



FAIR LABOR
ASSOCIATION®

Improving Workers' Lives Worldwide



MOUNTAIN EQUIPMENT CO-OPERATIVE
ASSESSMENT FOR REACCREDITATION

October 2016

TABLE OF CONTENTS

Introduction.....	3
Section 1: MEC Affiliate Overview	4
Section 2: Map of MEC's Supply Chain & FLA Due Diligence Activities from 2013-2016	5
Section 3: Analysis of MEC's GcVU Compliance Program for Reaccreditation	6
Reaccreditation.....	
Element 1: A Review of the Company's Implementation of the Principles of Fair Labor & Responsible Sourcing	6
Element 2: Responsible Purchasing Practices	9
Element 3: Civil Society Engagement.....	12
Element 4: Remediation & Innovations.....	14
Section 4: Conclusion and Recommendation to the Board of Directors.....	17
APPENDIX A: MEC's Code of Conduct	18

INTRODUCTION

On October 7th, 2016, the FLA Board of Directors voted to approve the reaccreditation of Mountain Equipment Co-Op's labor compliance program. When joining the FLA, Participating Companies and Participating Suppliers commit to implementing the [FLA Workplace Code of Conduct](#), which aims to ensure "respectful and ethical treatment of workers" and "promotes sustainable conditions through which workers earn fair wages in safe and healthy workplaces." The [Principles of Fair Labor and Responsible Sourcing / Production](#) ("Principles") serve as the standards upon which Participating Companies and Participating Suppliers are assessed towards an accreditation of their labor compliance program. Participating Companies and Participating Suppliers with [accredited](#) compliance programs have demonstrated that they have the systems and procedures in place needed to successfully uphold fair labor standards throughout their supply chains. In assessing for reaccreditation, the FLA looks for continued implementation of the workplace standards and focuses on key components that innovatively support the FLA's mission to "improve workers' lives worldwide."



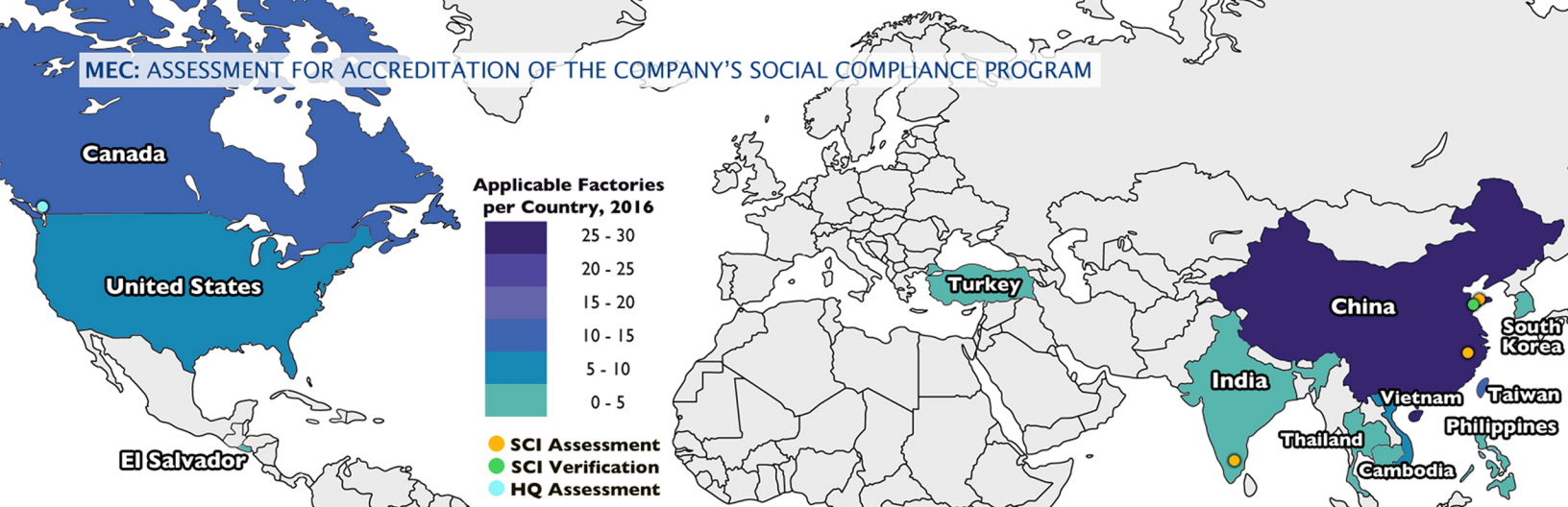
The FLA accreditation process involves staff conducting due diligence on the performance of a Participating Company or Participating Supplier during the implementation period. To assess an affiliate for reaccreditation of their labor compliance program, the FLA focuses on implementation of responsible purchasing practices, civil society engagement, remediation efforts, and program innovations. This assessment involved testing a selection of data points or information sources in order to verify actions by the company. Sources of information may include:

