1.4.1 and 4.3.1.*
- We created a full-time role in Taiwan to support suppliers through capacity building on issues relating to foreign migrant workers and the implementation of our FMW Standard. *See additional details in section 4.3.1.*

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 labor and human trafficking with stakeholders such as policy makers, worker rights organizations, or local NGOs in countries in which its first-tier suppliers and suppliers below the first tier operate.

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 2017, we engaged with Interpraxis, a third-party consultancy, and partnered with Verité, 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:
 - Policy maker input included understanding of current reality and potential policy evolution opportunities.
 - Taiwan's workforce development agency, Taiwan's FMW office (in person conversations)
 - Non-governmental and workers' rights organizations:
 - Verité input included an assessment of best practices, and recommendations regarding the application of the standard in operating contexts of Taiwan, Japan, and Korea. Verité 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):
 - Supplier input included impact and operationalization considerations.
 - 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 appropriate multi-stakeholder engagement are central to our ethical supply chain approach and strategy, and a principle embedded in our Foreign Migrant Worker Standard. In order to make system-wide change, we participate in select multi-stakeholder initiatives tackling supply chain issues, including traceability and worker rights.

- The FMW Apparel and Footwear Brand Collaborative is an Informal collaboration of 7 apparel and footwear brands focused on a shared approach and standardized processes in addressing foreign migrant worker issues. With the support of Verite, the collaborative has developed standards and tools to enable supplier facilities to report their progress on the eradication of recruitment fees for workers. A standardized reporting and assessment process reduces reporting efforts, ensures mutual acceptance of report, and facilitates collaborative remediation efforts.
- Within the SAC and SLCP, and in partnership with key brands, we have initiated a roundtable around issues of forced labour in the supply chain, especially with regards to foreign migrant workers.
- We became a License B member of the Fair Labour Association in 2018, and as of February 2020, have transitioned to a full participating company. As part of our membership, we are following the FLA's guidance and are actively engaging around issues of forced labour in the garment supply chain.
- We are members of the Responsible Business Alliance's "Responsible Labour Initiative", which brings together brands and stakeholders to ensure that the rights of workers vulnerable to forced labour in global supply chains are consistently respected and promoted. We regularly participate in meetings and also utilize the RLI's resources for awareness raising on forced labour with our suppliers.
- We are active members of the AAFA Social Responsibility Committee, and regularly participate in conversations around social compliance and forced labour in the supply chain.

For additional details on our industry participation, see table, Memberships in Industry and Multi-stakeholder Associations.

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 publicly disclose the names and locations of Finished Goods (tier 1) facilities and the subcontractors of our top 10 suppliers. This list is posted on our website and updated every 6 months
 - 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 suppliers (fabric mills) and their subcontractor suppliers and facilities.

The highest proportion of our tier 2 facilities are located in Taiwan. Other tier 2 facilities are located in **Asia Pacific** (Australia, China, Indonesia, Japan, Malaysia, South Korea, Sri Lanka, Thailand, Vietnam), **Europe** (Austria, France, Germany, Italy, Portugal, Switzerland, Turkey), and **Central/South America** (El Salvador, Peru)

- We publish the facility names and locations of our Top 10 tier 2 suppliers on our website. This data is updated every 6 months.
 - See: <https://info.lululemon.com/sustainability/responsible-supply-chain/building-partnerships/how-we-partner>

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

The majority of our raw materials are synthetic, primarily nylon, polyester and elastane. Our natural raw material inputs comprise less than 15% of total raw materials, and consist of cotton, regenerated cellulose, wool, and natural rubber. Despite our low usage of natural raw materials, we recognize the potential risk of forced labour in the production of agriculture-based raw materials.

- Nylon / Polyester: A majority of our raw materials come from Taiwan, Japan and Malaysia. We are aware of the challenges connected to Foreign Migrant Workers in these countries. Our FMW Standard Program tackles this issue through various activities, as described throughout this report. We have completed our target of no fees paid by Foreign Migrant Workers in Taiwan, and are rolling out the program to Japan, Malaysia, Thailand and Korea.
- Cotton: Through our risk assessment process, we identified cotton as one of the materials in our supply chain with an elevated risk of forced labour. We source BCI cotton where possible. As per our risk assessment guidance, we apply additional levels of due diligence wherever appropriate. This includes:
 - Uzbekistan: We identified the potential for forced labour in the cotton industry in Uzbekistan, and are a signatory of the Responsible Sourcing Network's Cotton Pledge since October 2013. We require suppliers who supply cotton products to declare to us that they are not using cotton sourced from Uzbekistan.
 - Peru: As BCI does not operate in this region, we work to build relationships with and visibility of Pima cotton suppliers in Peru.
 - Asia: A small portion of our cotton is sourced from Asia. Due to a reported increased risk of forced labour in cotton farming, including cotton from western China, we are mapping our cotton supply chain in Asia, following FLA's guidance and industry best practice.
- Natural rubber: we source natural rubber from China, Indonesia, and Sri Lanka. We are in the process of transitioning all our natural rubber to FSC-certified sources.

For additional information on our approach to identifying and managing risk in raw material sourcing, see sections 2.2 and 3.1.1.

(4) the number of workers per supplier, and one additional data point on its suppliers' workforce (e.g., the gender ratio, migrant worker ratio, or level of unionization per supplier).

