



Sustainability Case Study
Fandi Tang
Professor Steven Cohen
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Background

Lululemon athletica inc. (Lululemon) is a Canadian athletic apparel company publicly traded in the United States. It operates in the Consumer Discretionary sector with a market capitalization of approximately \$42 billion (USD). Founded in Vancouver in 1998, Lululemon began as a yoga studio selling apparel and yoga mats. It has since expanded its products to a broad range of activities, from running apparel to leisure wear. Lululemon operates globally in 17 countries, with over 29,000 employees in over 570 stores. Its presence is concentrated in North America, where it has 387 stores.

Lululemon takes a direct-to-consumer sales approach, through its website and physical locations, as opposed to distributing through third-party retailers. As of August 2022, Lululemon's estimated revenues are over \$7.1 billion, with operating expenses of \$2.3 billion. There are three tenets at the heart of Lululemon's vision: product innovation, guest experience, and market expansion. Lululemon's business growth plan for 2026¹ focuses on those three tenets.

Lululemon has gained tremendous popularity in recent years through marketing a lifestyle rather than standalone products. Its approach is reflected in its brand purpose: "We elevate human potential by helping people feel their best." Lululemon's five core values² correspond to that purpose: personal responsibility, inclusion, connection, courage, and fun. Missing from those core values is sustainability.

As this case study will explore, the emphasis on responsibility and inclusion above environmental sustainability has shaped Lululemon's current sustainability path. This case study will dive deeper into Lululemon's definition of sustainability, organizational structure, sustainability metrics, relationship with suppliers and partners, and the future of sustainability.

Lululemon's Definition of Sustainability: A Focus on Equity and Well-Being

Lululemon's philosophy is to "encompass a culture of inclusion where diversity is celebrated, equity is the norm, and action is the commitment."³ Lululemon's scope of sustainability framework includes its employees, local communities, and its global supply chain. Lululemon's main sustainability framework stems from its Impact Agenda, which it began setting in 2020 and continues to evolve. 2021 was the first full year Lululemon implemented its Impact Agenda, which it reported on in 2022.

Lululemon's primary definition of sustainability is grounded in its three Impact pillars: Be Human, Be Well, and Be Planet. Be Human and Be Well depart from more standard definitions, as they emphasize equity, social impact, and well-being. Lululemon follows industry standards by using the Sustainability Accounting Standards Board (SASB) on general ESG efforts. It also considers the United Nations' Sustainable Development Goals (SDGs) within its Impact Agenda.

Be Human targets equity and inclusion based on the premise that Lululemon succeeds because it can create an environment that is "equitable, inclusive, and fosters growth." This pillar supports three SDGs: Gender Equality, Decent Work and Economic Growth, and Reduced Inequalities. Be Human has three focus areas: Inclusion, Diversity, Equity, Action (IDEA); employee empowerment; and labor conditions for employees in Lululemon's supply chain.

Be Well targets physical, mental, and social well-being to enable communities to thrive. Lululemon takes responsibility to enable access to wellness tools and resources and minimize

¹ Lululemon, 2022b.

² Lululemon, 2022a.

³ Lululemon, 2022c.

inequity in well-being for its employees, as well as local communities globally. Be Well supports the SDGs of Good Health and Well-being, Gender Equality, and Reduced Inequalities. Be Well's two focus areas are to provide equitable access to well-being resources and to pursue impact through research, advocacy, and inclusive innovation.

The last pillar, Be Planet, covers the more traditional environmental factors. Lululemon's aspiration for Be Planet is to ensure its "products and actions avoid environmental harm and contribute to restoring a healthy planet." This pillar maps to the SDGs of Affordable and Clean Energy, Responsible Consumption and Production, and Climate Action. Lululemon defines five environmental focus areas: climate action; sustainable product and material innovation; circularity; water and chemistry; and waste.

Organizational Structure: Targeted Working Groups

Lululemon deploys its Impact Agenda through five groups to broadly implement its goals. It does not provide an exact headcount, historical growth, or budget for these sustainability groups.

