



MOUNTAIN EQUIPMENT CO-OP
ASSESSMENT FOR ACCREDITATION

October 2013

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INTRODUCTION

FLA-accredited Participating Companies have demonstrated that they have the systems and procedures in place to successfully uphold fair labor standards throughout their supply chains. The complexity and ever-evolving nature of global supply chains make it impossible to guarantee that a product is made in conditions free of labor rights violations. For this reason, FLA does not certify brands. Instead, FLA evaluates companies at the headquarter level – in addition to standard factory-level due diligence activities that are conducted annually – to determine whether they have social compliance systems in place to proactively identify and address risks or instances of noncompliance. Accreditation is the highest level of recognition for FLA-affiliated companies, and is reevaluated every three years.



The FLA Board of Directors voted to approve the accreditation of the Mountain Equipment Co-Op (MEC) compliance program on October 9, 2013, based on proven adherence to FLA's Workplace Code of Conduct and the Principles of Fair Labor and Responsible Sourcing. Details on FLA's accreditation methodology can be found at www.fairlabor.org/accreditation.

MOUNTAIN EQUIPMENT CO-OP'S LABOR COMPLIANCE PROGRAM



Factory floor of one of MEC's suppliers.

MEC is a member-owned retail cooperative headquartered in Vancouver, British Columbia. Since 1971, the company has served the Canadian outdoor gear market by selling outdoor equipment to its growing membership. Charter-established values of quality, integrity, cooperation, creativity, leadership, sustainability, stewardship, humanity and adventure drive the direction of the organization and draw new customers to its membership. In 1971, the co-op had six members; today MEC serves 3.9 million members in retail stores in Canada and globally via the Internet. The company currently maintains 17 retail stores throughout Canada and employs 1686 staff nation-wide.

MEC joined the FLA as a Participating Company in February 2005. In its application to the Board, MEC chose to bring under the FLA program MEC-designed, -sourced and -branded products (comprising 50% of the company's total annual revenue). The applicable products include apparel, gloves, backpacks, tents, sleeping bags, sunglasses, wet suits and other various hard good facilities. In 2014, MEC plans to bring in additional factories to include products such as bikes, kitchen products

and remaining hard goods. MEC selected an Implementation Period of 3 years. In February 2007, MEC applied to the FLA for an extension of its Implementation Period.

At the outset of its affiliation with the FLA, the Planning & Inventory Manager and the Production Manager led MEC's compliance program. Since that time, there have been significant staffing and organizational

changes within MEC. The current Social Compliance team has been in place since the end of 2011 with the Sustainability Director, Social Compliance Assistant Manager and, most recently, the Social Compliance Analyst who joined in June 2013. Over the course of the past 2 years the FLA has witnessed increased participation and engagement with the organization. MEC representatives regularly attend FLA Board meetings, are active in the Business Caucus and MEC's Sustainability Director serves on the business advisory council to the Monitoring Committee's Principle 8 Working Group.



MEC's Social Compliance Analyst presenting MEC's Vendor Foundations Training.



Workers at an MEC supplier inserting down filling into MEC jackets.

MEC has a Sourcing Working Group in place, composed of the MEC Sourcing Manager, Product Managers, Sustainability Director, Chief Production & Sourcing Officer, Materials Development Manager, Social Compliance Assistant Manager and Product Design Director. This Working Group is charged with guiding the overall strategy of the Social Compliance program and presenting its strategy to MEC's CEO and Chief Product Officer. MEC's

Board of Directors has a Sustainability Committee that meets four times per year. They receive updates throughout the year related to workplace conditions at MEC supplier facilities and are instrumental in vetting and approving key company policies such as MEC's Responsible Sourcing Policy.

The table below describes MEC's applicable facilities over the period 2005-2013, as reported to the FLA. During this period, MEC applicable facilities were subject to a total of 13 FLA assessments, including 9 IEMs, 1 IEV, 2 SCI assessments and 1 SCOPE Workers Survey. Information on the results of these assessments, and the remediation undertaken by MEC in response to findings, are provided in the FLA reports online and discussed, as appropriate, in the next section.

MEC APPLICABLE FACILITIES & FLA ASSESSMENTS, 2005-2009

COUNTRY	2005 APPLICABLE FACILITIES	2005 FLA ASSESSMENTS	2006 APPLICABLE FACILITIES	2006 FLA ASSESSMENTS	2007 APPLICABLE FACILITIES	2007 FLA ASSESSMENTS	2008 APPLICABLE FACILITIES	2008 FLA ASSESSMENTS	2009 APPLICABLE FACILITIES	2009 FLA ASSESSMENTS
Canada	12		11		6		7	1	6	
China	9	1	9	1	6		7		7	
Greece	1									
India	1		2	1	1		4		4	
Israel							2		2	
New Zealand	1									
Philippines										
Portugal	1		1							
Sri Lanka	1						1		1	
Taiwan			4		1		1		1	
Thailand	2	1	3		1	1	3		3	
United States										
Vietnam	4		4		4		4		4	1
TOTAL	32	2	34	2	19	1	29	1	28	1

MEC APPLICABLE FACILITIES & FLA ASSESSMENTS, 2010-2013

COUNTRY	2010 APPLICABLE FACILITIES	2010 FLA ASSESSMENTS	2011 APPLICABLE FACILITIES	2011 FLA ASSESSMENTS	2012 APPLICABLE FACILITIES	2012 FLA ASSESSMENTS	2013 APPLICABLE FACILITIES	2013 FLA ASSESSMENTS
Canada	4		4		6		6	
China	8	1	8		17	1	14	1
Greece								
India	4	1 ¹	4		4	1	4	
Israel								
New Zealand								
Philippines					1		1	
Portugal								
Sri Lanka								
Taiwan	1		1				1	
Thailand	4		4		3		2	
United States					1		1	
Vietnam	6		5	1	6		5	
TOTAL	27	2	26	1	38	2	34	1²

¹ The 2010 assessment in India was an Independent External Verification audit.

² As of the date of this report, the 2013 FLA assessment in China had not yet been completed. The FLA Monitoring Committee decided that in 2013 each unaccredited Participating Company would receive 1 SCI assessment regardless of the number of facilities in its supply chain.

ANALYSIS OF MOUNTAIN EQUIPMENT CO-OP'S LABOR COMPLIANCE PROGRAM USING THE FLA PRINCIPLES OF FAIR LABOR AND RESPONSIBLE SOURCING

Information used in this assessment originates from annual reports submitted by MEC to FLA verified through: (1) assessments at MEC headquarters conducted by FLA staff in April 2011 and May 2013; (2) shadowing of MEC internal audits at a factory in Turkey (June 2013) and two factories in China (April 2012 and July 2013); (3) information gathered in-person, via phone interviews and through email correspondence with MEC staff; (4) documentation review of supporting evidence submitted by MEC; and (5) results of FLA assessments at MEC applicable facilities conducted by FLA assessors.