- For lululemon's list of garment facility names, locations and additional employee-related information, see: <https://info.lululemon.com/sustainability/responsible-supply-chain/building-partnerships/how-we-partner>

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:

Supplier assessment and evaluation:

- Strategic suppliers – 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 are long-term partners.) We intentionally maintain a consolidated and curated supply chain
- New supplier assessment – Prior to supplier approval, we conduct risk assessments in the following areas:
 - Financial and reputational risk assessments that include the use of Navex Global RiskRate platform
 - Human and labour rights practices, as outlined in our VCoE and relevant standards
- Vendor Code of Ethics (VCoE) assessment and monitoring – We assess all new tier 1 and tier 2 suppliers prior to approval and conduct a reassessment at least every 18 months following (annually, for strategic suppliers and those that operate in a high-risk context). (As of 2020, reassessments will occur every 12 months.) In addition, we annually assess subcontractors that who trigger any one of the three risk categories, listed below. *For additional details on our New Vendor Approval Process and VCoE assessment process, see sections 3.2.1 and 6.1.*

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

On an on-going basis, we track human rights issues, practices and legislation – this includes monitoring thought leader and NGO dialogue (e.g. ILO, Global Compact, Verité, OECD, FLA), existing and emerging legislation, and through industry and multi-stakeholder collaborations and trends.

- Annually, we review three 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:
 - 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 Verité, AAFA, Better Work and FLA. Country risk assessments help inform strategies. Further, we identified countries with high likelihood of foreign migrant workers and invest in country-specific strategies, such as our Foreign Migrant Worker Standard Program, which was implemented in Taiwan.
 - 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 assessments of practices relative our VCoE and Foreign Migrant Worker Standard. Any subcontractor of 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. Sustainable Business 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 example, in 2019, we initiated a multi-year investment in a Sustainable and Quality Management System project to facilitate supply chain performance management and internal cross-functional visibility. *For additional details on risk management, see sections 1.3.1 and 1.3.2.*

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

Tier 1 suppliers:

- Due to the seasonal business of garment production, tier 1 suppliers may experience uneven demand for production capacity, which has the potential to result in involuntary worker overtime to meet production demands. As per our Vendor Code of Ethics, we have zero tolerance for involuntary overtime and we check for such practices through our VCoE assessments. We also work with Sourcing to understand our own purchasing practices and avoid contributing adversely.
- In certain countries, inner-state migration of skilled workers to garment production hubs occurs. This can present risk of forced or bonded labour. We are starting to explore this, and have initiated this work with China suppliers to better understand patterns of inner-state migration.

Tier 2 suppliers:

- Our risk processes had identified foreign migrant workers as a group particularly vulnerable to forced labour practices in our industry, due to recruitment practices, inability to speak local language and understand rights, and limited recourse. Our country risk research indicated the highest number of foreign migrant workers are found in Taiwan, Japan, Korea, Malaysia and Thailand.
- Through our supplier assessment and risk processes, lululemon became aware that many of our tier 2 suppliers employed foreign migrant workers (only one tier 1 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 fabrics are sourced from here. Our response was to develop a Foreign Migrant Worker Standard, initially focused on Taiwan, and being rolled out in other countries, starting in 2020.

Tier 3 supplier (Raw materials):

- Through our country risk assessment processes, we identified the potential for forced child and adult labour in the harvesting of cotton in certain regions. Further, while cotton is less than 10% of our total fibre and a commodity product, we have initiated further mapping to better monitor source countries.

For additional details on our identified raw materials risks and actions taken, see sections 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

The majority of our raw materials are synthetic - primarily nylon, polyester and elastane. Our biggest natural raw material is cotton (under 10% of total raw material inputs), followed by regenerated cellulose (3.5% of total). We also source natural rubber, wool, and down (respectively, less than 1% of total raw materials). We are taking steps towards responsible raw materials sourcing including:

- Improving our chain of custody for all raw materials through the development and bulk stages by requiring detailed information on material (e.g. country of origin) and documented declarations; and standardizing storage of this information across business units.
- Enhancing raw materials traceability by increasing alignment between our Sourcing and Responsible Supply Chain (Vendor Code of Ethics) functions and creating a formalized approach.
- Supporting external initiatives on human rights and raw materials:
 - We are signatories to the Responsible Sourcing Network's Cotton Pledge to end forced child and adult labour in harvesting cotton in Uzbekistan.

- We are members of the Better Cotton Initiative (BCI)
- Using certified raw materials:
 - FSC natural rubber is currently used in two lines of yoga mats. We are in the process of transitioning all our natural rubber to FSC-certified sources.
 - Approximately 30% of our polyester is Global Recycling Standard certified recycled.
 - We exclusively use RDS certified down

(2) is adopting responsible purchasing practices in the first tier of its supply chain, which include planning and forecasting

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. 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 semi-annual self-assessments of purchasing practices - As part of our supplier reviews, we also discuss and assess lululemon's practices, and implement actions for continual improvement. We are focussing 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 a monthly order program (MOP) for some of business, providing an updated rolling forecast and order submissions rather than single seasonal buys.
- 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 shared profitability, quality 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.
- 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 are favoured for increases in orders (pending product creation capabilities and assessment of other risk parameters, e.g. maintaining below a threshold of overall supplier capacity).