The first group is the Board of Directors, which acts as a fiduciary to three committees that steer various sustainability efforts. The Corporate Responsibility, Sustainability, and Governance Committee oversees Lululemon's sustainability and governance efforts. The People, Culture, and Compensation Committee oversees diversity, equity, and inclusion efforts. Finally, the Audit Committee oversees assessing risks, such as compliance and disclosure risks.

The second group is the Sustainable Business and Impact function, which drives environmental, social, and governance (ESG) strategy for Lululemon. Esther Speck, who serves as Lululemon's Vice President of Global Sustainability and Social Impact, has led the group since 2015. Speck has helped launch Lululemon's Center for Social Impact, which supports global access to wellness programs, as well as more humanitarian ones, such as programs to stop human trafficking and forced labor within its supply chain.

The third group is the Inclusion, Diversity, Equity, and Action (IDEA) function, which sets and implements global goals. Stacia Jones, who worked for over two decades years a labor and employment lawyer,⁴ serves as the Vice President of IDEA and leads the platform. As of 2021, IDEA had over twenty employees to help execute the relevant goals within the Impact Agenda. According to Jones, IDEA is "a critical business function that feeds into each level of the organization and is essential for us to be the impactful company that we are."

The fourth broad group consists of Lululemon's various steering committees and advisory groups for more specific projects. The steering committees oversee targeted global initiatives, such as sustainable packaging. The councils include the Responsible Supply Chain Council, responsible for supply chain developments; the Center for Social Impact Advisory Board, responsible for advising the Center for Social Impact; and the Climate Activation Council, a cross-functional team with members from non-Sustainability departments responsible for executing Lululemon's climate goals.

The final team involved in Lululemon's sustainability efforts is the Executive Impact Council, which manages, plans, and reports on the Impact Agenda and IDEA targets. This council includes the CEO, Calvin McDonald, the senior leadership team, the Vice Presidents of Sustainable Business and Impact and IDEA, and members of the Supply Chain, Product, Legal, Brand, Finance, and People & Culture teams.

⁴ Karg, 2021.

Sustainability Metrics: Be Human, Be Well, and Be Planet

Lululemon currently measures its sustainability efforts through 16 goals and corresponding metrics across its Be Human, Be Well, and Be Planet pillars. It updates its goals on an annual basis and reports on progress every year in its Impact Report. This section will first dive deeper into those metrics, including outputs and outcomes, by each pillar. I will then discuss what metrics are missing and evaluate the importance of sustainability goals to Lululemon.

Metrics and Outcomes

The Be Human pillar, which focuses on diversity, equity, and inclusion, includes 5 goals across the themes of employee empowerment, IDEA, and “maker” (supply chain worker) rights. Lululemon met one of those goals ahead of schedule. In 2021, it achieved its employee empowerment goal of full pay equity for 100% of its employees and will continue to target full pay equity for every subsequent year. Lululemon introduced a new employee empowerment goal in 2021: it targets 40 hours of paid training for full-time employees, compared to the 2021 baseline of 13.5 hours.

Lululemon is also on track for its IDEA goal to increase employee diversity. The first metric Lululemon targets for this goal is to achieve 30% racial diversity of assistant store managers and directors by 2023; in 2021, Lululemon reached 23%, compared to 21% in 2020. Its other IDEA goal is to have 40% of all global employees be racially diverse; in 2021, it reached 37%, compared to 31% in 2020.

Lululemon’s progress on its two “maker” goals is less obvious. The first is to achieve Fair Labor Association (FLA) accreditation by 2024, but since 2020, Lululemon has not progressed past the onboarding stage. In 2021, the FLA conducted assessments for Lululemon’s factory sites⁵ in Indonesia, Peru, and Sri Lanka and found violations at all sites. There were 39 violations in Indonesia,⁶ 14 in Peru,⁷ and 44 in Sri Lanka.⁸ (Please see Appendix 1 for a table breaking down the violations into the different FLA elements.) However, in the FLA Corrective Action Plans reports, Lululemon has either completed or is on track to complete all of the recommended courses of action for its violations. It also updated its facility assessment methodology, which it has begun implementing in 2022, to meet industry standards. Lululemon’s other maker goal was introduced in 2021. It targets increasing the number of makers in its supply chain who participate in Lululemon’s well-being programs to 100,000 by 2025 from 20,000 in 2021.