- 1) **Affiliate Headquarter Assessment:** Assessments at headquarters and field offices to interview staff involved in compliance and in other functions, and to review documentation, processes, and database capabilities. In some cases, the offices of agents are visited as well. In countries where the FLA is not able to conduct in-person assessments, interviews are conducted by phone with company staff involved in compliance and in other functions.
- 2) **FLA Factory-Level Assessments:** Independent External Monitoring (IEM), Independent External Verification (IEV), and Sustainable Compliance Initiative (SCI) assessments are all sources of information on compliance issues and remediation efforts. For reaccreditation, affiliates are subject to Verification Assessments, which verify remediation efforts and may include analysis of the affiliate's assessment tool.
- 3) **Annual Reports:** Affiliate reports for each year of implementation provide data on the evolution of an affiliate's compliance program in line with FLA Principles.
- 4) **FLA Third-Party Complaints:** Where relevant, an affiliate's involvement in, and responsiveness to, FLA Third-Party Complaints provide additional insight into compliance programs and remediation strategies.
- 5) **FLA Strategic Projects:** Where relevant, an affiliate's participation in FLA Strategic Projects provides opportunities to learn about the affiliate's compliance strategies for detecting and remediating complex issues.
- 6) **Observation:** Wherever possible, FLA staff accompanied affiliate compliance staff on internal audits, training sessions or remediation visits.
- 7) **Routine Interactions:** Information on the affiliate's compliance program has also been collected through discussions and interactions with affiliate compliance staff in the course of each year's program. Exchanges with civil society organizations and other stakeholders interacting with the affiliate provide additional perspective.

SECTION 1: MEC AFFILIATE OVERVIEW

Name of Company	Mountain Equipment Co-Operative (MEC)	Category	Participating Company
Location	Vancouver, British Columbia, Canada	Product/s	Apparel, Accessories, Hard Goods, Tents, Bicycles, and Sunglasses
Total Annual Revenue	\$365 million CDN	Current Number of Applicable Facilities	67
FLA Affiliation Month/Year	February 2005	Original Accreditation Month/Year	October 2013
FLA Reaccreditation Lead/Support	Reaccreditation Lead: Tiffany Rogers, Business Accountability Program Manager Reaccreditation Supports: Jennifer Caruso, Associate Director of Business Accountability; Joe Shen, East Asia Regional Manager		
Unique Company Characteristics	<ol style="list-style-type: none"> 1) MEC is a member-owned retail co-operative for outdoor apparel and equipment, established in 1971 in Vancouver, Canada. In 2015, MEC had 4.5 million members and 18 retail locations. 2) MEC publishes an annual report for its members, which includes MEC's data on labor compliance. 3) Since MEC's accreditation in 2013, MEC has included the contract facilities that manufacture MEC bicycles and sunglasses. MEC has led the effort with other outdoor industry companies to implement a workplace standards compliance program in bicycle manufacturing suppliers. 		
Summary of Key Strengths	<ol style="list-style-type: none"> 1) Development and implementation of collaborative programs and practices with brands, service providers, and multi-stakeholder initiatives to improve working conditions throughout its supply chain; 2) Integration of responsible purchasing practices in its Social Compliance Team, Sourcing, and Product Managers; 3) Commitment to utilizing the guidance from the FLA and other organizations to improve MEC's internal monitoring and training programs; and 4) Contribution of MEC's supply chain learnings to the FLA, other organizations, and academia to provide guidance and insight into the complexities of global supply chains. 		
Summary of Key Suggestions for Strengthening	<ol style="list-style-type: none"> (1) Development and implementation of responsible production guidelines for bicycle and sunglass suppliers; (2) Further exploration and development of various mechanisms to ensure workers in its global supply chain have access to functioning grievance mechanisms; (3) Further implementation of MEC's CSO Engagement Strategy; and (4) Where it is found that workers require more protection, continue to develop and improve programmatic assessments and capacity building tools to ensure employers uphold MEC's workplace standards. 		