(4) discloses two quantitative data points demonstrating that it has responsible purchasing practices in place that address the risk of forced labor and human trafficking

- In 2020, we provided training to all key decision-makers from sourcing and quality departments in our Vancouver head office as well as in our lululemon Liaison Offices (LLOs) in Hongkong and Taiwan. Topics addressed included general risk of forced labour, our actions, how to detect risks of forced labour in their respective functions, and suggested courses of action. The training is intended to assist decision makers to taking actions and building processes contributing to a more ethical supply chain. A total of 60 training hours were provided through this initiative.
- Our FMW Standard Program, which focuses on the eradication of recruitment fees for foreign migrant workers (FMW), is mandatory for all Taiwan-based suppliers. As of December 2019, no recruitment fees shall be charged to FMWs in supplier facilities in Taiwan. Failure to achieve this goal results in a downgrading of the supplier's assessment rating, which has sourcing consequences. As of April 2020, 18 suppliers had fully achieved required no-fees. Two suppliers were divested from the program during the course of the 3-year program due to insufficient commitment/ progress. One supplier is delayed in its implementation. Lululemon has decreased orders with this supplier. *For additional details on our FMW Standard Program, see section 4.3.*

3.2 Supplier Selection

The company:

(1) assesses the risks of forced labour at potential suppliers prior to entering into any contracts with them and discloses details on the outcomes of this process.

We carefully select our suppliers with the intention of creating long term relationships with values-aligned companies. We hold direct relationships with all tier 1 and most tier 2 supplier facilities, which helps us monitor and manage risks. 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.

Supplier identification: Identifying new suppliers and/or facilities involves risk assessments.

- 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.

New Vendor Approval Process: Once a potential supplier has been identified and supplier information reviewed, the New Vendor Approval Process is launched, which includes the following:

- Awareness: Our Partner Sustainability Team provides the potential supplier with information about our processes and expectations.
- Self-assessment: The potential supplier conducts a facility-level self-assessment of their practices and submits the results to the Partner Sustainability team for review. The self-assessment is indented to help the facility understand our expectations and positions them to make improvements before a formal VCoE assessment is conducted.
- Education: lululemon educates potential supplier on VCoE-related topics and expectations.
- VCoE assessment: Our in-house team and/or third-party assessment partners conduct a facility-level 102-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. Results are reviewed by Partner Sustainability and management of the facility.
 - If the potential supplier passes the assessment and commits to ongoing improvement, continuation of the supplier engagement process is approved.
 - If the potential supplier does not pass the assessment, it must develop Corrective and Preventative Action Plans to remediate deficiencies. These plans must be agreed to by the Partner Sustainability team prior to the supplier's approval.

Outcome:

- In 2019, 4 facilities (3 tier 1 and 1 tier 2) with unacceptable practices were initially not approved due to failed VCoE assessments. Three facilities made improvements and were subsequently approved as suppliers. One proposed tier 1 facility was rejected and did not enter the onboarding process.

For additional details on risk assessments or VCoE assessment process, see sections 2.2.1 and 6.1.

(2) addresses risks of forced labour related to sub-contracting and discloses details on the outcomes of this process.

- Our Sourcing function works with suppliers to understand their capacity and capabilities. When certain capabilities or capacity does not exist in-house, and subcontractors are required, then we require suppliers to:
 - Adhere to the provisions in the Supplier Agreement, Certificate of Compliance, and Subcontractor Request Form, which require suppliers to:
 - formally request a subcontractor facility through a Subcontractor Request Form.
 - train all subcontractors on lululemon's VCoE requirements and expectations.
 - completed a VCoE assessment of the subcontractor facility and provide this to the Partner Sustainability Team.

- provide contact details and locations of its subcontractors
- Adhere to The FMW Standard, if applicable, which requires that both the VCoE and FMW Standard “are fully implemented and fulfilled by its company, its subcontractors, and its recruiting agents.”
- Our Partner Sustainability Team conducts on-site assessments for potential new subcontractor facilities 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 a full assessment, and must pass the assessment to become an approved subcontractor.
- All subcontractors must sign lululemon’s Certificate of Compliance upon engagement.

Outcome:

- In 2019, 133 subcontractor assessments were carried out.
- In 2019, of 9 potential new tier 1 subcontractors, 5 sufficiently improved their performance to be approved as subcontractors. Four facilities remained not approved for production. Of 29 potential new tier 2 subcontractors, 12 sufficiently improved their performance to be approved for production.

3.3 Integration into Supplier Contracts

The company:

(1) integrates the ILO core labor standards, which include the elimination of forced labor, into supplier contracts

The VCoE addresses the ILO core labour standards, most of which are also encompassed by the Foreign Migrant Worker Standard (FMWS). We integrate these standards into our supply chain through our Supplier Agreement, the contract between lululemon and our suppliers, and the Certificate of Compliance.

- 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. The FMW Standard is embedded in our VCoE manual.

(2) Discloses the percentage of suppliers whose contracts include such standards;

- 100 percent of our supplier contracts include requirements to uphold ILO core labor standards.

(3) Requires its suppliers to integrate such standards into contracts with their own suppliers.

- Our Supplier Agreement requires: “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.”
- The FMW Standard requires our suppliers who engage foreign migrant workers ensure that both the VCoE and FMW Standard “are fully implemented and fulfilled by its company, its subcontractors, and its recruiting agents.” For suppliers who use recruitment agencies, the FMW Standard requires suppliers to:
 - use ethical recruitment agents and “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.”
 - 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.
- We 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. We request that suppliers conduct annual assessments of their subcontractors.

For additional details of supplier requirement regarding subcontractors and recruitment agencies, see sections 1.2.5, 3.2.2 and 4.3.1.

THEME 4: RECRUITMENT

4.1 Recruitment Approach

The company:

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

Our 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 used by its suppliers to respect the ILO core labor standards, which include the elimination of forced labor.