Be Well is the newest pillar, introduced in 2021, with 3 goals. Its first goal was to launch its Center for Social Impact, which it did in 2021. The Center aims to provide grants to organizations supporting inclusive, equitable access to wellness and civil rights. To date, the impact program has supported over 750 organizations. 2021 investments include \$1.5 million in the Girls Opportunity Alliance,⁹ an Obama foundation program that targets empowering adolescent girls through education, and \$1 million in The Trevor Project, the world’s largest teen LGBTQ+ suicide prevention organization.¹⁰

Be Well’s second goal is to invest \$75 million into the Center for Social Impact by 2025; in 2021, Lululemon invested \$13.7 million. The pillar’s last goal is to provide 10 million people access to well-being tools and resources by 2025. While Lululemon did not specify how they

⁵ FLA, 2021a.

⁶ FLA, 2021b.

⁷ FLA, 2021d.

⁸ FLA, 2021c.

⁹ Obama Foundation, *Girls Opportunity Alliance*.

¹⁰ Trevor Project, 2022.

would track progress on the last metric, they separately have commissioned research on global well-being. In 2022, it released its second Global Well-being Report, a 48-page report on the status of mental and physical health for people around the world.¹¹ This report is featured on the front page of Lululemon's website below the slogan, "Driven by our purpose." The Well-being Report's prominent placement on its website demonstrates Lululemon's intention to market its brand as being very invested in well-being.

Lululemon's last sustainability pillar is Be Planet. Although Be Planet has 8 goals, more than the other pillars, it is the least prioritized. While Lululemon achieved 3 of its goals in 2021, Lululemon also regressed on one compared to its baseline year. Be Planet is the only pillar where that occurs.

On the climate front, Lululemon has set Science Based Targets for its emissions and committed to achieving net zero carbon by 2050 or earlier, which is in line with industry peers. In 2021, Lululemon achieved its goal to reduce Scope 1 and 2 (owned and operated facilities) emissions by 60%—compared to its 2018 baseline—by 2030. However, 99.7% of Lululemon's total emissions lie in its supply chain, as measured by its Scope 3 emissions. Thus, Lululemon's more meaningful climate goal is its target reduction of Scope 3 carbon intensity by 60% by 2030, also compared to a 2018 baseline.

Lululemon is notably off-course to meet its Scope 3 reduction target, as it has increased emissions since 2018: in 2021, its Scope 3 carbon emissions were 4% greater than in 2018. Its overall trend is also less than promising. Since 2019, Lululemon's Scope 3 emissions have been increasing, with greater 2020 Scope 3 emissions than in 2019 (Appendix Figure 2).

Lululemon has made progress on two other Be Planet goals. In 2021, it achieved its goal of sourcing 100% of its electricity through renewable sources by 2030 through direct purchase agreements, verified by Energy Attribute Certificates. This is a vast improvement from 2020, when 64% of Lululemon's electric generation came from coal.¹² The shift to renewable energy is what enabled Lululemon to achieve its Scope 2 emissions reduction. The other goal Lululemon achieved in 2021 was its implementation of the Zero Discharge of Hazardous Chemicals (ZDHC) Manufacturing Restricted Substances List for 100% of priority suppliers, which produce over 80% of Lululemon's production value, by 2022. However, although suppliers have agreed to adopt those guidelines, Lululemon does not report whether its suppliers adhered to them.

Lululemon has made little progress on the rest of its Be Planet goals. For its goal of 100% of products made with sustainable materials by 2030, Lululemon achieved only 29% in 2021, compared to its 2020 baseline of 27%. It is also important to note that the goal is not to source 100% of its materials sustainably but rather to have 100% of its products use some form of sustainable material. Lululemon's sourcing goal is to target 75% of all materials to be sourced sustainably by 2025, but it achieved only 38% in 2021, compared to its 30% baseline.