1. COMPANY AFFILIATE ESTABLISHES AND COMMITS TO CLEAR STANDARDS

1.1 Company Affiliate establishes and articulates clear, written workplace standards that meet or exceed those embodied in the FLA Workplace Code of Conduct.

Actions Taken:

MEC's first Code of Conduct was adopted in 1998 with updates in 2003, 2006 and 2012. The 2012 updates were to reflect the changes to the FLA Workplace Code of Conduct, to add requirements on the environment, and encourage suppliers to engage in their communities.

Verification by FLA:

FLA has reviewed the 2012 version of the MEC Code and confirms that the Code meets or exceeds the FLA's Workplace Code of Conduct. A copy of the 2012 MEC Code can be found in the Appendix.

1.2 Company Affiliate leadership formally commits to uphold workplace standards and to integrate them into company business practices.

Actions Taken:

MEC's commitment to uphold workplace standards is embedded in the company's culture and organizational structure. As a cooperative, MEC is ultimately responsible to its members. MEC is transparent with its members and the public on its efforts related to social compliance. MEC's CEO has issued public statements regarding the company's commitments. In 2012, MEC updated the Code, Social Compliance Strategic Plan, and Responsible Sourcing Policy, all of which were approved by MEC's senior management and Board of Directors.

Verification by FLA:

MEC's 2012 Accountability Report is available online³ and includes letters from the CEO and Chairman of the Board, both of which mention the integration of sustainability operations into MEC's business practices. FLA staff interviewed MEC personnel during the headquarter assessments and reviewed documents related to MEC's corporate commitment to workplace standards and integration into business practices. FLA reviewed MEC's Social Responsibility Vision for 2020, Social Responsibility's 2012-2015 Strategic Plan (moving from a focus on monitoring and remediation toward factory self-governance, integration of Social Compliance goals into MEC's sourcing strategy, and industry collaboration). FLA also reviewed the company's Responsible Sourcing Policy, approved by MEC's Board in December 2012. The new policy addresses the MEC Code, transparency, collaboration with industry peers, country requirements, reporting to stakeholders, CEO accountability for the Code, and Board oversight of the Code policy.

³ <http://www.mec.ca/AST/ContentPrimary/Sustainability/AccountabilityReport.jsp>

FLA reviewed the job description for the Chief Product Officer who reports to the CEO and, among other responsibilities, provides leadership and direction in the areas of sustainable product development and sourcing practices.

MEC's Senior Management Team receives monthly updates on progress within the supply chain and issues regarding specific suppliers are flagged with actions identified. The Board of Directors and the Sustainability Board Committee are updated four times per year.

2. COMPANY AFFILIATE IDENTIFIES AND TRAINS APPROPRIATE STAFF

2.1 Company Affiliate identifies all staff (and service providers, where relevant) responsible for implementing its workplace standards compliance program.

Actions Taken:

The MEC Social Compliance team is comprised of the Sustainability Director, Social Compliance Assistant Manager, and Social Compliance Analyst. The Social Compliance team is situated within the Sourcing & Production Department. The Sustainability Director reports to the CEO and the Chief Production & Sourcing Officer. In 2013, MEC hired a Sourcing Manager, a new position for the company and key to the company's integration of workplace standards into MEC business.

The Sustainability Director informs ethical, fair labor, and human rights policy and provides strategic direction and guiding principles for the successful execution of MEC's social responsibility objectives within the overall sustainability agenda. The Social Compliance Assistant Manager and the Social Compliance Analyst are responsible for implementing MEC's Social Compliance program including STEP (Supplier Team Evaluation Program) audits and all associated initiatives.

The Chief Production & Sourcing Officer provides strategic direction and leadership to the production of MEC-branded products, including: quality control, sustainable production and sourcing practices, cost-effective manufacturing, the effective use of raw materials, the timely production of goods, and practical enhancements to in-house design.

The Chief Product Officer reports directly to the CEO and manages all Product Managers at MEC. The Chief Product Officer helps determine MEC's long-term strategic direction and provides leadership and direction in the areas of sustainable product development and sourcing practices.

Social Compliance staff regularly interacts with the Environmentally Preferred Materials team, Product Managers and Production Coordinators. Social Compliance staff and Product Managers collaborate on remediation strategies. The Social Compliance team, with support from Production Coordinators, monitors and reports on contract manufacturers' social compliance practices.

MEC does not have staff auditors. For internal monitoring, MEC uses third-party monitoring organizations.

Verification by FLA:

FLA has on file a copy of the latest organizational chart as well as copies of job descriptions for the Sustainability Director, Social Compliance Assistant Manager, Social Compliance Analyst, Product Managers, Chief Retail Operations Officer, Chief Production & Sourcing Officer, Chief Product Officer and Production Coordinators. FLA has interviewed a number of MEC staff in the Social Compliance team and in other divisions. FLA observed third-party monitors conducting internal audits for MEC in 2012 and 2013.

2.2 Company Affiliate ensures that all staff (including sourcing) and relevant service providers are trained on the company's commitment to standards and the integration of standards into business practices.

Actions Taken:

In 2012, Social Compliance staff developed and delivered a social compliance training program for MEC Buyers and Production Coordinators. Social Compliance staff provided training to the Sourcing Manager as part of orientation to MEC. In January 2012, MEC created two Regional Sustainability and Community Coordinator positions. They are responsible for training and communicating across Canada the social, environmental and community events and policies to retail staff. An electronic training on Social Compliance Responsible Sourcing and Product Integrity is being developed for dissemination to all retail staff.

Verification by FLA:

During the headquarter assessments, FLA interviewed staff from various departments and confirms that there is frequent internal communication and interaction. FLA has on file the training materials for "MEC 2012 Strategy for Buying & Design." The training deck describes the company's vision for 2020, how Social Compliance is integrated into business and sourcing goals, the 3-year strategy toward greater industry collaboration, the updated MEC Code elements, a summary of violations, a review of the auditing process, and results of assessments identifying where there are obstacles to responsible purchasing practices. Social Compliance staff conducts this training annually for the Production & Sourcing staff. According to interviews with the Sourcing Manager, Social Compliance staff spent time training the Sourcing Manager on the company's compliance program as part of onboarding. FLA has on file training materials for MEC Sourcing staff. FLA has reviewed a draft of the Social Compliance Responsible Sourcing and Product Integrity training, to be implemented with retail floor staff. FLA has on file a copy of the MEC Employee Guide which makes mention of the Social Compliance program at a high level.

2.3 Company Affiliate ensures that staff or service providers responsible for implementing workplace standards compliance functions have appropriate competencies and suitable training in all areas under their responsibility.