Vendor Code of Ethics (VCoE):

- Our VCoE expressly forbids any forced, bonded, indentured, involuntary prison labor, slavery or trafficking of persons as zero tolerance issues. It is applicable to suppliers and recruitment agencies.

FMW Standard:

- The FMW Standard sets 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 standard requires suppliers to:
 - Establish an appropriate policy and management systems for foreign migrant workers, including establishing due diligence and monitoring programs to screen and manage any recruitment agents used to select, recruit and/or transport foreign migrant workers (as per the Foreign Migrant Worker Policy).
 - 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.”

FMW Standard Program:

- Our Taiwanese suppliers are required to participate in our FMW Standard Program, which requires engagement with recruitment agencies in order to promote ethical recruitment practices and eliminate forced labour. *For additional details on this program, see section 4.3.1.*

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

- As part of our VCoE and our FMW Standard assessments, 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.
- In Taiwan, where we launched our FMW Standard and corresponding program, we have 19 suppliers that employ foreign migrant workers. These suppliers use approximately 50 recruitment agencies, including those 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 chains should pay for a job—the costs of recruitment (i.e., recruitment fees and related costs) should be borne not by the worker but by the employer ("Employer Pays Principle").

The employer pays principle is incorporated into our FMW Standard. We require that the cost of recruitment fees for foreign workers be borne by the supplier.

- As stated in the FMW Standard:
 - 1e, "Contracts shall explicitly prohibit the charging of recruitment related fees to potential migrant workers by either the recruitment agent or sub-agents."
 - 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."
 - Appendix, Table 1 sets out the specific fees and costs to be covered by suppliers.
- In 2018, we launched our FMW Standard Program in Taiwan, which includes an initiative to achieve "no fees" by December 2019. (The largest portion of our factories employing FMWs are in Taiwan.) This program required suppliers to exceed legal requirements and develop policies, plans, and management systems to effectively implement a "no fees" roadmap,
- As of December 2019, 18 of 19 suppliers had achieved no fees and set up processes to facilitate continued improvement.
- In 2019, we began to engage suppliers outside Taiwan on the FMW Standard Program and no-fees requirement. We began rolling out this requirement in 2020 to suppliers in Malaysia, Korea, Thailand and Japan

(2) takes steps to ensure that such fees are reimbursed to the workers and/or provides evidence of payment of recruitment-related fees by suppliers if it discovers that fees have been paid by workers in its supply chains.

- As stated in the FMW Standard:
 - 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 at a facility, corrective action plans are developed to remedy the issue. For example, in 2019 we found that two Taiwanese suppliers had instances of non-reimbursement of airfare costs, contrary to labour contracts. Partnering with another brand, we developed a Corrective Action Plan for the supplier, and regularly assessed progress against the CAPA until the issue was remedied and the foreign migrant workers were reimbursed. This was confirmed by a verification at the end of the process.

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.

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 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.”
- Additional monitoring requirements are stipulated 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:

- We conduct regular VCoE and FMW assessments, which includes reviewing personnel files of foreign migrant workers. We check that the recruitment agencies used are licenced as per the law. We may conduct direct assessments of select recruitment agencies.
- As part of the FMW Standard Program, we conduct assessments of recruitment agencies used by our suppliers.

Through the FMW Standard Program:

- Suppliers are required to:
 - Implement a due diligence process to assess recruitment agents for ethical practices and alignment with FMW Standard and VCoE requirements.
 - Train recruitment agencies on lululemon’s FMW standards and on the risks of forced labour and human trafficking, and to monitor their compliance.
- Lululemon and Verité are supporting recruitment agency training and assessments with the intention of building capacity of suppliers to conduct these independently in the future.
 - Assessments entail reviews of recruitment agencies’ policies and practices, interviews, foreign migrant worker employment files, and worker interviews to confirm what was reported.

- In 2019, Verité assessed 20 in-country and 20 overseas agencies used by 15 of our 19 suppliers with foreign migrant workers.

(2) provides details of how it supports ethical recruitment in its supply chain (e.g., by collaborating with stakeholders to engage policy makers to strengthen recruitment standards).

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.
- The Partner Sustainability Team requires 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.

FMW Standard Program

- In January 2018, we launched a FMW Standard Program, providing tools and guidance to Taiwanese suppliers for managing potential human rights issues and achieving ethical recruiting.
- Suppliers are required to sign a commitment to no-fees, sufficiently resource the program, and participate in quarterly working group sessions with lululemon and other suppliers to share learnings and monitor on progress.
- We held nine quarterly sessions during 2018-2019, which were focused on:
 - Building support for and capacity of suppliers to manage risks related to ethical recruitment of foreign migrant workers, including engaging recruitment agency on FMW Standard requirements
 - Sharing of challenges and best practices
 - Providing progress updates
- Suppliers have helped to identify the tools, trainings and collaborations that best support them in achieving our ethical recruiting requirements. Tools 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.

- A full-time role has been created in Taiwan to provide support and progress in this area.
- In 2019, we conducted one training session in Japan to engage suppliers on requirements of the FMW Standard and no-fees implementation.

For additional details on how we are supporting ethical recruitment, see sections 4.1, 4.2, and 4.3.

4.4 Migrant Worker Rights

The company:

(1) takes steps to ensure migrant workers in its supply chains 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.

FMW Standard Requirements

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 support their safety and wellbeing.