MEC: ASSESSMENT FOR ACCREDITATION OF THE COMPANY'S SOCIAL COMPLIANCE PROGRAM



SECTION 2: MEC'S SUPPLY CHAIN AND FLA DUE DILIGENCE ACTIVITIES, 2013 - 2016

The above map shows MEC's sourcing countries and the range of factories in each highlighted country. MEC sources from China, Cambodia, Canada, El Salvador, India, the Philippines, South Korea, Taiwan, Thailand, Turkey, and the United States. MEC has a total of 67 contract suppliers in its scope of FLA applicable facilities. Upon affiliation, MEC's applicable facility scope included MEC-branded apparel, accessories, and some hard goods. In 2014, MEC included its remaining MEC-branded suppliers by adding its bicycle and sunglasses suppliers to the FLA factory list, increasing its total number of suppliers from 34 to 66. From 2013 to 2016, MEC received three SCI assessments in India and China; however, they experienced one aborted SCI¹ in 2014. In 2015, the FLA conducted MEC's Headquarter Assessment for Reaccreditation in Vancouver, Canada and one of the 2015 SCIs in China was reviewed as a Verification Assessment. In 2016, MEC received one SCI Verification Assessment in China and is scheduled to have an SCI Assessment in Taiwan.

¹In the case of the aborted 2014 SCI, the factory's Owner & General Manager had left the facility due to financial problems. In late 2014, MEC's Director of Sourcing went to the factory and worked with the other business owner of the factory to support the owner in processing and completing orders through the end of the year. After the season's orders were completed, the remaining business owner decided to sell the factory and MEC decided to exit this facility.

SECTION 3: ANALYSIS OF MEC'S GC7-5 @COMPLIANCE PROGRAM FOR ACCREDITATION

Information used in this assessment originates from reports submitted by MEC and verified by the FLA through:

- 1) An assessment at MEC's headquarters conducted by FLA staff in July 2015;
- 2) Information gathered in person, via phone interviews, and through email correspondence with MEC staff;
- 3) Documentation review of supporting evidence submitted by MEC;
- 4) Results of FLA Independent External Assessments at MEC applicable facilities conducted by FLA assessors;
- 5) Results of FLA Verification Assessments at MEC applicable facilities conducted by FLA assessors to verify remediation efforts at the factory-level;
- 6) Analysis of MEC's internal audit tool against the FLA Compliance Benchmarks; and
- 7) Communication with stakeholders.

ELEMENT 1: A REVIEW OF THE COMPANY'S IMPLEMENTATION OF THE PRINCIPLES OF FAIR LABOR AND RESPONSIBLE SOURCING²

Implementing the Key Performance Indicators (KPIs) of the Principles

MEC maintained its monitoring and remediation program, and developed systems to further analyze its social compliance data. MEC increased its engagement, outreach, and development of labor-focused programs with other organizations, brands, industry associations, government, and consultants. MEC developed or revised procedures to address the various Principle KPIs, such as its Responsible Production Guidelines for suppliers, internal remediation procedures, a CSO engagement strategy, and FLA affiliation procedures. To assess for training effectiveness of internal staff trainings, the social compliance team included short quizzes at the end of their training presentations for headquarters and retail staff to complete.

MEC's Social Compliance Program Transition

After the 2013 Accreditation, the Social Compliance Manager was promoted to the Director of Sustainability, reporting directly to the CEO. The former Social Compliance Analyst was promoted to the Social Compliance Manager, and MEC hired a Director of Sourcing. The team transitioned to report to the Director of Sourcing, and a Social Compliance Analyst was hired to complete the team. The Director of Sourcing is responsible for sourcing, costing, and the social compliance program for MEC-branded apparel, accessories, and some hard goods, and reports to the Senior Director of MEC Brand, who then reports to the Chief Product Officer. This restructuring has allowed for the Social Compliance Team to better align its efforts on Responsible Purchasing Practices with MEC's sourcing practices.

