



Fighting Against Forced Labour and Child Labour in Supply Chains 2023 Report

Overview

Since 1971, MEC has provided Canadians with quality outdoor gear and clothing so that they can experience adventure in the world. We want to inspire and enable everyone to lead active outdoor lifestyles.

While we sell products to help people enjoy the world, we are conscious that the people making our clothing and gear also need to be treated fairly and well. This is why MEC has had responsible sourcing policies in place for over 15 years.

Over the decades, we have done a lot of work on improving our sourcing decisions. Having said that, we recognize that there is always room for continuous improvement, especially given the complexity of our supply chain.

As you read this report, you will learn about some of the structures and processes we have put in place to improve the human rights of individuals in our supply chain, as well as some of the risks that we need to work on.

Supply Chains Act

This report is made on behalf of MEC Mountain Equipment Company Ltd. (MEC) and 1264686 BC Ltd., MEC's parent company. It covers our policies and procedures regarding forced and child labour, as well as the steps we have taken in 2023 (meaning our fiscal year from February 27, 2023 to February 25, 2024) to prevent and reduce the risk of forced labour in our supply chains. This report is made under the Canadian Fighting Against Forced Labour and Child Labour in Supply Chains Act, also known as the Supply Chains Act.

This is the first annual report made by MEC and its parent company under the Supply Chains Act, and we do not report on this subject under any other legislation.

MEC's structure, activities, and supply chains

Both MEC and MEC's parent company are incorporated under the laws of British Columbia. MEC does not have any subsidiaries, and in 2023 our parent company did not have any operations or subsidiaries other than MEC.

MEC operates in 25 retail locations across Canada, as well as an online e-commerce website. Our head office is located in Vancouver, BC. In 2023, we had over 1500 full and part-time employees.

As a retailer, MEC sells two main categories of product:

- MEC products, which are sold under the MEC name or logo
- Brand products, which are produced by other companies and brands

We do not produce any of these products ourselves. For most MEC products, we design the clothes or gear in our Vancouver head office, and then work with manufacturing facilities across the world to bring our designs to life.

Since 2008, we have published the names and addresses of all our finished product manufacturing facilities (also known as Tier 1 factories). This supplier disclosure list is updated at least twice annually, and the most recent list is available here: www.mec.ca/en/explore/factories.

In 2023, MEC products were manufactured in 58 Tier 1 factories across 10 different countries. Over the years, MEC team members have visited many of these factories. Some of these factories have also been producing MEC products for decades.

During the manufacturing process, our Tier 1 factories receive fabric, trims, and other materials from mills and suppliers deeper in the supply chain (Tier 2). Tier 2 facilities source materials, like thread, from Tier 3 suppliers, who get raw materials from primary suppliers like farms or mines (Tier 4).

The fabrics and other materials that go into a product are integral to how it performs. Accordingly, for some products, MEC directs our Tier 1 manufacturers to use specific materials from Tier 2 mills designated by MEC. Many of these designated Tier 2 suppliers are also included in our publicly available supplier disclosure list.

In addition to MEC products, we offered our customers products from over 900 other brands in 2023. Unlike our MEC products, we do not have any direct relationship with manufacturing facilities producing brand products. MEC also purchases most brand products only after they have been imported into Canada.

MEC's commitments, policies, and due diligence procedures

MEC is committed to promoting human rights and measurably improving the lives of workers making all products sold by MEC. This includes human rights, fair labour, ethical, and community issues.

MEC has also committed to respect internationally recognized human rights and labour standards in sourcing activities, including the:

- International Bill of Rights
- ILO Declaration on the Fundamental Principles and Rights at Work
- UN Guiding Principles on Business and Human Rights

To work towards these commitments, MEC has developed a number of internal governance documents, policies, and due diligence processes that help manage forced labour and child labour compliance risks. These include the following policies, contracts, and programs:

Social Impact Governance Documents		
Policy, contract, or program	What does it do?	Who does it apply to?
Code of Conduct	The MEC Code of Conduct sets out our minimum standards for workers' rights and environmental responsibility. Among other things, the Code prohibits any of our suppliers from using forced labour or child labour. We require our suppliers to uphold the Code of Conduct as a condition to doing business with MEC.	Suppliers
Social Impact Program	<p>The goal of our Social Impact Program is to ensure that workers are fairly treated in safe and healthy workplaces, in accordance with the MEC Code of Conduct. We do this through regular factory audits, which are commissioned by our team, by other brands, or by industry collaborative programs to assess health, safety, and labour conditions.</p> <p>Where we find non-compliances in our audit review, we work with the factory to develop a Corrective Action Plan, which outlines what improvements need to be made. Corrective Action Plans can be led by MEC or by other parties.</p>	All Tier 1 factories that manufacture MEC products
Responsible Sourcing Policy	Our Responsible Sourcing Policy sets out MEC's commitment to continuous improvement related to social and environmental conditions in our supply chain and procurement practices. Responsibility and approval of this policy is with MEC's CEO.	Employees, agents, consultants, contractors, and officers of MEC
General Terms & Conditions of Supply	Among other things, these contractual terms and conditions require suppliers to comply with the MEC Code of Conduct and to represent and warrant that products sold to MEC are not produced, manufactured, assembled, or packaged using forced labour or child labour.	Suppliers