VCoE requirements

- Our VCoE includes requirements for training on rights. The implementation of these requirements is 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. Our FMW Standard contains other provisions to support workers' free movement, including:
 - 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."
 - 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.
- During our VCoE assessments, we confirm these steps have been taken. During our last round of assessments, we found 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) discloses at least two outcomes of steps it has taken to ensure respect of the fundamental rights and freedoms of supply chain workers in vulnerable conditions (those articulated in the ILO core labor standards, which include the elimination of forced labor)

We work in partnership with our suppliers. Since 2015 we have engaged both tier 1 and tier 2 suppliers in Taiwan using foreign migrant workers in the development of the FMW Standard and Program. We have provided capacity building and support to addressing supplier concerns by providing clear and ongoing guidance, developing supplier-requested tools that support effective implementation (e.g. recruitment agency checklist), and facilitating sharing experiences from other suppliers in peer-to-peer conversations.

Outcomes of this work include:

- Suppliers, as well as subcontractors, have returned passports and eliminated forced saving practices.
- Eighteen of 19 Taiwanese suppliers achieved no-fees by the end of 2019. Through this program, more than 2,700 workers benefitted from the eradication of recruitment fees.
- Through our FMW Standard Program, we have actively engaged with and trained our suppliers, who have now trained approx. 2,900 workers on their rights as Foreign Migrant Workers.

- In 2019, 3 potential new subcontractors in Taiwan were assessed through our VCoE process. None passed the initial assessment. Through collaborate engagement, all 3 sufficiently improved their performance to be approved as subcontractors.

Suppliers are also initiating their own practices with respect to “no fees”:

- One supplier implemented a system to hire FMWs from Indonesia through a direct hiring channel, without using overseas labor agents. (This has the potential to reduce about 70% of recruitment costs.)
- One supplier is using its Vietnam and Thailand facilities to provide local recruitment services, thereby reducing recruitment costs charged by the overseas labor agents.
- One supplier developed a hybrid model of using direct hiring for overseas recruitment while partnering with a Taiwanese labor agent.

Suppliers have also initiated programs to support rights and freedoms. 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.

Based on lessons learned, we will roll out the FMW Standard Program in Malaysia, Korea, Thailand, and Japan.

THEME 5: Communication of Policies

5.1

The company:

(1) takes steps to ensure its supply chain policies that address forced labor and human trafficking are communicated to workers in its supply chains.

- Our Vendor Code of Ethics (VCoE) contains our zero-tolerance requirement against forced labour. The VCoE requires that “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.*”
 - Through our VCoE assessments and regular supplier visits, we verify that the VCoE is posted in prominent areas of supplier facilities and in languages understood by both local and foreign migrant workers.
 - We have translated our VCoE 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

- The VCoE includes requirements for training on rights. Forced labour and human trafficking is included in core training expectations, with unique training requirements for foreign migrant workers. During our VCoE assessments, we verify that regular training has been provided.
- Our FMW Standard also set out the requirement for suppliers communicate our standards and to train employee on their rights. *See: Appendix B, FMW Standard, section 4, Orientation and On-site Training of Foreign Migrant Workers*

(2) takes steps to ensure that relevant stakeholders engage with and educate workers in its supply chains on their labor rights and/or supports worker-led efforts on labour rights education

- We support and encourage our suppliers to engage stakeholders to educate workers on labor rights.
- Our Partner Sustainability Team supports our suppliers in a consulting capacity, helping suppliers address issues and implement good practices, including those related to worker rights. Support ranges from coaching to providing best practices and active capacity building.
- We are a participating brand with the ILO's Better Work programme in Vietnam, Cambodia, Indonesia and Haiti. We encourage our suppliers to participate in training and programmes offered by Better Work in these countries.
- In 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 included stakeholder engagement and worker education.

(3) provides evidence of the positive impact of worker engagement in its supply chains

We encourage our suppliers to engage directly with workers, but if an issue is identified or opportunity to support a support a supplier arises, we may engage workers directly, or via third party.

- For example, as part of the remediation efforts to address issues identified at the tier 1 KSI facility in Bangladesh (see [here](#) for more information), we engaged Impactt, a specialized consultancy, to investigate allegations through extensive worker interviews, and to develop and operate a worker grievance hotline ("Hello Astha") in the facility. This mechanism is now is frequently used by workers to raise concerns and complaints. As a result of worker feedback, the facility has remediated issues and instituted changes including a change in the consent procedure for overtime (from monthly to weekly), simplifying the sick and annual leave policies, and responding to health concerns in connection to the COVID 19 pandemic. The resolution of these grievances directly affects more than 13,000 workers at the facility.

For other examples of worker engagement, see sections 5.1.4 and 5.2.4

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

- To date, lululemon primarily engages directly with workers through on-site conversations during assessments, indirectly through third parties, or through our suppliers. Worker interviews are an important part of our facility assessments, and we use worker feedback in the development of Corrective Action Plans, which drive necessary improvements.
- Our FMW Standard requires suppliers to develop training programs to educate foreign migrant workers on their rights. To date, tier 2 Taiwanese suppliers have trained a total of almost 2,900 FMWs on their rights as employees in a foreign country.
- As parts of our efforts to extend the worker's knowledge on their rights under lululemon's Vendor Code of Ethics, in 2019 we trained workers of two of our suppliers in Taiwan. Topics included general education on worker rights under the Vendor Code of Ethics, health and safety as well as grievance mechanisms.
- Our Vendor Here to Be programme offers grants to facilities to support worker engagement programs. In 2019, we supported a variety of different facility-led programmes, including health education for workers at a facility in Vietnam, a worker community garden at a facility in Peru, and yoga lessons for workers in several facilities across Peru, Indonesia, and China.
- In 2019, we piloted the programme Yoga in our Factories in Sri Lanka, which was developed in collaboration with our supplier MAS Sri Lanka. The program educates workers to lead daily yoga and mindfulness sessions in their facilities. Following the evaluation of the pilot phase, we are looking to further roll out the program.