Within the sustainable sourcing goal, Lululemon is far from sustainably sourcing all its main materials: nylon, polyester, and cotton, representing 37%, 25%, and 15%, respectively, of its material inputs. In 2021, it only sourced 6% of nylon through recycled or renewable sources. Lululemon has made more headway with polyester, with 50% coming from recycled sources. Lastly, it states that it sourced 37% of its cotton sustainably but failed to define "sustainably" in this context.

Lululemon added 3 new Be Planet goals in 2021. The first is to introduce the concept of circularity through its "Like New" program. By 2025, Lululemon aims to offer 100% of its

¹¹ Lululemon, 2022d.

¹² McKenna, 2022.

customers the ability to trade in used products and purchase gently used ones. Currently, only 22% of customers have access to this program, and it is not widely advertised on its website. The two other new goals are to reduce freshwater usage by 20% and reduce single-use plastic packaging by 50%. Both goals are benchmarked to 2021, with targeted completion by 2025.

Missing metrics

While setting new goals indicates Lululemon's willingness to increase its impact, there are many considerations it does not publicly measure or target. One glaring omission is the lack of transparency surrounding company resources dedicated to sustainability. Its Impact Agenda does not target nor publish the number of staff allocated to sustainability. Other than well-being programs, Lululemon does not offer sustainability education to its employees. It is also unclear if sustainability is incentivized for employees. Lululemon does not publish whether management compensation or employee performance reviews depend on achieving sustainability targets.

Additionally, there are many environmental metrics Lululemon does not consider. In 2021, it did not respond to the Carbon Disclosure Project (CDP)'s Forests or Water Security surveys,¹³ even though it responded to CDP's carbon survey. Lululemon also does not consider metrics that its competitors track, such as Nike's waste reduction and recycled waste targets.¹⁴ Lululemon is also lacking in metrics tracking circularity. Although it has taken an important first step in offering customers the ability to trade in used clothing, it does not monitor how much clothing is recycled, only how many customers have access to that option.

Strategic Importance of Sustainability Goals

One method to judge how much importance Lululemon places on sustainability is to evaluate the evolution of its goals. These goals are fairly new, as the Impact Agenda was introduced only in 2020. Thus, the addition of 5 goals in 2021 indicates that sustainability is still evolving within the organization as it begins to expand the scope of its impact. On the other hand, Lululemon's goals are less aggressive than its peers. For example, its targeted 60% reduction in all emissions by 2030 is much less ambitious than Nike's targeted reduction of 70%¹⁵ and Patagonia's target of 100%¹⁶ (for net-zero), both by 2025.

The importance of sustainability to Lululemon's strategy can also be gleaned from its reports filed to the U.S. Securities and Exchange Commission (SEC), particularly in the section on risk factors to its business. The first risk listed is, "*our success depends on our ability to maintain the value and reputation of our brand,*" and cites the risk of failing to achieve its public objectives.¹⁷ Here, Lululemon is admitting that its dedication to sustainability—at least as measured through its Impact Agenda—can influence consumer demand. It also noted climate change as an explicit risk: "*Climate change, and related legislative and regulatory responses to climate change, may adversely impact our business.*"¹⁸

However, Lululemon also associates fighting climate change with potentially hurting its bottom line. In both 2021 and 2022, Lululemon noted that "*if we choose to take voluntary steps to reduce or mitigate our impact on climate change, we may experience increases in energy, production, transportation, and raw material costs, capital expenditures, or insurance premiums*

¹³ CDP, 2022a.

¹⁴ Nike, 2022.

¹⁵ Nike, 2022.

¹⁶ Patagonia, 2022.

¹⁷ SEC, 2022.

¹⁸ Ibid.

and deductibles, which could adversely impact our operations.^{19, 20} These somewhat conflicting statements indicate that while Lululemon acknowledges the importance of sustainability, it is concerned that higher costs from reducing its emissions will hurt its business.

