

Fighting Against Forced Labour and Child Labour in Supply Chains

2024 Report

Overview

Since 1971, MEC has been committed to enabling Canadians to lead active outdoor lifestyles through quality gear and clothing. While MEC's mission is to enable people to enjoy outdoor adventures, we are equally conscious of the importance of fair treatment and respect for the people who make our products. This commitment to ethical sourcing has been a core focus for MEC for over 15 years.

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. It is made on behalf of MEC Mountain Equipment Company Ltd. (MEC), and 1264686 BC Ltd., MEC's parent company. It covers the period from February 26, 2024 to February 23, 2025, which is MEC's financial year. MEC does not report on this subject under any other legislation.

In MEC's first Supply Chains Act report last year, we provided an overview of MEC's Social Impact Program and how we identify and address risks of forced labour and child labour within our dynamic global supply chain. This year's report expands on the policies, procedures, and structures we have established to uphold and implement these practices. It also outlines the efforts we made in 2024 to identify, address, and mitigate risks of forced labour and child labour in our supply chain.

MEC structure, activities, and supply chains

MEC Structure and Partners

MEC and MEC's parent company are both incorporated under the laws of British Columbia. MEC does not have any subsidiaries and does not maintain control over other entities, either in Canada or internationally. In 2024, MEC's parent company did not have any subsidiaries or operations other than in relation to MEC. These operations included an intercompany arrangement where MEC acted as agent for MEC's parent company in relation to the purchase and sale of a limited number of goods.

MEC is led by an Executive Team, who are responsible for the overall strategy and direction of the company. The CEO, supported by the Executive Team, is ultimately responsible for the Social Impact Program. The Sustainability Team at MEC administers the Social Impact Program and is a part of the Legal and Governance department.

In 2024, MEC employed over 1500 individuals across our operations, with core planning and corporate functions carried out at our head office in Vancouver, BC. Retail and distribution functions occurred throughout Canada at our 26 retail stores, which span across seven provinces. We also operated a distribution center in BC. While MEC works with international suppliers and partners, our employees are based solely in Canada.

At MEC, we recognize the importance of collaborating with various organizations to create meaningful impact. As such, we partner with civil society organizations to promote human rights and produce high-quality products that deliver value. In 2024, these partners included:

- **Fair Labour Association:** MEC has been a member of the Fair Labour Association (FLA) since 2005. In 2013, the MEC Social Impact Program received formal accreditation from the FLA, and it was reaccredited in 2016. This accreditation requires that the program complies with the Fair Labor Association Code of

Conduct, as well as the Workplace Code of Conduct and Compliance Benchmarks, which cover core labor rights such as freedom of association, non-discrimination, fair wages, and the elimination of child and forced labor. [See here](#) for more information about our accreditation with the FLA.

- **Cascale:** formerly the Sustainable Apparel Coalition, Cascale is a global, non-profit alliance which helps measure social and environmental impacts of apparel and other products.
- **Fair Trade USA:** MEC collaborated with Fair Trade USA in 2024 to certify three new factories into the Fair Trade program.

MEC Activities and Supply Chain

As a retailer, MEC does not directly manufacture any products. For apparel and gear we sell under the MEC name or logo, we work directly with manufacturers to bring designs to life.

In 2024, MEC products were manufactured in 64 finished goods factories (also known as “Tier 1” factories or suppliers) located in 11 countries. Women made up 62% of the workforce at these factories, and 3% were foreign migrant workers.

| MEC Tier 1 Suppliers (2024) | | |
|-----------------------------|----------------------|--------------------|
| Country | % of Total Factories | % of Total Workers |
| Austria | 2% | <1% |
| Cambodia | 5% | 4% |
| Canada | 3% | <1% |
| China | 23% | 14% |
| Indonesia | 8% | 22% |
| Philippines | 3% | 3% |
| Romania | 2% | <1% |
| Taiwan | 25% | 4% |
| Thailand | 3% | 4% |
| USA | 5% | <1% |
| Vietnam | 22% | 49% |

A current list of MEC’s Tier 1 suppliers (and some other suppliers deeper in the supply chain) is available online [here](#). MEC has published this list since 2008.

In addition to MEC products, MEC sells apparel, gear, and footwear that are produced by other brands. MEC does not have a direct relationship with the manufacturing facilities for these brand products, and a majority of these products are purchased by MEC only after they have been imported to Canada.