For additional worker engagement examples, see sections 5.1.3 and 5.2.4.

5.2 Freedom of Association

The company:

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

- Unions are a key stakeholder in our Responsible Supply Chain Program. We engage with both local and International unions on specific issues in our supply chain. As part of our membership in the FLA, we have begun to develop our stakeholder engagement strategy, which will be guided by FLA recommendations. This strategy will form part of our process to become an accredited FLA member by 2022.

(2) discloses that it is party to a global framework agreement that covers its supply chains and/or an enforceable supply chain labor rights agreement with trade unions or worker organizations

- We are not party to a global framework agreement at this time.

(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

- Our standards 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 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. 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.
- 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). As of the end of 2019:
 - Tier 1 - 83% of finished goods assessments in Vietnam, and 45% in China identified unions or worker councils.
 - Tier 2 - 66% of fabric mill assessments in Vietnam and 41% in China identified unions or worker councils.

(4) provides at least two examples covering different supply chain contexts of how it improved freedom of association and/or collective bargaining for its suppliers' workers such as migrant workers (e.g., by taking action where suppliers impede workers' rights to freedom of association and/or collective bargaining or by engaging policy makers to improve respect for such rights).

- In 2018 and 2019, we supported the resolution of an industrial dispute that was connected to the dismissal of 4 workers in a facility in the Americas. Together with other buying brands in the facility, we engaged with the local union and experts on the ground and facilitated a positive resolution agreed to by all parties. One of the individuals dismissed, was re-hired as a result.
- In 2019, we Identified a situation in a facility in Asia, where the supplier's support for union activities in the facility was questioned. We engaged an independent third party to conduct an in-depth assessment and create a corrective plan. We subsequently engaged with the supplier around remediation of the identified issues. The issue is still under resolution.

5.3 Grievance Mechanism

The company:

(1) takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labor conditions in the company's supply chains is available to its suppliers' workers and their legitimate representatives

Lululemon has a corporate-level grievance mechanism. Each supplier is required to have a site-level mechanism.

Corporate-level:

- Suppliers' workers can report a grievance to lululemon via email or SMS.
 - Email: Our contact email (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 Complaints Officer.
 - SMS: Workers can also contact their regional Partner Sustainability Managers to report issues and lodge complaints. Partner Sustainability Managers leave their contact details and SMS coordinates with workers they have interviewed in the facilities.
- Any third-party stakeholder, including NGOs and unions, may contact us at sustainablepartner@lululemon.com. This address is located 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/sustainability/responsible-supply-chain/human-rights-and-working-conditions/california-transparency-in-supply-chains-act>
- As noted in section 5.1.2, we engaged a third-party organization, Interpraxis, to conduct a Worker Voice and Grievance Mechanism Assessment. This assessment included a baseline of current corporate and supplier-level grievance mechanism practices and prioritized opportunities for improvement.

For additional details on our corporate grievance mechanism process, see section 7.2.A.1.

Supplier-level:

- Our standards require our supplier facilities to establish 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."

- Our FMW Standard recognizes the vulnerability of foreign migrant workers, and includes specific guidance and provisions relating to the establishment of confidential grievance mechanisms (see Appendix B, Foreign Migrant Worker Standard, sections 9.a and 9.b.)
- Seventy-eight percent of our tier 1 and almost 60 percent of our tier 2 assessments showed suppliers had established grievance mechanisms. We are working with those who do not have 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.
 - 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.
 - A Bangladesh supplier uses a 24/7 hotline operated by Impactt consulting, an award-winning consultancy specialized in improving working conditions in facilities through a worker-centric approach. Learnings from the operation of this hotline will be used for providing our vendor with practical guidance on how to establish operational-based grievance mechanisms in their facilities.

(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) 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:
 - 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 its suppliers' workers or their legitimate representatives are involved in the design and/or performance of the mechanism, to ensure that the workers trust the mechanism.

Corporate-level:

- As noted in section 5.3.1, 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 provided 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.

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. suppliers using Labor voices, Imapctt, and 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. From January 2019 to April 2020, we received grievances concerning 5 facilities in the following categories: unjust dismissal, impediments to freedom of association, harassment, health and safety,
- Of these cases:
 - Grievances related to two facilities 2 have been resolved and closed; 3 remain open and are under active resolution
 - Grievances related to two facilities 2 were submitted by workers in the facilities directly; 3 were submitted by 3rd party NGOs on behalf of workers
 - 4 of the cases related to facilities in Asia, 1 from the Americas

For additional details on our corporate grievance mechanism process, see section 5.3.1 and 7.2.A.1.

(5) provides evidence that the mechanism is available and used by workers below the first tier in its supply chains.

- Through our corporate grievance mechanism, both tier 1 and tier 2 suppliers' workers can contact us via the email displayed on our VCoE (sustainablepartner@lululemon.com) or via or SMS to our Partner Sustainability Managers.
- Of the above five cases of grievances noted above, 2 were received from tier 2 workers.
- Through our VCoE Assessment process, assessors check that grievance mechanisms are available to workers in both tier 1 and tier 2 facilities.

THEME 6: MONITORING

6.1 Auditing Process

The company has a supplier monitoring process that includes:

Our approach and process pertain to questions (1) – (5).