Relationships with Suppliers: Lululemon’s Investments in Supply Chain Sustainability

As its supply chain employs more than 240,000 people, Lululemon acknowledges the importance of incorporating them into its sustainability efforts. Lululemon continuously engages with its suppliers and assesses progress annually. This section will analyze Lululemon’s supply chain efforts within each of its pillars.

Within the Be Human pillar, Lululemon has an explicit goal to include supply chain workers in its wellness programs, as mentioned in the prior section. It also has been expanding its IDEA efforts to suppliers. In 2021, Lululemon developed a Supplier Inclusion and Diversity Strategy, focusing on U.S. suppliers before expanding globally. This strategy aims to increase engagement with suppliers that are at least 51% owned, operated, or controlled by underrepresented groups, such as women, ethnic minorities, veterans, or those identifying as LGBTQIA+.

Lululemon’s other Be Well supplier goal was to achieve FLA accreditation. While the prior section noted that progress on this front has stagnated, Lululemon has stated explicitly that it expects all its suppliers to adhere to its Vendor Code of Ethics. Lululemon will publicly disclose progress twice a year to try to ensure supplier compliance. Lululemon has also joined the Responsible Labor Initiative, a global endeavor with over 190 company constituents promoting worker rights, especially in preventing forced labor.²¹

The Be Well pillar also has initiatives aimed at Lululemon’s supply chain. One target is to make Lululemon’s well-being programs available to at least 100,000 of its supplier makers by 2025. It aims to spend \$2.4 million on these programs over the same time period. While these targets are not explicitly included in Lululemon’s sustainability goals, they are included in Lululemon’s overall Impact Agenda. Lululemon also invests in the Resilience Fund for Women in Global Value Chains. This global fund invests in the well-being, health, and economic empowerment of women in global supply chains.²²

Be Planet is the pillar that is the most challenging for Lululemon’s supply chain, as it generates 99.7% of Lululemon’s total emissions. Lululemon has begun several initiatives to address those issues. The first is to commit to having all its suppliers implement emissions reduction targets by 2025. Suppliers can either adopt Science Based Targets or target a 50% reduction by 2030 and net zero by 2050. Another initiative is to phase out direct coal usage from suppliers. Although Lululemon did not set a target date, it has already begun phasing out coal in its Vietnam facilities.

Lululemon hopes to accelerate those initiatives for its own suppliers, as well as the fashion supply chain as a whole, by co-founding the Fashion Climate Fund in 2022. This nonprofit aims to “unlock” a total of \$2 billion in climate solutions for the apparel supply chain. Lead partners, which also include the H&M Group, PVH, and Target Corporation,²³ have not

¹⁹ SEC, 2021.

²⁰ SEC, 2022.

²¹ Responsible Business Association, 2022.

²² Schulman, 2022.

²³ Fashion Climate Fund, 2022.

committed to directly invest the capital themselves but rather use this nonprofit entity to raise the capital from others.

Lululemon also has a few direct partnerships with sustainable suppliers. For example, it has partnered with LanzaTech to create fabric from carbon waste by first converting waste into ethanol, and then converting ethanol into polyester.²⁴ Lululemon similarly is collaborating with Genomatica to develop the world's first plant-based nylon. It also has a product recycling partner, Debrand, to recycle damaged apparel and products. Although Lululemon does not quantify its product recycling, they state that Debrand turns apparel into insulation, stuffing for mattresses, and sporting equipment, and turns damaged yoga mats into horse arena additives.

Lululemon's Future of Sustainability

Sustainability has become more important to Lululemon over the last few years, and will likely only increase in the future. In this last section of the case study, I will discuss Lululemon's current trajectory and give recommendations for how Lululemon can improve its sustainability performance.