MEC's commitments, policies, and due diligence procedures

MEC is committed to promoting human rights and measurably improving the lives of workers who make the products we sell. This commitment is informed by the:

- International Bill of Rights
- International Labour Organization (ILO) Declaration on the Fundamental Principles and Rights at Work
- UN Guiding Principles on Business and Human Rights
- OECD Due Diligence Guidance for Responsible Business Conduct

To give effect to this commitment, we have developed governance documents, contracts, policies, programs, and procedures to standardize our approach to identifying and addressing potential adverse impacts. These governance and policy documents are approved by the CEO and are regularly reviewed and updated as required.

| Social Impact Governance Documents | | |
|---|--|--|
| Policy, contract, or program | What does it do? | Who does it apply to? |
| Code of Conduct | <p>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 all of our suppliers, including brands and factories, to uphold the Code of Conduct as a condition to doing business with MEC.</p> <p>The Code of Conduct is incorporated into our General Terms & Conditions of Supply and our Social Impact Agreement.</p> | Suppliers |
| Social Impact Program | <p>The goal of our Social Impact Program is to ensure that workers are treated fairly in safe and healthy workplaces, in accordance with the MEC Code of Conduct.</p> <p>The Social Impact Program includes processes and procedures for factory onboarding and offboarding, regular audits, corrective action plans, and escalation processes if required based on audit results. The Program also includes a grievance mechanism and email that can be used directly by factory workers to raise issues with MEC (workers.rights@mec.ca).</p> <p>The Social Impact Program is accredited by the FLA.</p> | Tier 1 factories that manufacture MEC products |
| Responsible Sourcing Policy | <p>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 and it was last approved in March 2024.</p> | Employees, agents, consultants, contractors, and officers of MEC |
| General Terms & Conditions of Supply | <p>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 produced, manufactured, assembled, or packaged in accordance with human rights standards, including the prohibition of forced labour and child labour.</p> | Suppliers |
| Social Impact Agreement | <p>As a part of onboarding, Tier 1 factories onboarded in 2024 were required to sign our Social Impact Agreement, which includes the MEC Code of Conduct and sets out expectations relating to social impact.</p> | Tier 1 factories that manufacture MEC products |

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

MEC identified two major categories of risk related to forced labor and child labor in our supply chain in 2024:

- Recruitment fees paid by foreign migrant workers in Taiwan
- Areas where MEC does not have visibility into our supply chain, including non-transparent audits, suppliers further down the supply chain, and brand partner products.

Specific risks and remediation measures are detailed below:

| Risk | |
|---|---|
| Recruitment Fees in Taiwan | |
| Description of Risk | <p>Recruitment fees are payments made by a worker to engage in employment in a foreign country. Often, these fees are paid to third-party recruitment firms or agents. Recruitment fees can vary widely in dollar amount and type of fee, including initial recruitment fees, transportation costs, broker fees, contract renewal fees, and service fees. Depending on the jurisdiction, some recruitment fees may be legal for factories, agents, or recruiters to charge.</p> <p>While recruitment fees are not in themselves an ILO indicator of forced labour, they may indicate that the worker is subject to debt bondage. Along with debt bondage, excessive recruitment fees may also create conditions where there is an abuse of vulnerability or an inability to leave employment, which are also indicators of forced labour.</p> <p>MEC has identified recruitment fees in some Tier 1 bike factories in Taiwan. In 2024, through an investigation done by a non-governmental organization called Transparentem, MEC also became aware of some recruitment fees in a Taiwanese Tier 2 fabric mill in MEC's supply chain.</p> |
| 2024 Management and Remediation | <p>MEC started work on the issue of recruitment fees in Taiwan factories back in 2018. Since then, we have worked with factories, associations, and other brands on this complex issue.</p> <p>In 2024, MEC joined a large coalition of other brands working with the American Apparel & Footwear Association (AAFA), and FLA on the issue of recruitment fees in Tier 2 fabric mills in Taiwan. This coalition was formed in response to the Transparentem investigation.</p> <p>As a part of this effort, in September 2024, MEC signed a Global Brands Letter to the Taiwanese Government advocating for the responsible recruitment of migrant workers, the protection of their human rights, and the improvement of working conditions. A copy of this letter can be found here.</p> <p>In 2024, one Taiwanese Tier 1 bike factory in MEC's supply chain implemented a policy of zero fees for migrant workers, aiming to eliminate any costs associated with recruitment, hiring, onboarding, and contract renewal of migrant workers.</p> |
| Visibility in the Case of Non-Transparent Audits | |
| Description of Risk | <p>Audits do not always reveal all issues. Sometimes auditors are not given complete or accurate information by a factory, and occasionally auditors will make a formal finding of non-transparency. When MEC cannot rely on an audit, there is a risk that issues exist without our knowledge.</p> <p>MEC has identified non-transparency as a risk relating to audits coming from certain countries in Asia.</p> |

