



19 April 2016

Ms. Lise Kingo
Executive Director
United Nations Global Compact Office
Two United Nations Plaza
New York, NY 10017
USA

RE: Communication on Progress (COP) covering the period of January - December 2015

Dear Ms. Kingo:

Mountain Equipment Co-op (MEC) supports the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption, and we recognize the positive impacts that business can have to further sustainability and prosperity in the world.

In this 2016 Communication on Progress, we describe our actions in the past year to continually improve the integration of the Global Compact and its principles into our business strategy, culture and day-to-day operations.

We also commit to sharing this information with our stakeholders via mec.ca, in our member communication, our stores, and through other channels. In 2016, we issued an integrated annual report covering MEC's 2015 performance on our most material issues as defined by the GRI, rather than creating separate annual and accountability reports. Moving forward, we will continue to issue one combined report. The 2015 report and materiality matrix are available at mec.ca/annualreport and mec.ca/accountability.

Sincerely yours,

A handwritten signature in black ink, appearing to be "DL", with a small circular stamp containing the letters "MEC" positioned over the middle of the signature.

David Labistour
Chief Executive Officer

Human Rights and Labour Principles

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation

Assessment, Policy and Goals

MEC supports the United Nation's Declaration of Human Rights. Our commitment to human rights and fair labour as outlined in the UNGC Principles is manifested in our [Charter](#), our Board-level policy on responsible sourcing (covering suppliers), and our human resources policy manual (covering employees).

In our supply chain, our goal is to improve workers' lives in the factories we work with, and we expect all workplaces will uphold respect and dignity to all workers. MEC has developed three KPIs: Factories that Meet or Exceed Expectations, Factories with Unacceptable Violations, and Fair Trade Certified Products, to measure our performance in human rights and worker well-being on an annual basis.

Implementation and Measurement of Outcomes

As an organization with global sourcing, we recognize our influence and impact goes beyond our organizational boundaries. As a condition of doing business with MEC, we require our suppliers and wholesale brand partners to uphold the MEC [Code of Conduct](#). It sets out our minimum standards for workers' rights and environmental responsibility. Our Code is based on the Fair Labor Association (FLA) Code of Conduct and the covenants of the International Labour Organization (ILO). MEC does not do business in countries under economic and trade enforcement measures ("sanctions") agreed by the UN Security Council and/or the Canadian Government because of their human rights records. Furthermore, MEC signed a three-year agreement with BSI Supply Chain Solutions to have access to global up-to-date country supply chain risk analysis data, specifically human rights and environmental protection.

MEC provides a Code of Conduct translated into the local language to each facility we work with, and we require that trainings be conducted with all workers. We also offer a confidential grievance channel through which workers are able to report any violations of their rights. In 2015, we launched a pilot of the Clear Voice Hotline Service to nine factories in China. Through Clear Voice Services, workers are provided with a toll-free phone number to voice grievances and concerns. Urgent issues are reported to our factory liaison and MEC within 24 hours, and worker grievances are addressed as they arise. As a result of the pilot, one of our factories opted to go even further and conducted their own survey to gauge worker satisfaction.

We measure outcomes of our human rights and labour efforts in our supply chain through our Social Compliance program. Our targets are to increase the number of tier 1 contracted facilities producing MEC-branded product that meet or exceed our minimum standards, and to reduce the number of unacceptable violations in our supply chain to zero. As part of our program, we audit these contracted factories at least once every 18 months, and together with our factory partners develop actionable remediation plans to correct any violations found. Over 2015, we found unacceptable violations in ten

factories and we worked with our factories to resolve eight violations. After repeated attempts to remediate with one facility, we decided to discontinue business with them. At the other factory, we've deemed the workers' risk level to low and we'll continue efforts to reach out a remediation agreement.

Our goal is to establish a common assessment tool to improve factory performance on global standards through consistent communication from brands. In 2015, 585 of our audits were shared and/or accepted by other brands and programs. An update on the program outcomes is published in our [Annual Report](#). We invite the scrutiny of third parties to evaluate and strengthen our supply chain efforts. As continued due diligence of accredited affiliates of the Fair Labor Association (FLA), MEC started to work last year to achieve FLA re-accreditation of our social compliance program. As part of the reaccreditation process, FLA staff review different thresholds to ensure we are meeting obligations as members: code alignment, FLA independent external assessments, annual reporting, third party complaints, and responsible sourcing.