Current Trajectory

Lululemon has overall established a strong foundation for its approach to ESG, most notably on the social aspect. Major rating agencies such as Sustainalytics have given Lululemon low ESG risk²⁵ for its management of ESG issues. Others that measure positive impact instead of risk, such as Ethos, have given Lululemon an A rating.²⁶ Lululemon's strengths come from its commitment to diversity, equity, inclusion, and global well-being, but it has more work to do on its climate impact.

Lululemon's brand is grounded in global well-being and inclusivity, which will continue to drive its investment in and marketing these issues. In addition to its goals to increase diversity and ensure access to wellness programs, Lululemon invested in global communities. Not only do those investments strengthen Lululemon's brand, but also help achieve its growth plan by increasing its global presence. Examples of Lululemon's global investments include an annual grant program, Here to Be, that invests in local organizations to promote equity and well-being needs. In 2021, Here to Be awarded \$5 million in grants to 80 organizations across the world. Lululemon has also invested in initiatives targeting women's equity and leadership; in 2021, it gave \$2.25 million to various grassroots organizations aiming to empower women.

The future of Lululemon's environmental impact is more dismal. CDP's latest Climate Change score for Lululemon was a B, lower than that of publicly traded industry peers, such as Nike's A- and Puma's A-.²⁷ While Lululemon's Be Planet goals are a good framework to begin improving its sustainability profile, its current climate path leads to a tripling of its total emissions by 2030 rather than meeting its Science Based Targets.²⁸

Regulation and consumer preferences drive Lululemon's concerns around climate change. Lululemon acknowledges that it must step up its efforts, noting that *"If our ESG practices do not meet investor or other industry stakeholder expectations and standards, which continue to evolve, our brand, reputation and employee retention may be negatively impacted*

²⁴ Sustainable Brands, 2021.

²⁵ Sustainalytics, 2022.

²⁶ Ethos ESG, 2022.

²⁷ CDP, 2022b.

²⁸ Stand.earth, 2021.

based on an assessment of our ESG practices,” even as it has worried that costs associated with emissions reductions could hurt its bottom line.²⁹

Recommendations

Given Lululemon’s trajectory, my recommendations focus on its approach to climate to improve its holistic sustainability performance. My three recommendations are for Lululemon to focus on reducing its Scope 3 emissions, to be more aggressive in its goal setting, and to provide more transparency on its climate impact and efforts. These recommendations are for Lululemon but are broadly applicable, and the fashion industry at large should also consider them.

My first recommendation is the most crucial one: Lululemon needs to successfully reduce its Scope 3 emissions, which generate over 99% of its total carbon emissions output. Specifically, Lululemon should focus on the beginning of its products’ life cycles: sourcing materials and upstream transportation and distribution.

38% of the fashion industry’s total carbon emissions come from material production,³⁰ so minimizing waste from sourcing is important across the industry. Although Lululemon has done better than its peers, raw materials still contribute to 22% of its emissions. Lululemon should continue to source its main materials—nylon, polyester, and cotton—through low-impact sources. It should continue to invest in innovative partnerships, as it has started with Genomatica and LanzaTech, to produce polyester from recycled sources. Lululemon should also try to move away from raw materials entirely, especially as it invests in technologies to generate materials from recycled sources.

Upstream transportation and logistics generated another 22% of Lululemon’s Scope 3 emissions and is another area Lululemon should decrease its emissions. As there was a 104% increase from 2020 to 2021 in transportation emissions, it is critical that Lululemon moves to less emissions-intensive modes of transportation and fuel. Where possible, instead of extremely carbon-intensive planes, Lululemon should choose ground transportation. Additionally, it should select more efficient fuel for all modes of transportation, such as biofuels for planes or electric vehicles.

