



18 July 2017

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 2016 – February 2017

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 2017 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. We have been issuing an integrated annual report covering our most material issues as defined by the GRI since 2015, rather than creating separate annual and accountability reports. In 2017, we issued an integrated annual report covering MEC's 2016-17 performance (from January 2016 to February 2017 to reflect a change in our fiscal year). The 2016-17 report and materiality matrix are available at mec.ca/en/explore/transparency-and-reporting and mec.ca/en/explore/accountability.

Sincerely yours,

A handwritten signature in grey ink, appearing to read "Valerie Presolly", is written over a light grey rectangular background.

Valerie Presolly
Director, Sustainable Business Innovation

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 of all workers. MEC has developed three KPIs related to these principles: 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 MEC's [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) Principles of Fair Labor 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 to have access to global up-to-date country supply chain risk analysis data, specifically human rights and environmental protection. Through the data, MEC has been tracking human rights and environmental issues in our supply chain and developed additional tools to inform our Civil Service Organization (CSO) engagement strategy and other components of our Social Compliance program.

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.

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 2016-17, we found four unacceptable violations in

factories. Throughout the year, we were successful in resolving three of the unacceptable violations. After repeated unsuccessful attempts to support remediation with one factory, we ended business with them in 2016. At the end of the reporting year, we had zero unacceptable violations.

Our goal is to establish a common assessment tool to improve factory performance on global standards through consistent communication from brands. In 2016-17, 75% 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. In October 2016, the Fair Labor Association (FLA) approved the reaccreditation of MEC's Social Compliance Program. As part of the reaccreditation, we received suggestions for strengthening our program, which included development of responsible production guidelines for bicycle and sunglasses suppliers, and further exploration and development of grievance mechanisms for workers.

Although we strive to achieve that a 100% of factories that meet or exceed our expectations, the reality is that our supply chain is extremely complex. In 2016-17, 39% of our factories met or exceeded our expectations, compared to 45% in 2015. There are several reasons for this decline. For instance, most audits were conducted in the second half of the year, so there was not enough time for them to complete a corrective action plan within the fiscal year. We also brought on several new factories: we tend to see more areas of non-compliance in initial factory audits, when a factory is not yet familiar with MEC's standards.

For the safety of workers, we implemented stricter fire and building safety standards in 2013; these higher standards are one of the reasons we have not 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. We also continue to assess our standards to ensure they are aligned with the highest industry standards.

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 is enhancing local community services or using it as a cash bonus to bolster their income.

In 2016-17, we expanded our line of Fair Trade clothing. We went from 32 styles to 45 Fair Trade Certified styles. We supported an existing factory in Thailand to become Fair Trade Certified, for a total of four certified factories in our supply chain (the other three are in India).

In conjunction with other brands, we conducted a pilot program for shared auditing at some of our strategic material suppliers (textile mills). We also developed an enhanced audit scope that includes chemical management, and piloted it at four factories.

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 MEC-brand products and operations. We have 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 the end of the 2017-18 fiscal year and measure our progress annually. In 2016-17, 87% of MEC-brand apparel and sleeping bag 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 2016-17, we sold 1,630 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 for all MEC facilities to support local clean energy from wind, low-impact hydro and landfill gas. We also have rooftop solar panels on three of our locations.

We are committed to responsible water management, and our facilities have water-efficiency initiatives in place. In recent years, we began collecting data on water use in our facilities to establish a baseline. However, we have found that water metering and billing varies widely among locations, making this a

challenging initiative to tackle.

We have set a 92% [waste diversion](#) target and measure our performance annually through an external audit, and achieved a 93.9% diversion rate in 2016-17.

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 2016-17, we measured 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. We have embedded an imputed cost of carbon into our business and reporting to understand the impact of business decisions on climate change.

We track our progress internally on a quarterly basis, with annual updates to our external stakeholders. Product transport is the largest source of emissions we track. In 2012, our baseline year, our emissions totalled 10.48gCO₂e/\$. In 2016-17, our transport carbon footprint was 8.52gCO₂e/\$. This marked a decrease of 14% over the previous year, resulting from the opening of a second distribution centre, use of more efficient carriers and a decrease in air freight. In absolute numbers, our product transport carbon footprint increased from 3,160tCO₂e in 2012 to 3,963tCO₂e in 2016-17, based on store and sales growth over the past several years. We will set new targets with the intention of reducing our carbon footprint.

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. 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.

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.

Sustainable Development Goals

We are currently conducting an assessment on the current and potential, positive and negative impacts that our business activities have on the SDGs throughout the value chain to help inform our company’s priorities.