Actions Taken:

Prior to her role at MEC, the Sustainability Director worked for an industry association and was instrumental in moving that industry association and its membership into the space of environmental and social responsibility. Both the Sustainability Director and the Social Compliance Assistant Manager have completed SA8000 and FLA Sustainable Compliance Initiative training. The Social Compliance Analyst has 15 years of corporate social responsibility experience with various brands, including fieldwork with factories in Asia. The Analyst is fluent in Cantonese and can speak basic Mandarin.

MEC uses only third-party monitoring organizations that have been accredited by the FLA. MEC has conveyed company-specific guidance to the monitors.

Verification by FLA:

FLA has on file copies of the SA8000 certificates for the Sustainability Director (March 2012) and the Social Compliance Assistant Manager (September 2011). Through headquarter assessments and routine interactions, FLA can confirm the competencies of the Social Compliance team members.

The FLA has accredited the third-party monitoring organizations and lead-auditors used by MEC. During observations of internal audits for MEC, FLA confirms their expertise and capabilities. During interviews and through observations, FLA confirms that MEC conveys its audit guidance and requirements to the monitors.

2.4 Company Affiliate ensures that training is updated at regular intervals.

Actions Taken:

MEC conducts annual trainings for Sourcing & Production staff as well as Quality Control staff. Social Compliance, Production Coordinators and Quality Control all belong to the same department in MEC, allowing for routine,

ongoing training on factory conditions. MEC Social Compliance staff attended the GSCP Capacity Building Conference in September 2012. MEC Social Compliance staff serves on the Social Responsibility committees at two industry associations, furthering opportunities for capacity building and collaboration.

Verification by FLA:

FLA has reviewed the training materials used by the Social Compliance team to train internal staff on an annual basis and at orientations for key staff additions. FLA recommends that MEC set training goals and metrics for all staff responsible for implementing working standards compliance.

3. COMPANY AFFILIATE SHARES COMMITMENT TO WORKPLACE STANDARDS WITH SUPPLIERS AND WORKERS IN THE SUPPLY CHAIN

3.1 Company Affiliate formally conveys workplace standards to suppliers and receives written acknowledgement of standards and commitment to uphold them.

Actions Taken:

When speaking with a prospective supplier, MEC shares the company's Vendor Manual. The Vendor Manual describes all requirements for a supplier to do business with MEC. It includes MEC's Code and information about the STEP audit program. A new vendor must agree to the terms of the Manual and return a signed copy to the company. Social Compliance staff are responsible for sending an introductory document called "Social Compliance at MEC," which also introduces the company's STEP audit program and includes a copy of the Code.

After the initial pre-sourcing audit, and once MEC has purchase orders with the factory, a MEC Code Letter and Declaration Form are provided to the supplier and are to be signed. The Code Letter is an email from MEC senior staff and is typically sent to the factory along with the initial corrective action plan. The Social Compliance Analyst follows up with the factory until a photo of the posted Code, the signed Declaration Form and signed Training Declaration Form to record the Code training that the factory is required to conduct are received. A hard copy of the Code in appropriate language(s) is delivered to the factory once a purchase order is written.

Verification by FLA:

FLA has on file MEC Vendor Manuals for overseas apparel, domestic apparel and hardgoods. FLA has reviewed the documents and confirms that the company communicates the Code and information on the MEC internal auditing program. FLA has also reviewed the Social Compliance introductory document provided to suppliers.

FLA has reviewed sample communications with MEC suppliers and has on file a Code Letter from MEC's CEO to a new supplier. The letter updates the supplier on changes to the MEC Code, and requests that the MEC Code be posted in a visible area and that Code training take place. The letter requires a signature from the supplier. The Training Declaration Form requests the names of attendees, the date of the training, and attendee signatures. Suppliers sign a Declaration Form in conjunction with each MEC audit they receive. FLA has copies of signed Declaration Forms, Training Declaration Forms and photos of posted Codes on file.

During the observation of an initial audit for MEC in Turkey, FLA staff reviewed communications between MEC and the supplier that occurred in advance of the audit. These communications addressed MEC's Social Compliance requirements, pre-audit checklist, factory disclosure form and Code.

3.2 Company Affiliate obtains written agreement of suppliers to (a) submit to periodic inspections and audits, including assessments conducted by FLA assessors or independent external monitors or service providers accredited by the FLA for compliance with workplace standards, and (b) collaborate with the Company Affiliate to remediate instances of noncompliance.

Actions Taken:

The Vendor Manual specifies that supplier participation in the STEP audit program is required and that business will not begin until the signed Declaration Forms are received. Vendors must agree to uphold the Code, permit audits at their facilities and allow private worker interviews and photographs. The STEP audit program requires that factories work with MEC on improvements and can negotiate a timeline for improvements. The Vendor Manual describes how suppliers will be evaluated on their performance, including on social compliance.

Verification by FLA:

During the headquarter assessment and subsequent document review, FLA reviewed the Declaration Forms signed by suppliers whereby suppliers commit to MEC's Social Compliance expectations, including participation in STEP audits, disclosure of subcontractors, and remediation of noncompliances. The introductory document sent by the Social Compliance team includes a policy on "Factory Rights" whereby factories have the right to be treated with respect by MEC employees and auditors, seek additional clarification on audit findings and dispute findings based on factual information, and negotiate a timeframe for remediation based on reasonable considerations of costs, complex manufacturing processes and production timelines.

During an observation of a MEC internal audit in Turkey, FLA staff reviewed communications between MEC and the supplier on the nature of STEP audits, timeframes, and the commitment to develop an agreed upon remediation plan.

Although FLA confirms that MEC informed the suppliers subject to SCOPE/SCI assessments in 2012 that they would receive assessments from the FLA, FLA recommends that MEC incorporate into its communications with suppliers a specific written acknowledgment that suppliers may be subject to FLA assessments.

3.3 Company Affiliate conditions future business with suppliers upon continuous improvement of compliance performance.

Actions Taken:

MEC uses a rating system for suppliers based on noncompliances with MEC's Code – Demonstrates Leadership, Meets MEC Minimum Standards, High Concern, and Unacceptable. Using these ratings, the Social Compliance team reports on a monthly basis to Senior Management, Product Managers and Production Coordinators on MEC's supply chain. Social Compliance staff participates in Vendor Reviews with the Sourcing Team when suppliers visit MEC. MEC communicates to suppliers that business is dependent upon continuous improvement of compliance performance.

In 2013, MEC focused on remediation or termination of contracts with factories with unacceptable noncompliances. MEC established a strict timeline to significantly reduce suppliers with unacceptable findings. This has required significant dialogue with factories that are willing to remediate to agree to a timeline and course of action.

Verification by FLA:

FLA has reviewed and has on file the Vendor Manual that describes all elements that vendors must adhere to in order to do business with MEC. The Vendor Manual outlines how suppliers will be evaluated on their performance, including performance on social compliance.

During an interview with a factory manager in China, FLA confirmed that MEC had communicated that business is dependent upon continuous improvement of compliance performance. The factory manager relayed that the supplier had experienced a negative impact on business due to ongoing audit findings.