For my second recommendation of better goal setting, Lululemon should target a broader range of metrics as well as increase the impact of the metrics it currently targets. As mentioned in the Metrics section of this case study, Lululemon should consider additionally targeting water, circularity, and waste metrics in addition to just emissions. For example, Lululemon does not have a key Impact goal to use recycled materials for its apparel, in contrast to Nike’s 50%³¹ and Patagonia’s 100%³² targets for renewable or recycled inputs. For Lululemon’s existing targeted metrics, it should try to become an industry leader instead of a laggard. For example, it should consider increasing its 60% reduction in all emissions by 2030 to target a figure more comparable to Nike’s targeted reduction of 70%.³³

The last recommendation is for Lululemon to increase its transparency by measuring and publishing more climate-related statistics. As the adage goes, “what gets measured gets managed.” If adopting a greater number of environmental goals is not feasible in the short term, Lululemon should at least be transparent about where it stands on those various issues. It is

²⁹ SEC, 2022.

³⁰ McKinsey, 2020.

³¹ Nike, 2022.

³² Patagonia, 2022.

³³ Nike, 2022.

disingenuous for Lululemon to claim its business model is circular by offering customers the possibility of recycling its products if it does not provide any statistics on how much apparel is actually recycled or resold.

Lessons from Lululemon

As the fashion industry accounts for 4% of global carbon emissions,³⁴ Lululemon's industry peers could all make greater impacts if they followed the recommendations outlined above, especially on moving away from carbon-intensive materials production and adopting more aggressive metrics. All organizations, not just in the fashion industry, should try to be as transparent as possible in their climate efforts.

Aside from learning from Lululemon's shortcomings, there are aspects of Lululemon's holistic approach to sustainability that other organizations should consider adopting. The first is Lululemon's strongest dimension, its embedding of diversity, equity, and well-being into its brand. Recalling that Lululemon's philosophy is to "encompass a culture of inclusion where diversity is celebrated, equity is the norm, and action is the commitment," it has taken great lengths to prove its commitment. Examples of Lululemon's achievements that industry peers can mimic are: 100% full pay equity for all employees; measuring and targeting greater racial diversity; and launching a Center for Social Impact to research and invest in social causes important to the organization.

The second aspect that others should take note of is Lululemon's dynamic approach to sustainability strategy. As demonstrated through its evolution of its Impact Agenda, by adding new goals in 2021, Lululemon acknowledges the growing importance of sustainability. Over the long term, this dynamic engagement with sustainability will help it make a greater impact and adapt to new sustainability challenges.

³⁴ McKinsey, 2020.

Appendix

Figure 1: Lululemon's FLA Violations

Source: The Fair Labor Association.

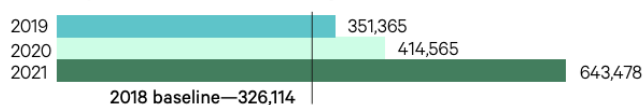
| FLA Element | Indonesia Site Violations ³⁵ | Peru Site Violations ³⁶ | Sri Lanka Site Violations ³⁷ |
|--|---|------------------------------------|---|
| <i>Total</i> | 39 | 14 | 44 |
| Employment Relationship | 13 | 9 | 16 |
| Health, Safety and Environment | 15 | 4 | 16 |
| Compensation | 2 | 0 | 4 |
| Hours of Work | 4 | 0 | 5 |
| Freedom of Association and Collective Bargaining | 1 | 0 | 2 |
| Harassment or Abuse | 1 | 0 | 1 |
| Nondiscrimination | 2 | 1 | 0 |

Figure 2: Lululemon's Scope 3 Progress since 2018

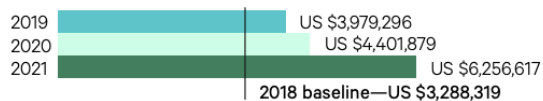
Source: 2021 Lululemon Impact Report

Scope 3 science-based target (tCO₂e)

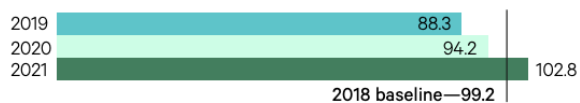
Total Scope 3 within science-based target²⁴



Net revenue from operations ('000s)



Emissions intensity (tCO₂e per million US dollars of revenue from operations)



Scope 3 emissions intensity change from 2018 baseline



³⁵ FLA, 2021b.

³⁶ FLA, 2021d.

³⁷ FLA, 2021c.

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