- 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).
- Our Responsible Supply Chain Program requires initial assessments and on-going monitoring of all tier 1 and tier 2 facilities, as well as of subcontractors that trigger an identified high-risk area.
- We selectively conduct shared supplier monitoring with certain brands and participate in the SLCP, FMW Brand Collaborative, and Better Work in support of shared monitoring.

New Vendor Approval Process and on-going supplier monitoring:

- We assess all new tier 1 and tier 2 facilities against our VCoE, and only approve a supplier for onboarding if the required level of performance is achieved.
- We reassess strategic suppliers at least every 12 months, and other facilities at least every 18 months. (As of 2020, we will assess all facilities on a 12-month cycle.)
- Assessments are conducted by our in-house team of experts. We use commissioned, third party assessors when we require capacity and/or to maintain independence.
- A 102-point questionnaire is used for full assessments, which are conducted for all tier 1 and tier 2 suppliers. The scope is expanded in cases of foreign migrant labour.
- Full assessments are at least two days in length, and include meetings with facility management, site visits, document reviews and employee interviews.
- All assessments end in closing meetings with facility senior management to present findings. If issues are identified, a corrective and preventative action (CAPA) plan is developed, and remediations are implemented on an agreed-upon timeframe.
- 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 assessments (e.g. Haiti).

(1) non-scheduled visits;

- As per our Supplier Agreement, we have the right to conduct both announced and unannounced assessments, and will perform unannounced assessment in special cases.
- In 2019, we conducted 3 unannounced assessments. In 2020 we conducted 2 unannounced assessments

(2) a review of relevant documents;

- We review the following as part of a full assessments:
 - Documents related to labour conditions (policies, contracts, payment records, wage slips, working hours, recruiter service agreements and contracts)
 - Documents regarding the facility's fitness for business (building & fire safety, legal permits)
 - Documents related to training (content and attendance)
 - Documents relevant to grievances (submissions and responses)
 - Documents recording disciplinary action (records and responses)

(3) Off-site interviews with workers;

- A typical full assessment includes interviews with a minimum of 10 workers, consisting of management and workers from various departments, including union representation and, where applicable, foreign migrant workers in their local language.
- Interviews cover questions related to the recruitment process and contract terms, identification documents, wage processes, and regular questions with respect to human rights and labour practices.
- We currently conduct off-site interviews only when the subject matter is of particular sensitivity.

(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) steps to ensure that suppliers below the first tier are audited.

- We assess all new tier 2 suppliers (fabric mill facilities) as part of the New Vendor Approval Process (described above) and conduct a reassessment at least every 18 months following. (As of 2020, we will assess all facilities on a 12-month cycle.)

- We require our suppliers to conduct assessments of all their subcontractors and supply us with findings as part of the subcontractor approval process.
- We assess all new subcontractors that trigger one of three key risk factors and reassess these facilities at least every 18 months (Every 12 months, as of 2020). Risk factors include suppliers that:
 - Are located in a high-risk country
 - Use high-risk process that could create worker or environmental risks
 - Employ foreign migrant workers
- In 2019, we started to engage with our top three trim suppliers to educate them on our Responsible Supply Chain Program, and VCoE expectations. We will launch an assessment pilot project with these facilities in 2020.

For additional details on subcontractor assessments, see sections 1.2.5, 3.2.2, 3.3.3, and 3.4.1.

6.2 Audit Disclosure

The company discloses:

(1) the percentage of suppliers monitored 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. (As of 2020, we will assess all facilities on a 12-month cycle.)

Within the last 18-month cycle, we assessed:

- Tier 1: 98% of total finished goods facilities
- Tier 2: 84% of our Tier 2 facilities

(2) the percentage of unannounced monitoring visits

- As our approach is to build partnerships based on shared values, we typically we do not conduct unannounced assessments, although we have the legal right to do so as per our Supplier Agreement.
- For 2019, under 1% of our total assessments were unannounced (3 assessments).

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

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

(4) information on the qualifications of the monitoring organization used and/or the use of worker-driven monitoring (i.e., monitoring undertaken by independent organizations that includes worker participation and is guided by workers' rights and priorities)

Our assessments are conducted primarily by our in-house team. We engage third-party auditors, when we require external capacity, local language capabilities, and/or to maintain independence.

- In-house assessment team – Our team consists of in-the-field assessors, reporting to the Global Director of Partner Sustainability. The majority of our team members have at least ten years of experience with combined qualifications that include SA 8000, ICTI, EICC, and WRAP. Each team member undertakes additional training, and has completed Verité's training on detecting and acting on forced labour risks.
- Third-party auditors – Elevate and BSI are our primary 3rd-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 2019, 20% of total assessments were conducted by 3rd parties.

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

lululemon's initial assessment findings were typical of common practice in apparel and other industries, and have been remediated. Overall, in 2019 the most frequent findings were related to for both tier 1 and tier 2 facilities:

Finding categories	% of total findings	Examples
Health & Safety	26%	Use of Protective Equipment Machine guards for worker safety Fire preparedness including evacuation drills
Labour	26%	Working hours include overtime and break regulations Benefits, such as social insurance payments Contractual issues, such as working contracts provided in the language of the workers.
Dormitories	6%	Health & Safety and living conditions in dormitories, including personal space and hygiene.
Environment	42%	Labeling of chemicals & storage Training for chemical handling personnel Waste handling, including waste water treatment

With regards to foreign migrant worker rights, As disclosed in our response to 4.2.2, our 2019 foreign migrant workers assessments in Taiwan found violations of non-reimbursement of airfare costs to foreign migrant workers. Two suppliers had not reimbursed the cost of airfare to foreign migrant workers, contrary to their labour contracts. We developed a Corrective Action Plan for the suppliers, and regularly assessed progress against the CAPA until the issue was remedied and the foreign migrant workers were reimbursed. This was confirmed by a verification at the end of the process.