Fair Labour Association Accreditation

MEC’s Social Impact Program, which covers audits and remediation procedures for our Tier 1 factories, was first accredited by the Fair Labour Association (FLA) in 2013. It was reaccredited in 2016.

The FLA is an organization that works to hold companies accountable to their labour rights commitments by evaluating business practices against the highest international standards for global supply chains. These standards include the International Labour Organization, the UN Guiding Principles, the OECD, and the UN Sustainable Development Goals.

In 2023, our Social Impact Program was evaluated by the FLA on three components of our Social Impact Program: Training for Suppliers, Monitoring, and Grievance Mechanisms. To the date of this Report, our Social Impact Program remains FLA accredited.

For more information about our accreditation with the FLA, see our website:

<https://www.mec.ca/en/explore/fair-labor-association>

Risks, management, and remediation of forced labour or child labour

In 2023, MEC identified two categories of risks related to forced labour or child labour in our supply chain:

- **Foreign migrant workers:** Foreign migrant workers are individuals who migrate from one country to another for employment. These workers may be vulnerable to forced labour, so our standard practice is to include additional screening for forced labour indicators when we commission audits in factories where we believe that foreign migrant workers are present. In 2023, as in previous years, we identified specific risks relating to foreign migrant workers in Taiwan, especially in bike factories.
- **Visibility:** We do not have full visibility into our supply chain. This is especially true beyond Tier 1 factories making MEC product, or in certain countries where audits might not be as effective. Where MEC has limited information or visibility, there is a risk that forced labour or child labour could be happening without our knowledge.

Specific risks and our 2023 remediation measures are set out below:

Foreign Migrant Workers		
Risk	Description of Risk	Remediation Measures in 2023
Identity Document Retention	<p>Identity document retention occurs when a factory withholds identity documents (like passports) from workers. This practice is an International Labour Organization (ILO) indicator of forced labour. MEC has zero tolerance for this practice.</p> <p>In 2023, MEC identified this as a risk for Tier 1 bike factories in Taiwan.</p>	<p>MEC received one audit finding of passports being held by a Taiwanese bike factory in 2023.</p> <p>Working with other stakeholders, we were successful at making sure that passports were returned to workers.</p>

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Foreign Migrant Workers		
Risk	Description of Risk	Remediation Measures in 2023
Recruitment Fees	<p>Recruitment fees are payments made by a worker to obtain employment in a foreign country. Often, these fees are paid to third-party recruitment firms. Recruitment fees can range from a couple of weeks of pay to more than six months.</p> <p>While recruitment fees are not an ILO indicator of forced labour, they may indicate that the worker is subject to debt bondage. Debt bondage, which is an ILO Indicator, can occur when a worker is faced with personal debt that forces them to work without being able to leave their employment.</p> <p>MEC has identified this as risk for Tier 1 bike factories in Taiwan, where the hire of foreign migrant workers is common.</p>	<p>MEC has been engaged on the issue of recruitment fees in Taiwan since 2018, but work remains ongoing. Resolving a complex issue like recruitment fees requires collaboration between many parties, in part because workers can be charged fees at various points in their recruitment and across multiple jurisdictions.</p> <p>MEC believes in the employer pays principle, which means it is the responsibility of the employer (generally the factory) to pay for any costs associated with recruiting and hiring employees, as well as fees during employment. We continued to communicate this principle to factories in 2023, and issued Corrective Action Plans to factories when recruitment fees were identified. Despite this, not all factories have taken remediation actions.</p> <p>In 2023, MEC continued working with other stakeholders, including the Responsible Sporting Initiative (RSI) of the World Federation of the Sporting Goods Industry (WFSGI). The RSI is a social compliance collaboration in the bicycle industry, which increases leverage and has driven collaboration within the industry.</p>