Although we strive to achieve a 100% target factories that meet or exceed our expectations, the reality is that our supply chain is extremely complex. In 2015, 45% of our factories met or exceed our expectations, compared to 38% in 2014. MEC has high expectations for factory conditions, and it is actively working with the factory base to evolve and elevate them.

For the safety of workers, we implemented stricter fire and building safety standards in 2013; these higher standards are one of the reasons we haven't yet reached our overall goal of all factories meeting or exceeding expectations. While this decline can feel like one step back, it meets our own standards of continuing to raise the bar in supply chain performance as we push for constant improvement. MEC continues to work directly with factories by sharing best practices, training, and analyzing root caused to support them with remediating violations.

In an effort to improve factory worker wages and provide a platform for workers to voice their needs and concerns, MEC became one of the first major brands to partner with Fair Trade USA by offering an in-house line of Fair Trade Certified™ apparel. For every Fair Trade Certified product we sold, MEC paid a cash premium into a special fund managed by the workers directly. Workers use a democratic process to decide how to best spend the special fund, whether it's enhancing local community services or using it as a cash bonus to bolster their income.

In 2015, we dramatically expanded our line of Fair Trade clothing. We went from 2 styles to 32 Fair Trade Certified styles, which exceed our target of 4 styles. We used two Fair Trade Certified factories in India – one in Madurai and one in Pithampur – which means our entire supply chain in India is now working with Fair Trade USA.

Environmental Principles

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies

Assessment, Policy and Goals

As an outdoor retailer, we depend on a healthy environment for our members to recreate in. We know that everything we do has an environmental impact: the materials we source for our products, how these materials are processed and manufactured, the stores we operate to get these products to members, and how our members use and dispose of the products at the end of the products' lives.

We are committed to delivering sustainably sourced and environmentally responsible products to our members, and to reducing the negative impacts our operations have on the planet. Our commitment to the UNGC Environmental Principles is reflected in our Board-level Responsible Sourcing and Sustainable Operations Policies, and is embedded in our long-term goals:

1. Activity: Increase participation in activity and outdoor recreation in Canada
2. Conservation: Support the creation and stewardship of parks and wild spaces, as well as front country and urban places, that have recreation and environmental value
3. Marketplace: Foster change toward environmental, social, and economic sustainability in the marketplace

Implementation and Measurement of Outcomes

To date, we have focused our business sustainability efforts on our MEC-brand products and operations. We've also expanded our involvement and engagement with key wholesale brands we carry in our sustainability efforts and communication to members.

To reduce our product footprint, we are working with Bluesign AG, a Swiss organization that has developed leading environmental health and safety standards for the textile industry, and certifies materials produced in facilities that have an environmental management system (EMS) in place. We are committed to sourcing 100% [bluesign®-approved materials](#) for MEC products by 2017 and measure our progress annually. In 2015, 83% of MEC-brand apparel and sleeping bags fabrics were bluesign approved. We strive to increase our offering of products made with environmentally preferred materials. We buy only [organically grown cotton](#) for MEC-brand apparel and continue to grow our offering of [recycled fabrics](#). In 2015, we sold 1,524 product styles made with environmentally preferred materials.

In our operations, we make our buildings as energy efficient as possible, and have developed an internal [green building systems program](#) that is based on leading green building standards. We assess our efforts to make our buildings more resource-efficient bi-annually through building audits. We are a strong supporter of renewable energy, and purchase green energy certificates in provinces with emissions-intensive energy sources and have rooftop solar panels on three of our locations. MEC will expand the purchase of green energy certificates to include all our facilities in Canada in 2016.

While our green buildings have water-efficient initiatives in place, we are committed with responsible water management. In 2015, the MEC Head Office received certification as BC's first Salmon-Safe urban site for its progressive land and water management practices, including the on-site capture and use of rainwater, rain garden swales designed to filter storm water, and other environmentally friendly

landscaping practices.

We have set a 92% [waste diversion](#) target and measure our performance annually through an external audit, and achieved a 91.3% diversion rate in 2015.

