



## **corporate governance guidelines**

### **ROLE OF BOARD AND MANAGEMENT**

The Board of Directors (the "Board"), which is elected by the stockholders, is the ultimate decision-making body of lululemon athletica inc. (the "Company") except with respect to those matters reserved to the stockholders. The Board selects the senior management team, which is charged with the day-to-day conduct of the Company's business. Having selected the senior management team, the Board acts as an advisor and counselor to senior management and ultimately monitors its performance.

The fundamental role of the members of the Board is to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its stockholders. In fulfilling that responsibility the directors may reasonably rely on the honesty and integrity of the Company's senior management and expert legal, accounting, financial and other advisors.

### **DIRECTOR QUALIFICATIONS**

The Board has adopted guidelines for evaluating director candidates, which the Nominating and Governance Committee of the Board will periodically review and recommend any appropriate amendments to the Board.

### **DIRECTOR INDEPENDENCE**

The Board believes that the Board should be composed of a majority of directors who meet the independence requirements of the Exchange Requirements (as defined below).

### **LIMITS ON DIRECTOR OUTSIDE ACTIVITIES**

Directors must be willing to devote sufficient time to carry out their duties and responsibilities as directors effectively, and should be committed to serve on the Board for an extended period of time. Each Board member is expected to ensure that other existing and planned future commitments do not conflict or materially interfere with the individual's service as a director. Directors are expected to avoid any action, position or interest that conflicts with an interest of the Company, or gives the appearance of a conflict.

Directors who also serve as chief executive officers or in equivalent positions of the Company or other public companies should not serve on more than two other public company boards, and other directors should not serve on more than four other public company boards. Current positions in excess of these limits may be maintained unless the Board determines that doing so would impair the director's service on the Board.

### **CHANGE IN DIRECTOR RESPONSIBILITIES**

Any director whose principal occupation or business association has changed substantially from the time he or she was elected to the Board should volunteer to resign from the Board. The Nominating and Governance Committee will consider the circumstances and the appropriateness of such director's continued service.

### **TERM LIMITS**

The Board does not believe that it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

### **SIZE OF BOARD**

The Board and its Nominating and Governance Committee periodically review the appropriate size of the Board. The Board will consider changing its size to accommodate outstanding candidates or to satisfy specific governance needs.

## **CHAIRMAN OF THE BOARD**

The Chairman of the Board or alternatively, as the Board may determine, one or more co-Chairmen, presides at all meetings of the stockholders and the directors. The Chairman of the Board or alternatively, as the Board may determine, one or more co-Chairmen, represents the Company in all matters involving the stockholders of the Company. The Chairman or co-Chairmen of the Board works with the Company's Chief Executive Officer and Board committee chairs to develop agendas for Board and committee meetings. The Chairman or co-Chairmen of the Board also performs such other duties the Board may assign to him or her from time to time.

## **LEAD DIRECTOR**

If the Chairman of the Board or alternatively, as the Board may determine, at least one co-Chairman, is not an "independent" director (as determined by the Board), the Board believes one of the Company's independent directors should serve as the "Lead Director." The Lead Director should be elected by the vote of the independent directors. The Lead Director, together with the Chairman or one or more co-Chairmen of the Board, performs numerous functions, including working with the Company's Chief Executive Officer and Board committee chairs to develop agendas for Board and committee meetings. The Lead Director should also develop agendas for executive sessions of the independent directors. In addition, the Lead Director presides at Board meetings and executive sessions when the Chairman or one or more co-Chairmen of the Board is not present, including executive sessions of the independent directors, serves as a liaison between the Chairman or co-Chairmen of the Board and the Chief Executive Officer and the other independent directors, approves information sent to the Board, approves meeting agendas and schedules for the Board, has the authority to call meetings of the independent directors and performs such other functions and responsibilities as requested by the Chairman or co-Chairmen of the Board or the Board from time to time. The name of the Lead Director or other means for persons to communicate directly with the independent directors should be disclosed in the Company's annual proxy statement.

## **SEPARATION OF CHAIR OF THE BOARD AND CEO**

The Board elects the Chairman of the Board or alternatively, as the Board may determine, co-Chairmen, and appoints the Company's Chief Executive Officer according to its view of what is best for the Company at any given time. The Board believes that one of its most important functions is to protect stockholders' interests through independent oversight of management, including the Chief Executive Officer. However, the Board does not believe that effective management oversight necessarily mandates a particular management structure, such as a separation of the role and identities of the Chairman or co-Chairmen of the Board and Chief Executive Officer. The Board considers it important to retain flexibility to exercise its judgment as to the most appropriate management structure for the Company, based on the particular circumstances facing the Company from time to time.

## **INFORMATION TO BE DISTRIBUTED PRIOR TO MEETINGS**

Insofar as practicable, information about the Company's business, performance and prospects and recommendations for action by the Board shall be made available to the Board a reasonable period of time before meetings. Information should be relevant, concise and timely.

## **EXECUTIVE SESSIONS OF INDEPENDENT DIRECTORS**

The independent directors of the Board intend to meet in executive session during each regularly-scheduled Board meeting and at any other time requested by any independent director. The Lead Director, if present, will preside at each executive session.