MEC has kept the FLA updated on its progress related to factories with zero tolerance noncompliances. FLA also has on file communications from Social Compliance staff to the Sourcing Manager to keep her updated on factories' compliance performance and so that she is able to reinforce messages from the Social Compliance staff.

On MEC's website, the company describes how it conditions future business with suppliers upon continuous improvement.⁴ The website also provides a case study where MEC discovered egregious issues, recalled the products made by this supplier, and issued refunds to consumers.

3.4 Company Affiliate ensures that workplace standards are made available to workers, managers and supervisors in written form and appropriate languages.

Actions Taken:

In alignment with MEC's sourcing countries, MEC has translated its Code into Chinese (Simplified and Traditional), French, Hindi, Korean, Tamil, Thai and Vietnamese. MEC has provided an English Code to its one supplier in the Philippines as the majority of workers there speak English. Turkey will be a new sourcing country for MEC and the company is currently translating its Code into Turkish.

Verification by FLA:

FLA has on file copies of the MEC Code in Chinese (Simplified and Traditional), English, French, Hindi, Korean, Tamil, Thai, and Vietnamese.

MEC's STEP audit checks on whether the MEC Code is posted in the factories. Third-party monitors for MEC are instructed to ask workers whether they have access to the Code. During the observation of an internal audit in Turkey in 2013 as well as through review of completed MEC STEP audit tools, FLA confirms that MEC identifies where factories have not posted the Code and requires factories to remediate. During the observation of an internal audit in China in 2013, FLA noted that the MEC Code was posted in the production building in the appropriate language. IEMs conducted in 2005, 2007, and 2008 confirm that the MEC Code was posted in the facilities. Where IEMs found that the MEC Code was not available, the company has since developed remediation plans to ensure that the Codes have been made available to workers in the local language.

3.5 Company Affiliate ensures that workers, managers and supervisors are informed orally and educated about workplace standards at regular intervals to take account of labor turnover.

Actions Taken:

MEC's 2012 version of the Code includes a requirement for workers to be trained on the workplace standards. MEC suppliers are asked to conduct training in the local language and collect attendance sheets as confirmation. Suppliers send Training Declaration Forms to MEC on an annual basis as evidence of completion.

Verification by FLA:

IEMs conducted since 2005 revealed that MEC has not met standards of guaranteeing that training is regularly provided to workers, managers and supervisors on workplace standards, though MEC has made progress over the past few years. As confirmed through the 2013 headquarter assessment and document review, MEC has instituted a requirement that all factories conduct Code awareness training and submit attendee lists and documentation to MEC on an annual basis.

FLA has reviewed the most recent version of the STEP audit tool and confirms that it checks on whether Code training has been completed. FLA reviewed MEC's audit guidance where third-party auditors are instructed to interview workers with respect to the Code. FLA has on file sample MEC internal audits with findings related to Code awareness, along with completed remediation plans from suppliers.

⁴ <http://www.mec.ca/AST/ContentPrimary/Sustainability/EthicalSourcing/WhatMECIsDoing/SuspensionOfBusiness.jsp>

Through the observation of an internal audit in Turkey in 2013 as well as the review of completed MEC audit tools, FLA confirms that MEC identifies factories that have not provided training to workers on the Code and requires factories to remediate. FLA has on file a sample attendance sheet of workers in a Chinese supplier that had undergone Code training in April 2013. However, in the China supplier where FLA observed an internal audit later that year, workers had not been trained on the Code.

4. COMPANY AFFILIATE ENSURES WORKERS HAVE ACCESS TO GRIEVANCE PROCEDURES AND CONFIDENTIAL REPORTING CHANNELS

4.1 Company Affiliate ensures there are functioning grievance procedures at supplier production sites.

Actions Taken:

The MEC STEP audit checks on whether there are grievance procedures at the factory, either in the form of suggestion boxes or channels to speak directly with supervisors or managers. Should a factory not have a formal grievance policy and procedure, this would be raised as a finding in the Corrective Action Plan (CAP) Summary.

Three MEC suppliers participate in Better Work Vietnam, which helps each factory create worker/management committees to increase communication and improve the remediation of findings

Verification by FLA:

MEC's Code provision on Freedom of Association reads "Where the right to freedom of association is restricted under law, employers must provide workers alternative means of association, including effective means to express and remedy workplace grievances." FLA has reviewed the STEP audit tool and confirms that it checks whether a factory has a written grievance policy and a functioning grievance system. FLA has also reviewed the list of questions for worker interviews, which covers grievance processes at the factory. A 2008 IEM in Thailand found that the company made an effort to encourage the establishment of grievance procedures and supplier production sites. During an observation of an internal audit in Turkey in June 2013, FLA staff noted that the auditor checked on the existence of worker representative bodies and grievance mechanisms.

FLA has reviewed and has on file a copy of the October 2012 report by a hotline service provider describing the efforts of a project co-sponsored with MEC and one other outdoor industry brand to establish effective internal grievance mechanisms in a Chinese facility. The report recommends further worker surveys, committee meetings and regular updates to brands. This is an ongoing collaborative project. In response to FLA feedback, the MEC Social Compliance team has plans to focus on capacity building related to grievance procedures at supplier production sites in 2014.

4.2 Company Affiliate provides channels for workers to contact the Company directly and confidentially.

Actions Taken:

MEC posts on its Code an email address directing workers to contact MEC headquarters if they believe their rights have been violated.

Verification by FLA:

IEMs conducted since 2005 revealed that MEC had not provided a confidential channel for workers to contact MEC directly. Prior to 2009, MEC experimented with a third-party hotline service. Since 2009, MEC has begun to provide contact information (email address) on the company Code. Interviews with MEC staff indicate that suppliers at times relay concerns directly to MEC Quality or Production staff since these individuals maintain robust relationships with suppliers. FLA recommends formalizing the reporting and follow-through in cases where MEC Production Coordinators or Quality Control staff receive complaints directly from workers. MEC has acknowledged this feedback from the FLA; the Social Compliance staff is in regular communication with the Production Coordinators and Quality Control staff and has plans to formalize this process in case more grievances are raised in this manner.

MEC third-party auditors are instructed to interview workers on their knowledge of how to access MEC staff directly. Some of MEC's third-party monitors hand out their business cards so that workers may contact them directly; however, this is not a formalized requirement or system. FLA recommends formalizing this procedure and identifying local contacts to receive worker grievances.

MEC has received two complaints directly from workers at suppliers. One issue was related to the payment of temporary workers in a Chinese supplier; this finding also came up during a November 2012 audit at the factory. MEC met with the factory to discuss the root cause of the problem, which is an ongoing problem in China. MEC and the supplier arrived at a remediation plan and MEC has a records review audit planned for October 2013 to confirm the remediation status. FLA has copy of the documented issue with corresponding corrective actions and updates on file. A second complaint was from a worker at a Canadian factory and related to discrimination and harassment. MEC responded directly to the employee encouraging her to contact the appropriate authorities. MEC also conducted a special investigation at this factory, following up on the worker's case and working with the factory on specific corrective actions. FLA has related documentation on file.