We recognize that climate change and its impacts constitute the biggest environmental crisis humanity is facing, and are committed to reducing our [carbon footprint](#). We believe that our responsibility as a business goes beyond adapting to climate change and mitigating risks, but extends to showing leadership in transitioning to a low-carbon future, and engaging in advocacy for implementing carbon pricing and progressive regulation.

In 2015, we measure four areas of our operational carbon footprint: product transport, business flights, energy use, and waste. We set reduction targets for product transport, business flights, and energy use, as those are the areas that contribute the most to our operational carbon footprint, and that we have the most control over. After achieving a 31% absolute reduction in our footprint from 2007 to 2012, we set new carbon reduction targets to 2017.

We have embedded an imputed cost of carbon into our business and reporting to understand the impact of business decisions on climate change. We have identified the growing impact of product transport on climate change due to the rise of ecommerce, and will focus our reduction efforts over the next five years on this area. We track our progress internally on a quarterly basis, with annual updates to our external stakeholders. In 2015, our carbon footprint increased by 2.5% compared to 2014 levels, mostly attributed to the use of a truck-only transport model from the Distribution Centre to our stores as a way to satisfy membership demand. The opening of a second DC in Ontario will mean we can better utilize the rail and truck model, and substantially decrease carbon emissions.

We work with climate change advocacy groups, and support provincial governments in their efforts to introduce carbon pricing and creating innovation and competition over the long term. To this end, in 2015 MEC joined other businesses through the Vancouver Climate Pledge to publicly support stronger actions against climate change. We also provided input on provincial climate action discussions in British Columbia and Alberta.

We are also aware that, given our size, we depend on the collaboration with suppliers, competitors, NGOs and industry organizations to achieve progress. Our participation in the [Outdoor Industry Association](#) and the [Sustainable Apparel Coalition](#) has allowed us to educate ourselves about best practices and to learn from our colleagues.

Anti-Corruption Principles

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Assessment, Policy and Goals

The success of our business is based on transparency, integrity, and ethical conduct. Our commitment to integrity and ethical conduct is expressed in our [Charter](#), our highest governance document. This commitment is reflected in our Board-level MEC Charter & Policy Implementation, Supplier Code of Conduct and Conflict of Interest policies. Moreover, our HR policies on Code of Business Conduct, Conflict of Interest, and Whistleblowing set expectations for employee conduct with regards to anti-corruption and offer guidance for resolving any conflicts or issues associated with corruption.

Implementation and Measurement of Outcomes

Our policies are communicated to all employees during onboarding and via our employee handbook, and employees are informed of any policy changes via intranet, email, and through message boards. Relevant training is also provided to employees that work with third-party suppliers.

We expect and encourage our employees to speak up about any unethical or illegal behavior they encounter. To that end, our confidential, third-party whistleblower reporting service is available to all MEC employees to report unethical or illegal activities anonymously. Our internal issues management group meets on a monthly basis to discuss and resolve any issues that are flagged by internal and external stakeholders.

In our operations, we strengthened our Conflict of Interest and Employment of Relatives and Personal Relationships policy in 2015. This change came about due to a Whistleblower complaint where there had been an unreported supervisory relationship and perceived favoritism. While the policy states that the employment of relatives is acceptable certain provisions must be adhered to.

Our “Open Door” policy gives every employee the opportunity to speak freely to any member of Management at any level. Issues and outcomes are tracked on an ongoing basis and reported monthly to Senior Management as part of regular reporting, or more frequently as needed.

In our supply chain, we require our employees and external auditors to report any attempts of bribery to our Social Compliance team, as this is considered an unacceptable violation of our [Code of Conduct](#) standards. Our first preference is to work with the factory to change unacceptable practices and thereby meet our commitment to improve workers’ lives rather than simply withdrawing our business. For each violation that is evaluated as high priority or unacceptable, factories must have a plan to remediate or have remediated the issue within 14 days of receiving the audit results. Our Social Compliance team works with MEC buyers, sourcing, production specialists, and factory managers to help support the factory in remediation, and along a path of continuous improvement. When a supplier is unwilling to discontinue practices MEC deems unacceptable, we place our business elsewhere.