THEME 7: REMEDY

7.1 Corrective Action Plans

The company discloses:

(1) a corrective action process for its suppliers and potential actions taken in cases of non-compliance, such as stop-work notices, warning letters, supplementary training, and policy revision;

We know that most suppliers will not achieve a 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:

- 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, if needed, including training and coaching to develop and implement CAPAs.
- In the case that an identified non-compliance is of immediate risk to workers, it is escalated to executive attention within lululemon's Sustainability and Sourcing teams, who oversee CAPA development and implementation.
- In the case of non-compliance with one of our VCoE zero-tolerance policies, any identified non-compliance must be addressed within 30 days or less, depending on the issue. If a non-compliance persists past the 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;

- Corrective and Preventative Action (CAPA) plans 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 and Director, Partner Sustainability and reported to Sourcing and Production through scorecards and quarterly supplier review 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;

- 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 may include the facility being put on probation, the parent supplier being informed of the non-compliance, and/ or a reduction in or cancelation of existing order volumes. In a worst-case scenario, lululemon has the right to terminate the supplier contract.

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

- In 2016, our VCoE assessments identified common business practices that were in contravention of our new 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.
- In 2019, our assessment processes identified two facilities that did not pay for the inbound flights of Filipino and Thai foreign migrant workers (FMWs) as stipulated in their labor contracts as in our FMW Standard. We developed a Corrective Action Plan for the suppliers, and regularly assessed progress against the CAPA until the issue was remedied and the foreign migrant workers were reimbursed. This was confirmed by a verification at the end of the process. These suppliers have developed more robust pre-departure and orientation trainings for FMWs. This increased transparency is intended to provide FMWs with a more thorough understanding of their future working.

For additional information on findings through our VCoE assessment process, see section 6.2.5 and 7.2.2.

7.2 Remedy Programs / Response to Allegations

If no allegation regarding forced labor in the first or lower tier of a company's supply chains has been identified and disclosed by a third party(ies) in the last three years, the company discloses:

(1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking;

If an allegation is made through lululemon's corporate grievance mechanism (or via indirect sources), the process is as follows:

- lululemon's Responsible Supply Chain team acknowledges complaints and/or allegations of violations of our standards received through within 48 hours.

- The team will then assess the complaint to determine if it is eligible for the complaints process according to pre-determined criteria. This process will be undertaken in a timely fashion (typically 1-10 days) and once the determination is made it will be communicated to all parties.
- 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 the complainants desired outcome.
- Where the issue is a violation of our Vendor Code of Ethics (VCoE) or a breach of an international human rights norm, the parties are informed of the results of any investigation and Corrective and Preventative Action (CAPA) plans are developed, with immediate and consistent follow up on any necessary remedial action until the issue has been resolved.
- The grievance or complaint is deemed resolved when the complainant is satisfied with the resolution (and it is deemed to be rights-compatible) or lululemon has determined through its monitoring framework that the issue has been resolved in accordance with VCoE expectations or international norms of human rights.

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

- In 2019, we received reports of mistreatment of workers (including verbal harassment and abuse) for a facility in Bangladesh. Following an in-depth investigation, lululemon, together with major buyers in the facility, created a Corrective Action and Preventative Action Plan (CAPA). CAPA requirements to remediate the identified issues included training for all supervisors and workers on acceptable behaviour in the workplace (including anti-harassment), improvements to the facility's grievance mechanism, as well as improved sick leave procedures and on-site clinic services. Follow-up verification visits confirmed a substantial increase in worker satisfaction.
- In 2018 and 2019, we supported the resolution of an industrial dispute that was connected to the dismissal of 4 workers in a facility in the Americas. Together with other buying brands in the facility, we engaged with the local union and experts on the ground and facilitated a positive resolution agreed to by all parties. One of the individuals dismissed, was re-hired as a result.

For additional details on our VCoE assessment process and resolution of identified issues, see sections 6.2.5 and 7.1.4.

SUPPLEMENTAL DISCLOSURES

Measurable and Time-Bound Commitments to Address Forced Labour

- As of February 2020, we have joined the Fair Labour Association (FLA) as a participating company. We plan to become accredited with the FLA by 2022, and fulfil all FLA requirements related to Forced Labour.
- Following the success of our Foreign Migrant Worker Standard Program and no-fees process in Taiwan, in 2020, we will roll out the program to further countries including Thailand, Japan, South Korea and Malaysia.

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 engages in co-branded products, and occasionally retails 3rd party products that do not contain the lululemon label. The VCoE applies to co-brands and 3rd 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 may be 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.¹
- **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.²
- **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.³
- **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

¹ 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.

² 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.

³ 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.

minimum requirements for the recruitment, selection, hiring and management of foreign migrant workers by or on behalf of vendors doing business with lululemon.

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 Workers⁴
 - a) Employment contracts for foreign migrant workers shall be signed directly with the vendor, not

⁴ 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.

- 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 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.⁵
 - 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.

⁵ 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 transportations 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.

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

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

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

Table 2: Mandatory Employment Contract Terms**

- Any other facility specific requirements as required
- 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.