4.3 Company Affiliate ensures training and communication is provided to all workers about the grievance procedures and channels.

Actions Taken:

As described above, three MEC suppliers are participating in Better Work Vietnam. Grievance procedure training and communication is integral to the program.

A Chinese supplier is participating in a collaborative project with MEC and one other brand. Effective grievance mechanism training was provided to the factory's newly elected Grievance & Mediation Committee made up of management and union representatives.

Verification by FLA:

MEC inconsistently ensures training and communication on grievance procedures and channels. FLA has a copy of the hotline service provider's 2012 report on file, describing the grievance mechanism training conducted at the Chinese supplier. A 2012 FLA SCI assessment in India found that grievance procedure training was provided to new employees; however, no documentation is kept and the training is not regularly conducted. The final 2012 SCI report has not been fully released to MEC and so the company has not yet created a corrective action plan for this particular finding. During the observation of an internal audit in Turkey in June 2013, FLA noted that though the auditor checked the existing grievance procedures and channels, the auditor did not confirm whether training was provided, as it was not part of the standard audit procedure. The auditors at the 2013 internal audit in China did check on worker training. FLA recommends more consistent efforts to ensure trainings and communications on grievance procedures and channels are provided to all applicable MEC suppliers. In response to FLA feedback, MEC has plans to focus more intently in 2014 on capacity building related to grievance procedures and channels.

4.4 Company Affiliate ensures that grievance procedures and complaint channels are secure and prevents any punishment or prejudice against workers who use the systems.

Actions Taken:

MEC's Code includes an email address for workers to reach the company directly. The company states there that the channel is confidential.

Verification by FLA:

The MEC Code notes that all messages submitted via the MEC email address are kept confidential. The FLA has no evidence of any punishment or adverse action against workers who use the systems. A 2012 SCI assessment in India found that while the factory had a grievance process, it did not include a commitment to confidentiality when receiving or acting upon the grievance. The final 2012 SCI report has not been fully released to MEC and so the company has not yet created a corrective action plan for this particular finding. During the observation of an internal audit in Turkey in June 2013, FLA noted that the auditor cross-checked the disciplinary actions against a list of

resigned and dismissed workers to ensure that none of these actions were linked to potential retaliation or punishment against workers who had used the grievance channels.

FLA recommends that MEC strengthen procedures and communication with factories and workers to ensure that the channels are secure and workers are not punished or prejudiced for using them. As follow-up to these recommendations, MEC has added a discussion of this topic into the opening and closing meeting audit procedures. During the next round of revisions, MEC will also add related questions into the audit questionnaire.

5. COMPANY AFFILIATE CONDUCTS WORKPLACE STANDARDS COMPLIANCE MONITORING

5.1 Company Affiliate conducts pre-sourcing assessment of suppliers to review compliance with workplace standards.

Actions Taken:

A purchase order will not be written until an audit has been conducted at a new factory. The Social Compliance team is a member of MEC's internal Sourcing Working Group where current and new suppliers are reviewed and screened. Social Compliance has an equal voice in this group and veto power on potential new suppliers. MEC has a standard practice of conducting pre-sourcing assessments of suppliers.

Verification by FLA:

FLA has reviewed communications to new suppliers whereby the company introduces the Social Compliance program, the factory/subcontractor disclosure form, the pre-audit checklist and the audit process. MEC requires the factory to return the signed disclosure form and the completed pre-audit checklist, which asks questions related to all Code elements. The pre-audit checklist must also be sent to a third-party monitor, which is then responsible for conducting a full pre-sourcing audit. In addition, MEC has a pre-screening checklist (SNIFF Test), which focuses primarily on visual inspection and can be completed by a MEC Buyer or Production Coordinator on-site when visiting the potential supplier. FLA has samples of completed checklists on file.

FLA observed an initial pre-sourcing audit in Turkey in June 2013. The purpose of the observed audit was to assess the factory prior to the placement of orders. The communication and documents provided were sufficient to provide necessary information on MEC's social compliance expectations.

In an interview with the Sourcing Manager, FLA noted that she communicates with the Social Compliance staff about potential new suppliers to gain information on working conditions and identify risks. FLA interviewed MEC staff on the topic of the Sourcing Working Group during the headquarter assessment.

5.2 Company Affiliate monitors an appropriate sampling of suppliers regularly to assess compliance with workplace standards.

Actions Taken:

Since 2012, the Social Compliance staff has focused on ensuring recent audits at all MEC suppliers. MEC audits suppliers on a 6-18 month schedule. If an audit reveals high-priority noncompliances, then a re-audit is scheduled 6-12 months later. If an unacceptable violation is found, MEC will re-audit within 6 months. All audits are announced to the supplier.

Verification by FLA:

During assessments at company headquarters and review of documentation, FLA examined auditing procedures, tools, and completed audit reports. The audit process involves identifying whether another brand's audit could be used in order to reduce audit costs, collaborate, and diminish audit fatigue where possible.

The MEC STEP CAP Summary includes the violation type, rating, resolution, possible root cause, the department responsible and progress made. FLA has samples of completed STEP CAP Summaries on file and samples of evidence that has been submitted by factories and reviewed by MEC to mark progress on remediation.

Audit results and remediation timelines are shared with Product Managers, as is a Social Environmental Performance Summary of each supplier. The Performance Summary includes Social Compliance ratings, major concerns and best practices. FLA has copies of Performance Summaries on file.

5.3 Company Affiliate ensures that monitoring includes as appropriate, but not limited to, worker interviews, management interviews, documentation review, visual inspection, and occupational safety and health review.

Actions Taken:

MEC has guidelines in place for its third-party auditors and requires that they conduct worker interviews, management interviews, documentation review, visual inspection and occupational safety and health review.

Verification by FLA:

FLA confirms that MEC monitoring includes worker interviews, management interviews, documentation review, visual inspection and health and safety review. FLA has copies of email communications on file whereby MEC Social Compliance staff introduces the auditing procedures to suppliers. FLA has sample audit reports, interview guidance and photograph guidance on file.

FLA staff observed an internal audit conducted by a third-party at a supplier in Turkey in June 2013. MEC provided all necessary documents to the monitor in a timely manner and in advance of the audit. The audit was an initial audit and covered all relevant departments as well as three in-house subcontractors. The lead auditor was well trained and knowledgeable and FLA staff observed him using sound practices and methodologies. FLA provided feedback to the company along with some recommendations, primarily around best practices for auditing.