² The Principles of Fair Labor & Responsible Sourcing include the main components for a company to build a social compliance program. The complete Principles can be found on the [FLA website](http://www.fairlabor.org).

FLA's 2013 Accreditation Suggestions for Strengthening & MEC's Accreditation Action Plan

In the 2013 accreditation action plan, the FLA identified four suggestions for strengthening:

1. Setting specific training goals and metrics for compliance staff, third-party service providers, and factories;
2. Enhancing policies, procedures, and training to ensure that the handling of grievances through various channels is formalized, and that all channels are secure and workers are free from retaliation;
3. Further formalization of supply chain analysis to ensure purchasing and production practices do not conflict with MEC workplace standards; and
4. Greater consultation and engagement with local civil society organizations and factory worker representatives to inform and strengthen MEC's social compliance program goals.

Through self-assessment reviews and the headquarter assessment, the FLA verified the progress of MEC training with staff, third-party assessors, and vendors (Item 1). Item 2 is discussed below. Progress on Items 3 and 4 are covered in subsequent sections of this report.

Ensuring Functioning Grievance Mechanisms & Confidential Reporting Channels

To improve upon workers' access to functioning grievance mechanisms, MEC pursued a worker hotline pilot with Clear Voice, a service provider dedicated to developing functioning confidential reporting channels in company supply chains. The pilot included nine contract facilities in China. These facilities received training for factory management and worker representatives, informational materials, and hotline posters and cards from Clear Voice and Openview, a supporting service provider for Clear Voice. During the pilot, Clear Voice accepted grievances and worked with the factory to develop action plans to address the grievances received, a process which was supported by MEC's social compliance team. MEC received monthly updates from Clear Voice on each factory in the pilot describing the grievances submitted and the consequent action plans.

While the hotline did not receive an overwhelming amount of grievances, those raised through the hotline did have implications on workplace conditions. Some examples of these grievances submitted through the hotline included supervisors refusing to sign worker resignation applications, a factory not providing social insurance for 80 percent of the workforce, workers not receiving pay slips for three months, confusion on wage calculations, excessive overtime, and removal of the Clear Voice hotline poster. Once Clear Voice established an action plan with the factory on these



Members from the Fair Trade Committee from an MEC contract facility in India

grievances, Clear Voice contacted the worker to provide the factory's response.

In addition to the pilot, MEC worked with the service provider ELEVATE to conduct and analyze a worker survey at a contract facility in China. The data revealed that the majority of workers preferred to communicate with supervisors, and 83 percent of workers believed that management would address their grievances. To ensure the presence of functioning grievance mechanisms, MEC works with its third-party monitors to ask specific questions on the use of grievance mechanisms during worker interviews, to provide guidance to suppliers in developing grievance mechanisms, and to provide workers with an email hotline to contact MEC directly. The FLA encourages MEC to continue its efforts to ensure all workers have access to functioning grievance mechanisms.



Representatives from MEC and another brand collaborating at a bicycle facility in China

Introducing Social Compliance to Bicycle Contract Facilities

In 2014, MEC added bicycles, kitchen products, and additional hard goods into its FLA scope of affiliation so that all MEC-branded products would be included. MEC acknowledged that the corporate social responsibility practices and standards that the apparel industry has widely adopted for monitoring had yet to be introduced to its bicycle manufacturers in Taiwan and China. Before MEC conducted factory audits at these suppliers, MEC worked with the suppliers to highlight the importance of transparency in the audit process. MEC has implemented a monitoring program for its bicycle and sunglasses suppliers, and the company continues to work with its suppliers on improving transparency. Specifically, for its bicycle suppliers, MEC is reviewing the conditions and practices applicable to migrant workers, as discussed in subsequent sections of this report.

ELEMENT 2: RESPONSIBLE PURCHASING PRACTICES³

MEC's Production Guidelines & Responsible Sourcing Policy

At the time of MEC's 2013 Accreditation, MEC's Board of Directors had approved its responsible sourcing policy. This policy is an overall commitment to uphold workers' rights, environmental standards, and best practices in its sourcing. Since the approval of this policy, the structure of MEC's social compliance team has changed, with the team now reporting to the Director of Sourcing, which has facilitated collaboration between the social compliance program and MEC's planning and purchasing practices.