## **BOARD ACCESS TO MANAGEMENT**

The members of the Board should have access to the Company's senior management to ensure that directors can ask questions and obtain all information necessary to fulfill their duties as directors. Each director is expected to use his or her judgment to ensure that any such contact is not disruptive to the business operations of the Company and will, to the extent not inappropriate, coordinate any such contact with the Chief Executive Officer. The Board may specify a process for making such inquiries. Management is encouraged to invite Company employees to any Board and committee meetings at which their presence and expertise would help the Board have a full understanding of matters being considered.

## **RETENTION OF ADVISORS/CONSULTANTS**

The Board and each committee of the Board shall have the authority to retain outside financial, legal or other advisors as they deem appropriate, and shall have the authority to obtain advice, reports or opinions from internal and external counsel and advisors, without consulting with or obtaining approval from any officer of the Company.

## **BOARD AND COMMITTEE EVALUATIONS**

The Board and each committee will perform an annual self-evaluation under the guidance of the Nominating and Governance Committee. Each of the directors will be requested to provide their assessments of the effectiveness of the Board and the committees on which they serve to the Nominating and Governance Committee, in the manner provided by the Nominating and Governance Committee, which may include verbal evaluations. In connection with each annual meeting of stockholders, the Nominating and Governance Committee will evaluate each director whose term is expiring at such meeting to determine whether to renominate such director for continued service on the Board.

## **DIRECTOR COMPENSATION**

The Compensation Committee is responsible for recommending to the Board changes in the compensation for non-employee directors pursuant to the Compensation Committee Charter.

## **STOCK OWNERSHIP GUIDELINES**

The Board has adopted stock ownership guidelines with respect to its directors and executive officers, which the Board or a committee thereof will periodically review and recommend any appropriate amendments.

## **DIRECTOR EDUCATION AND ORIENTATION**

Management, with the oversight of the Nominating and Governance Committee, shall develop and maintain an orientation program for new directors that shall include meetings with senior management and visits to the Company's facilities. All directors will comply with any continuing education requirements developed by the principal stock exchange on which the Company's shares are traded ("Exchange Requirements").

## **COMMITTEES**

The Board will at all times have an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. All members of these committees will qualify as independent directors under the criteria established by the Exchange Requirements. The Board may from time to time establish additional committees as necessary or appropriate. Committee members will be appointed by the Board upon the recommendation of the Nominating and Governance Committee. Consideration should be given to rotating committee members periodically, but rotation should not be mandated as a policy.

Each committee will have its own charter. The charters will set forth the purposes of the committees as well as qualifications for committee membership. The charters shall be posted on the Company's website.

## **CEO EVALUATION**

The Board conducts a periodic review of the performance of the Chief Executive Officer. The Board establishes the evaluation process and determines the criteria on which the performance of the Chief Executive Officer is evaluated and how the results of such evaluation are communicated to the full Board and the Chief Executive Officer.

## **SUCCESSION PLANNING**

The Nominating and Governance Committee will conduct a periodic review of the Company's succession planning, including Chief Executive Officer succession. The Nominating and Governance Committee shall report any recommendations to the Board. The Nominating and Governance Committee shall evaluate and nominate potential successors to the Board as required by circumstances.

## **RISK OVERSIGHT**

In its governance role, and particularly in exercising its duty of care and diligence, the Board is responsible for ensuring that appropriate risk management policies and procedures are in place to protect the Company's assets and business. While the Board has the ultimate oversight responsibility for the risk management process, the Board has delegated to the Audit

Committee the initial responsibility of overseeing the Company's risk assessment and risk management. In fulfilling its delegated responsibility, the Audit Committee requires management to ensure that an approach to risk management is implemented as a part of the day-to-day operations of the Company, and to design internal control systems with a view to identifying and managing material risks.

On a periodic basis (not less than quarterly), the Audit Committee reviews and discusses with the Company's Chief Executive Officer, its Risk and Compliance Team and its internal auditors the Company's significant financial risk exposures and the steps that management has taken to monitor, control and report such risks. In addition, the Audit Committee evaluates the Company's policies, procedures and practices with respect to enterprise risk assessment and risk management, including discussing with management material risk exposures and the steps being taken to monitor, control and report such risks. The Audit Committee reports its activities to the full Board on a regular basis (not less than annually) and is responsible for making such recommendations with respect to risk assessment and management as it may deem necessary or appropriate.

On a periodic basis (not less than annually), the Compensation Committee reviews the various design elements of the Company's compensation policies and practices to determine whether any of their aspects encourage excessive or inappropriate risk-taking by the Company's executive officers. The Compensation Committee reports its activities in this regard to the full Board and makes such recommendations to the Board with respect to the Company's compensation policies and practices as it may deem necessary or appropriate.

## **REVISIONS TO THESE CORPORATE GOVERNANCE GUIDELINES**

The Nominating and Governance Committee shall reevaluate these Guidelines as appropriate and recommend to the Board such revisions as it deems necessary or appropriate to the Board to discharge its responsibilities more effectively.

Revised through September 2014