FLA observed an internal audit conducted by another third-party at a supplier in China in April 2012 and again in July 2013. FLA noted that the auditors performed with a high degree of professionalism and expertise. FLA provided MEC with some recommendations including additional attention to health and safety matters in the canteen, production capacity and overtime hours, grievance and discipline systems, and the communication of key issues during the closing meeting.

Based on both observations, as well as from a review of internal audit reports, FLA recommends further training for third-party monitors on root cause analysis. MEC has responded positively to FLA's recommendations and developed a presentation on this topic for its third-party monitors.

5.4 Company Affiliate ensures that, where relevant, monitoring is consistent with applicable collective bargaining agreements.

Actions Taken:

MEC asks its third-party monitors to check whether a collective bargaining agreement is in place and adhered to.

Verification by FLA:

FLA has on file MEC internal audit documents that capture information on whether factories have collective bargaining agreements. Where there are collective bargaining agreements, monitors are instructed to check whether any of the terms are less protective than local laws or the MEC Code. They are also guided to check on whether there are agreed upon terms that are being upheld by management. At the locations where FLA observed MEC internal audits, there were no collective bargaining agreements in place and so this practice could not be verified.

6. COMPANY AFFILIATE COLLECTS, MANAGES AND ANALYZES WORKPLACE STANDARDS COMPLIANCE INFORMATION

6.1 Company Affiliate maintains a complete and accurate list of all suppliers.

Actions Taken:

MEC maintains a comprehensive list of all suppliers.

Verification by FLA:

FLA has reviewed MEC's spreadsheet where Social Compliance staff track all active and inactive factories and subcontractors. The spreadsheet includes addresses, FLA disclosure, audit dates, product, processes, peak times, certifications, Social Compliance color rating, percentage of MEC production, number of workers, process risks to workers, and other brands.

MEC currently reports 34 active factories to the FLA – Canada (6), China (14), India (4), Philippines (1), Taiwan (1), Thailand (2), United States (1), and Vietnam (5). MEC's 2012 supplier list can be found on the company's website.

6.2 Company Affiliate collects and manages information on suppliers' compliance with workplace standards.

Actions Taken:

Since the end of 2011, MEC has focused on data integrity, consistency and completeness. MEC enlisted the services of a compliance database provider and completed the process of uploading all previous audits to the system with an accompanying guidebook for use by MEC staff.

Verification by FLA:

MEC Social Compliance staff keeps updated an Excel file with all monitoring results by factory, ratings, and violation types. In addition, MEC uses a compliance database provider to house compliance data. MEC also uses the online database to identify if another brand has conducted an audit in one of MEC's suppliers. If so, MEC engages with the company and seeks agreement prior to accepting the audit.

FLA has on file examples from 2012 and 2013 of Overall Performance Reviews of suppliers. The 2013 reports include the last audit date, a summary of communications, open high-priority issues in remediation, next proposed audit date, and a comparison of the factory's rating in relation to other MEC suppliers. These performance reviews are sent to the suppliers and inform a company-supplier dialogue.

6.3 Company Affiliate analyzes noncompliance findings to identify trends, including persistent and/or egregious forms of noncompliance and reports to the FLA on such analysis.

Actions Taken:

MEC has in place a rating system that designates a level of severity for particular noncompliances. Findings are categorized into Demonstrates Leadership, Meets MEC Minimum Standards, High Concern, and Unacceptable. Violations such as outsourcing to homeworkers, mandatory overtime, falsified records, and forced labor are all considered egregious and unacceptable and require immediate remediation and field verification by MEC.

MEC tracks persistent noncompliances, engaging suppliers in dialogue on these issues, marking progress and also taking steps to understand complex industry issues at play.

Verification by FLA:

During the 2013 headquarter assessment, FLA reviewed graphs and tables analyzing noncompliances from 2011 and 2012. Findings were analyzed by violation severity, type of violation and product type. The analysis had been shared with MEC's Senior Management Team. FLA also reviewed the in-progress data collection of 2013 information on noncompliances.

FLA has reviewed a summary report of all high priority and unacceptable ratings. The report summarizes the specific finding, the date of the finding and the actions taken. This list is reported to the CEO and CPO about once per month. Detailed charts and graphs are provided to the Senior Management Team every 3 months.

The Sourcing Manager and Social Compliance staff described the supplier scorecard that the company is now implementing. Scores are balanced equally based upon on-time delivery, quality, social compliance (rated on a scale of 1 to 4), and management relationship. The scores then result in a grade of Tier A, B or C. FLA has on file the first baseline scorecards of apparel factories that are shared with Production Coordinators. The scorecard will be progressively rolled out to all MEC suppliers. The scorecard will be completed twice per year. At the end of every year, MEC has a vendor review when all members of the cross-functional team meet with the supplier.

In the 2012 Accountability Report available on the company website, MEC publishes two key performance indicators on manufacturing/improving workers' lives – the percentage of MEC-brand factories that meet or exceed expectations (46%) and the percentage of MEC-brand factories with unacceptable violations (13%, down from 17% at the end of the previous year)⁵. MEC is able to capture trends in their key performance indicators from year-to-year.

7. COMPANY AFFILIATE REMEDIATES IN A TIMELY AND PREVENTATIVE MANNER

7.1 Company Affiliate, upon completion of the monitoring visit, contacts the supplier concerned within 14 days and collaborates with the supplier to create a remediation plan within 60 days that addresses all noncompliances.

Actions Taken:

MEC adheres to the timelines in the FLA Principles for communicating the results of a MEC STEP audit and collaborating with the supplier on a remediation plan.

Verification by FLA:

Through interviews with MEC staff and review of documents, FLA staff has verified the workflow for auditing new and current suppliers. The results of the monitoring visit, along with remediation plans, are sent to suppliers within 14 days. Remediation plans are created within 14 days for immediate action items and 60 days to respond to low- and medium-risk items. FLA has on file examples of communications with factories where timelines are adhered to, process documents describing the audit workflow and templates that describe how findings are categorized as well as a reiteration that corrective action plans shall be developed within 60 days or there is a risk that the business relationship between company and supplier will be adversely impacted. MEC third-party auditors adhered to the timelines, as observed by FLA staff in Turkey and China.

7.2 Company Affiliate takes steps to conduct root cause analysis, apply sustainable supply chain solutions and prevent the occurrence of noncompliances in other suppliers.

Actions Taken:

A core tenet of MEC's relationship with suppliers is honest, open and transparent communication. This expectation begins from the time a supplier is considered for sourcing and extends through to the signing of the Vendor Manual and communications with MEC Social Compliance staff, Designers, Production Coordinators, and third-party auditing firms. MEC's emphasis on and expectation of transparency is communicated in pre-audit communications and restated by auditors during opening meetings and where auditors suspect false records during the audit process. Where there is a lack of transparent payroll and/or hour records, it is difficult for the company to verify proper payments and actual working hours. MEC engages suppliers on this topic, though often MEC has little leverage in terms of share of production at the factory.