MEC developed its production guidelines applicable to apparel, hard goods, and accessories suppliers in June 2014. These guidelines include all of MEC's production requirements, social compliance requirements, and quality standards. The guidelines also address the provision of adequate lead time, balanced planning, and financial terms that align with FLA standards. For example, the guidelines state that each season's purchase orders (POs) are to be issued to the supplier at once so that suppliers can consolidate material purchases for that season and have flexibility in their planning schedules.



A factory employee at a garment facility in India
(Photo credit: Tina Chee)

To develop these guidelines, MEC completed matrices similar to the matrices included in the [FLA's Guide to Principle 8](#) to organize what MEC had implemented or developed regarding responsible purchasing practices. By using the matrices as its internal action plan, MEC was able to track its progress on the implementation of responsible purchasing practices by identifying supporting practices such as the maintenance of production calendars, training programs for product managers and production coordinators, job descriptions, planning matrices, and an open costing system that can ultimately impact working conditions in MEC's contract facilities.

MEC has implemented a staggered approach to implementing its responsible production guidelines, focusing on apparel, hard goods, and accessories. MEC is looking to integrate the bicycle and sunglasses suppliers into its responsible production guidelines. The current focus for these suppliers has been on implementation and training on the workplace standards of MEC's social compliance program.

³ Principle 8 "Responsible Purchasing Practices" articulates how a company develops and implements responsible purchasing practices, that mitigate negative working conditions, informed by the company's social compliance program.

Responsible Purchasing Practices Training

MEC has constructed various training programs for relevant staff, agents, and vendors on MEC's STEP program and responsible purchasing practices and guidelines. Training presentations were developed for production teams and included information on MEC's responsible production guidelines, factory compliance data, changes in internal practices, communication channels between sourcing and the production departments, and the implementation of the open costing system.

Accountability for Implementation of Responsible Purchasing Practices

MEC staff is evaluated on an annual basis through performance reviews to evaluate their implementation of the key sourcing strategies, policies, and procedures outlined by MEC's production guidelines that were shared through formal and informal trainings. Staff members are held accountable for implementing responsible purchasing practices through job descriptions, calendars, work-in-progress reports, and regular meetings to review deadlines.

Dialogue & Engagement to Implement Responsible Purchasing Practices in MEC's Supply Chain

MEC's Director of Sourcing, Production Coordinators, Product Managers, and Costing Engineer work collaboratively to plan and execute season collections. A key example demonstrating MEC's internal and external dialogue in support of efforts to establish responsible purchasing practices is their implementation of an open costing system. In 2013, MEC moved towards an open costing system with its suppliers. Open costing is conducted during the product development phase to ensure that MEC and the suppliers are able to make products with sustainable costs prior to issuing the purchase order. When MEC issues the purchase order, the product development and costing is finalized before the purchase order is placed. Implementing open costing requires fostering trust and long-term relationships with suppliers to ensure that suppliers' costing quotes will not be used to bid for lower quotes from other suppliers.

Through the open costing system, the Costing Engineer reviews costing quotes from suppliers and asks a series of questions to understand why certain elements may cost more. Once the Costing Engineer understands and confirms that certain design elements or materials will require a higher price for a product, the Costing Engineer will work with the designer or product manager to see if the design elements can be simplified, or if the higher cost can be accepted.

Incentivizing Suppliers to Produce Responsibly

MEC has implemented a scorecard approach to show suppliers a snapshot of their bi-annual performance in six categories: Social Compliance (20 percent), On-Time Delivery (20 percent), Management (20 percent), Quality (20 percent), Higg Index (10 percent), and Development (10 percent). Suppliers can achieve an A, B, or C rating, and they are provided feedback on which elements they can improve to achieve MEC's highest ranking of "A supplier." Additionally, suppliers are encouraged to provide feedback for MEC on the season.

MEC's highest social compliance rating is "Demonstrates Leadership." Suppliers at this ranking shift to a self-governance social compliance approach, and will only receive MEC assessments once every 18 months. MEC works with three suppliers in the "Demonstrates Leadership" category, and the company incentivizes other suppliers to strive for this category by committing to long-term sourcing relationships. MEC commits to refraining from bidding out purchase orders, and thus to provide suppliers with repeat or similar styles from season to season.