Visibility		
Risk	Description of Risk	Remediation Measures in 2023
Non-Transparent Audits	<p>Audits do not always reveal all issues. Sometimes auditors will notify MEC that they have concerns with the transparency of a facility being audited. Occasionally auditors will make a formal finding of non-transparency.</p> <p>MEC has also identified non-transparency as a risk relating to audits coming from certain countries in Asia.</p> <p>When MEC cannot rely on an audit, there is a risk that issues exist without our knowledge.</p>	<p>MEC tries to ensure our audits are of a certain quality to avoid risks of non-transparency, including by:</p> <ul style="list-style-type: none"> • Only accepting certain audit schemes • Requiring APSCA-accredited auditors • Commissioning anonymous worker surveys for insight on workers' experience in situations where there is a risk of non-transparency • Requiring factories to pay for a re-audit if there is a formal finding of non-transparency <p>In addition, MEC employs other mechanisms to determine if there are additional risks, including grievance mechanisms and information from third parties like the British Standards Institute (BSI). BSI provides MEC with real-time data on human rights related risks including child labour, forced labour, women's rights, working conditions, and the environment.</p>
Factories in Tiers 2-4	<p>The MEC Social Impact Program covers Tier 1 manufacturing facilities (finished goods manufacturing) for MEC Products. However, this program does not include suppliers and manufacturers beyond Tier 1, or subcontractors.</p> <p>Where MEC does not have direct insight into factories, mills, and other suppliers, there is a risk that issues exist without our knowledge.</p>	<p>We rely on mechanisms other than our Social Impact Program for insight into our supply chain beyond Tier 1. These include:</p> <ul style="list-style-type: none"> • Information received from audits conducted out of scope of the Social Impact Program • Grievance mechanisms • Risk information from third party providers like the BSI <p>MEC also makes many MEC Products with bluesign®-approved fabrics, which also provides some visibility into Tier 2 (fabric mills). To produce bluesign®-approved fabrics, a fabric mill must be a bluesign® system partner. Bluesign® system partners are required to comply with principles and rights at work from selected International Labour Organization conventions, including the Forced Labour Convention (No. 29), the Abolition of Forced Labour Convention (No. 105), and the Worst Forms of Child Labour Convention (No. 182).</p>

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Visibility		
Risk	Description of Risk	Remediation Measures in 2023
Brand Products	<p>MEC does not design, manufacture, or produce any brand product sold by MEC. We also do not audit any brand partner manufacturing factories (unless they also happen to be producing MEC products).</p> <p>As MEC does not have direct visibility into our brand partner supply chains, there is a risk that issues exist without our knowledge.</p>	<p>For the first time in 2023, MEC sent a survey to all brand partners who sold us brand products that we imported into Canada.</p> <p>This survey (adapted from the Mekong Club) asked our brand partners questions regarding their practices in respect of forced labour and child labour. The answers to this survey provided valuable insight into the practices of our brand partners.</p>

Measures taken to remediate the loss of income to the most vulnerable families

In 2023, we did not identify any loss of income to the most vulnerable families that resulted from any measure taken by MEC to eliminate the use of forced labour or child labour in our activities and supply chains. Accordingly, we did not undertake any remediation in this area in 2023.

Employee training on forced labour and child labour

In 2023, MEC participated in the Mekong Club’s Canada SME (Small and Medium Enterprises) Program. The Mekong Club is a non-profit organization that works with the private sector on issues including modern slavery and forced labour.

As part of the Canada SME Program, the Mekong Club provided training to MEC and other small and medium sized companies on modern slavery and forced labour. This training included awareness building, exploration of a legal framework, the risks of modern slavery, and baseline assessments.

Key members of our sourcing and sustainability teams participated in this training.

How we know our programs are working

MEC understands that we have the responsibility to assess the effectiveness of our Responsible Sourcing Policy and Social Impact Program, and to continuously work towards achieving our commitments to human rights, responsible sourcing, and safe working conditions for people in our supply chain.

We assess our effectiveness through annual evaluations of our Social Impact Program by the Fair Labour Association. We also assess Tier 1 facilities individually through factory audits, worker surveys and Corrective Action Plans.

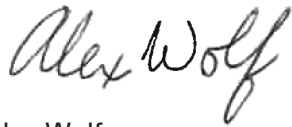
We also have a grievance mechanism and email by which workers at factories can bring direct complaints to our team on a confidential basis. This email (workers.rights@mec.ca) is included in the MEC Code of Conduct and is shared with Tier 1 factory workers.

ATTESTATION

This report was approved by the governing body of 1264686 BC Ltd., which controls MEC Mountain Equipment Company Ltd.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

I have the authority to bind 1264686 BC Ltd. and MEC Mountain Equipment Company Ltd.

A handwritten signature in black ink that reads "Alex Wolf". The signature is written in a cursive, flowing style.

Alex Wolf
Director, 1264686 BC Ltd. and MEC Mountain Equipment Company Ltd.
Date: May 13, 2024