⁵http://www.mec.ca/AST/ContentPrimary/AboutMEC/Sustainability/AccountabilityReport/Dashboard/FactoryMonitoringResults.jsp?CONTENT%3C%3Ecnt_id=10134198674343411

In a factory in China, MEC found noncompliances related to wage and hour records. MEC was clear in communication that continued sourcing is dependent on improvements, however MEC is not yet convinced that the root cause of the issues have been addressed. In a second factory in China, findings from several audits revealed inaccurate records. The supplier worked with MEC to develop a new payment structure that has succeeded in ensuring workers were receiving proper regular and overtime wages. The agreed upon timeline for remediation was discussed in phone calls, at in-person meetings with factory management in May 2012, and during an audit attended by MEC staff in October 2012. That audit revealed significant improvements in payroll records, with just one finding from a month before the new system was implemented. In a third factory in China, the results of audit findings have led the factory to install a fingerprint clocking system which has largely eliminated challenges with proper tracking of working hours. The factory has become much more transparent with MEC and has taken initiative in identify mismatched records, analyzing the root cause and implementing corrective actions. In addition, the factory's Human Resources system has matured to a point where 98 percent of the workers are receiving all types of Social Insurance coverage. Lastly, MEC has also shared with the FLA an example of a factory that has not been transparent with working hours since they are interested in keeping a large customer with a strict 60 working hours pass/fail requirement. In this case, MEC has not been able to make headway with the supplier.

Verification by FLA:

FLA has on file records related to the cases described above where MEC noted inconsistencies in wage and hour records and MEC's corresponding efforts to work with the suppliers on remediating the issues in a sustainable manner.

7.3 Company Affiliate updates the FLA periodically on progress of remediation and confirms completion.

Actions Taken:

MEC provides updates to FLA staff on the progress of remediation at suppliers that have received FLA assessments.

Verification by FLA:

Through 2010, MEC was repeatedly delinquent in providing corrective action plans to the FLA in a timely manner. Since 2011 there has been a marked improvement and all subsequent remediation plans have been submitted on time. MEC has provided updates wherever possible on the remediation progress at facilities that were assessed by the FLA.

7.4 Company Affiliate records and tracks the progress of remediation.

Actions Taken:

MEC tracks the progress of remediation through to completion. Progress is noted in CAP Summaries for each factory.

Verification by FLA:

During assessments at MEC headquarters and subsequent document review, FLA noted that the company documents remediation progress in CAP Summaries, which capture history of completion and photo evidence. The CAP Summary document also captures the priority level, types of violations, evaluation rating, resolution of the issue, possible root cause, department responsible and progress complete. FLA has sample CAP Summaries on file.

8. COMPANY AFFILIATE ALIGNS SOURCING CRITERIA AND WORKPLACE STANDARDS⁶

8.1 Company Affiliate analyzes orders to ensure that sourcing criteria are consistent with workplace standards.

Actions Taken:

MEC communicates forecasts and plans to each factory as early as 12 months prior to delivery. The Sourcing Manager uses assortment plans from each Product Manager; she then works in collaboration with Development and Production to review capacity. This ensures that MEC is loading each factory appropriately, according to its true capability and capacity.

MEC uses a Planning Matrix to track all projections and purchase orders. The Sourcing & Production Department requires each factory, at the beginning of each season (8-9 months prior to shipment) to break out their monthly and annual capacity. This information is captured in the Matrix. Product Managers enter the amount of required product into the Matrix. Production Coordinators and the Sourcing Manager review the Matrix to confirm the total required amount from each Product Manager does not exceed 90% of a factory's total capacity available to MEC. MEC asks the factory to project to 90% capacity to ensure that there is a 10% cushion should issues arise. The Matrix is eventually divided into monthly units. MEC provides factories these updated requirements two months in advance of the purchase order. Purchase orders are released six months prior to required delivery date. There is a dialogue and check-in with each factory at these milestones to ensure there are no issues and that plans are on track from both parties' perspectives. These check-ins with the factory facilitate MEC's overall business and provide assurance that MEC is placing order requirements that are within a factory's true production capacity.

Verification by FLA:

The Sourcing Manager joined MEC mid-2013 and has been creating new policies and procedures with the Social Compliance team to ensure that sourcing criteria are consistent with workplace standards. As described above, Social Compliance is part of a MEC Sourcing Working Group and has veto power in deciding on new suppliers. FLA has reviewed copies of the most recent Planning Matrix and Planning Matrix Calendar described above. FLA recommends that MEC integrate analysis of orders along with factory workplace conditions to ensure consistency and alignment. FLA recognizes that MEC often has little leverage with its suppliers in terms of share of total production.

8.2 In the event of conflicts between sourcing criteria and workplace standards in an order, Company Affiliate provides a mechanism to resolve them in a timely manner to avoid negative impacts on workplace standards and reports to the FLA on those mechanisms annually.

Actions Taken:

As a smaller company, MEC has the benefit of ease of routine interactions between Social Compliance and other departments. Daily interactions regarding all aspects of working with a factory (design, quality, social responsibility, on-time delivery, product, materials, etc.) bring the different teams together.

MEC strives to avoid being responsible for overtime hours at factories where it manufactures. In nearly all cases, outside of Canada, MEC has limited presence in factories but has developed long-term relationships with many suppliers. Should a conflict arise, the Sourcing Manager will discuss with each Product Manager the quantity levels actually needed in the stores. There may be an opportunity to divide the order to meet the factory's capacity. Another option the Sourcing Manager will consider is to determine whether a style/product could be moved to another factory that has additional capacity. As a retailer, MEC has control over its product in stores.

⁶ There is a FLA multi-stakeholder Working Group tasked with making revisions to Principle 8 for both buyers and suppliers. At the time of this report, the FLA Monitoring Committee and Board of Directors had not yet approved the revisions.

Verification by FLA:

FLA has reviewed materials presenting the goals of the Social Compliance department as well as a review of the main purchasing practices that hinder improvement of working conditions. Steps having the greatest impact on working conditions according to MEC Buyers include planning, lead-time and pricing. Some of the main obstacles to implementing more responsible purchasing practices include diversified factory base, lack of knowledge/training, and lack of resources.

Based upon FLA's interview with a factory manager in China, if the factory's capacity is insufficient to meet MEC's requirements, the factory contacts its parent company in Hong Kong and the parent company communicates with MEC on the finalization of orders. The factory manager has an understanding of the ongoing dialogue between MEC and suppliers.

In an interview with the Sourcing Manager, FLA noted that MEC is willing to extend delivery dates, in-store dates and to import by air. MEC considers the relationships with suppliers, particularly long-term suppliers, to be collaborative.

FLA recommends that MEC formalize its mechanisms to address conflicts between sourcing criteria and workplace standards.

8.3 Company Affiliate analyzes its supply chain on a quarterly basis to identify negative impacts of sourcing decisions on compliance and makes necessary adjustments.