Additionally, MEC continues to refine its analysis of sourcing and social compliance data by working with academics to analyze MEC's suppliers' social compliance audit reports, snapshot scores, and purchase order placements from 2012 to 2015. While the data analysis for MEC's social compliance data is on-going, the initial analysis of MEC's purchase orders has been able to support the responsible purchasing practices developed by MEC. Through the data analysis of about 40 suppliers and more than 200 styles, all style purchase orders were issued to the same factory from the years that were sampled, allowing suppliers to build efficiencies with repeat styles, and demonstrating MEC's commitment to their suppliers. Additionally, the average lead time for apparel produced by factories in Asia was more than eight months from the purchase order issue date. This average lead time stands in significant contrast to recent "fast fashion" trends, and demonstrates that MEC has resisted industry-wide pressure to adopt increasingly lower lead times. Lastly, the spikes in purchase orders that indicate peak production seasons showed a decline from 2012 to 2015, indicating that MEC and its suppliers are able to make incremental improvements in striving towards balanced planning.



A factory employee at a hard goods facility in the Phillipines (Photo credit: Nicholas Lagopoulos)

ELEMENT 3: CIVIL SOCIETY ENGAGEMENT⁴

CSO Engagement Strategy Development & Implementation

MEC has developed a CSO engagement strategy that is designed to find solutions to common noncompliances in MEC's supply chain, such as a lack of health, safety and environment training in chemical management and fire safety; lack of functioning grievance mechanisms; and inaccuracy of records and lack of transparency. MEC noted the lack of worker training, gender inequality, risks of sexual harassment, fear of retaliation, and lack of knowledge and education of workers' rights as other areas of risk in the outdoor apparel industry and in MEC's supply chain. MEC has designated China, India, and Taiwan as high-risk production countries, and MEC identified stakeholders to engage with on a variety of the aforementioned worker issues. MEC also utilized country risk data from the British Standards Institution (BSI) to inform its CSO engagement strategy as well as other components of its social compliance program. For example, through the data from BSI, MEC developed questions specific to assessing refugee and migrant labor in its supply chain.

In conjunction with Fair Trade USA, MEC works with three suppliers in India that have achieved Fair Trade certification. MEC includes a Fair Trade premium to the freight on-board price and makes a long-term commitment to the supplier. Fair Trade USA supports workers to organize and elect a worker representative committee, and conducts a needs-assessment with the committee to determine how the MEC premium will be invested. Currently, Fair Trade USA is leading a project to implement a water filtration system at these certified factories.

MEC collaborated with Better Work Vietnam to support a factory in addressing issues with its building structure. Better Work Vietnam, MEC, and another brand worked together to find a structural engineer to assess the building and then helped the factory move temporarily to a different building while the floor was fixed. Better Work Vietnam also supported remediation in MEC contract facilities with regard to excessive overtime, and also supported the facilitation of union and factory management meetings.



A factory employee at a hard goods facility in the Philippines (Photo credit: Nicholas Lagopoulos)

⁴ Principle 9 "Consultation with Civil Society (CSO)" articulates how a company can engage with civil society to improve the lives of the workers in its supply chain.

Engagement with the Taiwanese Government on Migrant Worker Laws

In 2012 and 2013, MEC met with Taiwan's Council of Labour Affairs (now the Ministry of Labor) on migrant labor law reform around laws that incentivize factory management to hold migrant worker passports. Prior to the law revisions in Taiwan, factories were not able to fill vacant positions of migrant workers who had left until the workers were located, which incentivized factory management to hold migrant worker passports. In 2014, the laws were revised to change the disciplinary structure, should a migrant worker not return to the factory. MEC then worked to inform its Taiwanese factories about the change in laws. MEC received guidance materials from Taiwan's Ministry of Labor, which included the *Handbook for Foreign Workers in Taiwan* that provides a 24-hour hotline for migrant workers. These materials were shared with MEC's Taiwan factories. MEC is working with the World Federation of the Sporting Goods Industry to support migrant labor law reform in Taiwan. MEC has also been supportive of other FLA-initiated government engagements, signing on to the FLA's letters to the government of [Myanmar](#) on minimum-wage setting, and to the government of Turkey on issuing work permits for Syrian refugees.



(from left to right): MEC's Social Compliance Manager, Fair Trade USA field staff, and the Head of Compliance at a contract facility in India.