continued on next page

| | |
|---|--|
| <p>2024 Management and Remediation</p> | <p>To mitigate risks related to non-transparency, MEC continued to apply our ongoing standards in 2024. These standards include:</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 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 subscribed to the British Standards Institute (BSI) which provided information on global supply chain risks.</p> |
| <p>Risk Visibility into Suppliers Deeper in the Supply Chain</p> | |
| <p>Description of Risk</p> | <p>The MEC Social Impact Program only covers Tier 1 factories, which produce finished MEC products. This program does not include suppliers and manufacturers deeper in the supply chain, including factories that produce fabrics, trims, insulation, or hardware like zippers or buttons. The program also does not extend to primary extractive industries where the raw materials that eventually go into our clothing or gear are sourced.</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>2024 Management and Remediation</p> | <p>We rely on mechanisms other than our Social Impact Program for insight into our supply chain beyond Tier 1. In 2024, these included:</p> <ul style="list-style-type: none"> • Information received from audits conducted out of scope of the Social Impact Program • Publishing a list of known Tier 2 factories and Tier 1 subcontractors • Reports from NGOs like Transparentem • 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 insight into 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> |
| <p>Risk Visibility into the Supply Chains of Brand Product</p> | |
| <p>Description of Risk</p> | <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>2024 Management and Remediation</p> | <p>MEC's General Terms and Conditions of Supply require brands to comply with the MEC Code of Conduct.</p> <p>In 2023, MEC initiated the practice of sending a survey to brand partners whose products were imported into Canada by MEC. This survey was adapted from the Mekong Club, and was designed to help MEC to understand brand policies and practices for identifying, addressing, and mitigating child labor and forced labour.</p> <p>MEC once again sent out this survey to brands with products MEC imported in 2024, and the answers to this survey once again provided valuable insights into the practices of our brand partners.</p> |

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

We have not identified any loss of income to vulnerable families in 2024 that resulted from any measure taken by MEC to eliminate the use of forced labour or child labour. Accordingly, we did not undertake any remediation in this area in 2024.

Employee training on forced labour and child labour

In 2024, the MEC Sustainability Team provided Responsible Sourcing Training to merchants and to members of the MEC Label team, who help design and develop MEC products. Key topics covered in the training included:

- The Social Impact Program
- Remediation of non-compliances
- Escalation procedures
- Responsible exit of factories
- Responsible purchasing practices

This Responsible Sourcing Training was developed internally, drawing from industry guidelines. The training was mandatory for all staff in the merchant and MEC Label departments.

Assessing our effectiveness

At MEC, we assess the effectiveness of our efforts to reduce and prevent risks of forced labour and child labour through several mechanisms. In 2024, these included:

- **Regular Monitoring and Remediation:** Through our Social Impact Program, we conduct regular monitoring of our Tier 1 suppliers, which includes factory audits, worker surveys, and collaboration with other brands and suppliers. We developed and implemented corrective action plans to address issues identified. This process ensures that we can track progress and make necessary improvements based on audit findings.
- **Annual FLA Evaluation:** Our Social Impact Program is evaluated annually by the FLA, ensuring that our practices meet industry standards and continue to improve. In 2024, the FLA reviewed MEC on: (i) Top Management Commitment, (ii) Responsible Purchasing Practices and (iii) Head Office Training. MEC also participates in ad hoc third-party audits of its suppliers by FLA. Factory assessments and subsequent corrective actions are published on the FLA website and can be accessed here: [FLA Assessments for MEC](#).
- **Regular Review of Policies and Procedures:** We regularly review and update our Responsible Sourcing Policy and Social Impact Program to ensure that they align with industry best practices and evolving standards.
- **Grievance Mechanism:** Our grievance mechanism includes a dedicated email (workers.rights@mec.ca) for workers in our supply chain to bring confidential complaints directly to the MEC Sustainability Team. This email is shared with Tier 1 factories, vendors and brand partners through the MEC Code of Conduct and is also available on the MEC website.

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.



Alex Wolf

Director, 1264686 BC Ltd. and MEC Mountain Equipment Company Ltd.

April 9, 2025