Actions Taken:

MEC analyzes its supply chain twice per year. If a factory has shown difficulty in planning to 90% of their capacity, then MEC will open discussions on potential solutions and support the company may offer. For example, MEC is able to decrease the order size in order to help a factory succeed. In comparison to other brands in the industry, MEC provides factories with generous lead-times

Verification by FLA:

Through document review and in an interview with the MEC Sourcing Manager, FLA noted that the review of suppliers' capacity, planning and product capabilities was just completed for the Spring 2014 season. The Sourcing Manager begins the conversation by asking the supplier to complete a survey and then follows up with individual conversations. MEC's analysis of its supply chain twice per year is just beginning and so the FLA has not yet been able to verify its implementation or effectiveness.

9. COMPANY AFFILIATE ESTABLISHES AND MAINTAINS RELATIONSHIPS WITH LABOR NON-GOVERNMENTAL ORGANIZATIONS, TRADE UNIONS AND OTHER CIVIL SOCIETY INSTITUTIONS

9.1 Company Affiliate reviews sourcing base and develops a civil society outreach strategy that reflects the geographical distribution of sourcing.

Actions Taken:

MEC does not have any field offices or field staff. As such, MEC has focused on partnerships in industry groups rather than civil society organizations in sourcing countries. However, MEC has developed a written strategy for engaging with civil society organizations in India.

Verification by FLA:

FLA has reviewed MEC's plans to conduct civil society outreach in India. In conversations with MEC staff, FLA recognizes that India raises particular risks for the company; hence, MEC will focus efforts on this country at the outset. Using FLA guidance, MEC is developing a 5-step approach for engagement. FLA recommends that MEC prioritize the development of a written civil society outreach strategy that reflects the geographical distribution of sourcing.

9.2 Company Affiliate develops and maintains links to civil society organizations (CSOs) involved in labor rights in sourcing countries to gain understanding of local compliance issues as referenced in FLA guidance.

Actions Taken:

MEC has focused on creating partnerships through the headquarter office, located in Vancouver, rather than civil society organizations in sourcing countries.

Verification by FLA:

Through document review and interviews, FLA confirms that MEC has not paid sufficient attention to this aspect of its Social Compliance program. FLA recommends that MEC prioritize engagement with civil society organizations in MEC sourcing countries.

9.3 Company Affiliate engages with CSOs and knowledgeable local sources in the design and implementation of compliance program strategies, trainings, worker communication channels, or remediation plans specific to production sites.

Actions Taken:

MEC has focused on creating partnerships through the headquarter office, located in Vancouver, rather than civil society organizations in sourcing countries.

Verification by FLA:

Through document review and interviews, FLA confirms that MEC has not focused on this aspect of its Social Compliance program. FLA confirms MEC's participation with groups such as Better Work Vietnam (three MEC suppliers participating) and [an industry coalition] (MEC CEO sits on the governance working group of the industry coalition). MEC has also provided evidence and case studies of its collaborations with other brands within the [industry association] to create a common standard and tool. FLA recommends that MEC prioritize engagement with local sources and civil society organizations to draw on their knowledge and expertise as they relate to MEC's specific suppliers and overall program.

9.4 Company Affiliate consults with legally constituted unions or worker representative structures at the production site during audits and remediation.

Actions Taken:

MEC third-party auditors consult with legally constituted unions or worker representatives at the time of the audit.

Verification by FLA:

From observations of internal audits, FLA notes that there is inconsistent consultation with legally constituted unions or worker representative structures. During the observation of an internal audit in Turkey, FLA staff noted that, though the auditor interviewed the elected worker representatives during the audit process, the practice was not part of MEC's standard audit procedure. A union representative was interviewed during the 2012 China audit that was observed by FLA staff. FLA recommends formalizing the expectation that third-party auditors will consult with unions or worker representative structures during audits. FLA has recommended to MEC that the third-party auditors include worker representatives in the opening and closing meetings of the audit. In response, MEC is developing a training for third-party auditors.

10. COMPANY AFFILIATE MEETS FLA VERIFICATION AND PROGRAMMATIC REQUIREMENTS

10.1 Company Affiliate participates in FLA due diligence activities, including production site monitoring, assessments and company headquarter visits, as applicable.

Actions Taken:

MEC has participated in the FLA's monitoring/assessment program since 2005 and has been visited by FLA staff at the company headquarters in Vancouver.

Verification by FLA:

Since affiliation as a PC in 2005, MEC has been subject to 13 FLA assessments – 9 IEMs, 1 IEV, 2 SCI assessments and 1 SCOPE Workers Survey. FLA staff assessed MEC headquarters in April 2011 and May 2013. FLA staff has visited several MEC supplier factories, including observations of MEC internal audits in Turkey (June 2013) and China (April 2012 and July 2013).

10.2 Company Affiliate completes a standardized annual report on fulfillment of Principles of Fair Labor & Responsible Sourcing.

Actions Taken:

MEC submitted annual reports to the FLA covering activities from 2005-2011.

Verification by FLA:

FLA confirms that MEC submitted the annual reports with information on activities from 2005-2011. As of the writing of this report, the 2012 annual report was not yet due to the FLA.

10.3 Company Affiliate maintains a complete and accurate list of applicable suppliers with the FLA.

Actions Taken:

MEC maintains an up-to-date applicable facility list on file with the FLA.

Verification by FLA:

FLA confirms that the MEC applicable facility list with the FLA is complete and up-to-date. MEC had one aborted IEM at a Sri Lanka factory in 2010. The factory was no longer active for MEC but the company had not informed the FLA. There have been no subsequent aborted IEMs or IEAs at MEC suppliers.

10.4 Company Affiliate responds to FLA requests for documentation, contracts, information and clarification in a timely manner.

Actions Taken:

MEC compliance staff responds readily to all FLA requests for documentation, contracts, information and clarification in a timely manner.

Verification by FLA:

FLA confirms that MEC compliance staff is responsive to requests for documentation, information and clarification. MEC has signed the FLA's Monitoring Services Agreement. FLA notes a marked improvement in the timeliness and completeness of information since 2011.

10.5 Company Affiliate pays annual dues and any other applicable fees.

Actions Taken:

MEC has paid annual dues and all other applicable fees to the FLA in full and on time.

Verification by FLA:

MEC is up-to-date on payments of annual dues and applicable fees. Documentation is available at FLA headquarters.

CONCLUSION

Accreditation of MEC's compliance program should not be interpreted as a guarantee against issues and risks in the supply chain. Rather, accreditation indicates that the company has the systems in place to proactively identify and remediate those risks. Accreditation is not granted automatically, and is only renewed every three years following a satisfactory FLA evaluation of labor compliance systems and activities during the timeframe. FLA will continue to conduct standard due diligence activities on MEC. To check an affiliate's accreditation status, visit www.fairlabor.org/accreditation.