MEC's CSO Engagement Looking Forward

MEC has started initial engagement with local CSOs in China to address working conditions and migrant labor. Additionally, MEC has engaged with a global CSO to further discuss MEC's public reporting on workplace conditions. Lastly, through work to remediate a freedom of association issue at a factory in El Salvador, MEC was recently introduced to the work of a multi-stakeholder CSO focused on brand collaboration to remediate workplace violations in the Americas and will pursue further involvement.

ELEMENT 4: REMEDIATION & INNOVATION⁵

Collaborating with Other Brands to Improve Working Conditions

MEC has focused on various collaboration efforts to remediate systemic labor issues in a sustainable manner. They have collaborated on remediation at the factory level with fellow FLA Participating Companies adidas-Group, Patagonia, and prAna; Category B Licensee Columbia Sportswear; and 11 other brands not affiliated with the FLA. To standardize their collaboration efforts, MEC has documented agreements with other brands that address supplier and buyer concerns on anti-trust and collective action.

FLA Fire Safety Training & Impact Assessment

From 2015-2016, MEC worked with New Era, the FLA, and NewAsia to conduct the Workplace Fire Safety Facilitator Course for 13 suppliers in China. Prior to the training, the suppliers completed a baseline self-assessment, and an impact assessment was conducted after the training courses were completed. The training provided guidance to factories on how to develop systems to manage fire safety programs; this included developing policies and procedures, training, imperative fire safety functions, and accountability mechanisms.

Protecting Migrant Labor in Taiwan

As mentioned throughout this report, MEC has paid particular attention to the treatment of migrant workers in its supply chain, specifically those working in bicycle suppliers in Taiwan. MEC worked with Verité to develop a workshop for Taiwanese suppliers who hire migrant workers, to review the standards on anti-forced labor and trafficking, to implement standards on passports and savings accounts, and to develop action plans for implementation of the guidance from the training. Information shared in this training included the FLA's standards to protect migrant workers, difficulties for factories in managing migrant labor, and the risks of debt bondage and forced labor through the use of labor brokers. Through this training and other engagement efforts with MEC's Taiwan contract facilities, MEC has made progress with some factories returning worker passports and not requiring factory-managed savings accounts. MEC continues to work with its factories and Taiwanese organizations to further understand and assess the conditions for migrant workers.

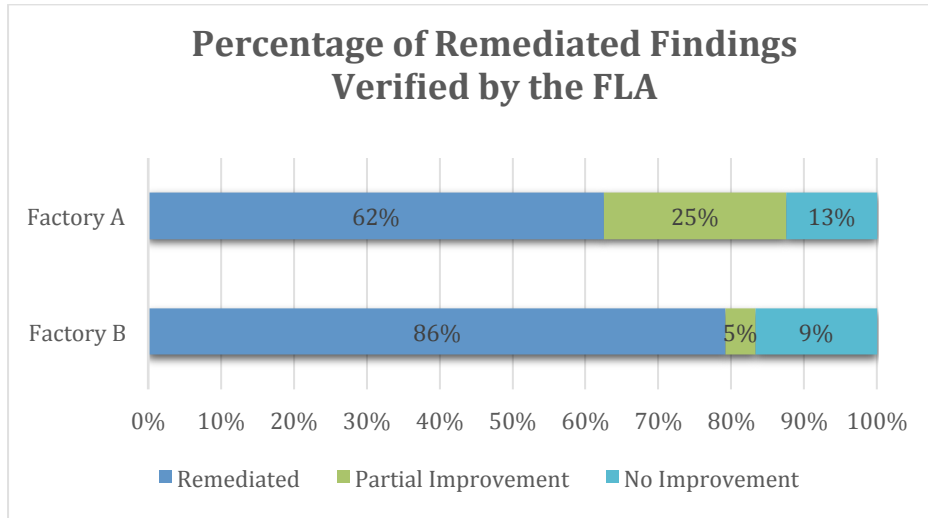
Contributing MEC's Learnings to the CSR Field & Academia

As mentioned in Element 2, the FLA connected MEC with a group of academics in 2015 to explore how social compliance and sourcing practices could correlate within a brand. Even though the data analysis is still in progress and results have yet to be determined, this engagement has not only shown MEC's commitment to corporate social responsibility, but also their willingness to contribute to research in the social responsibility field. Additionally, the preliminary findings support the responsible purchasing practices MEC has strived to develop and implement since its 2013 accreditation.

⁵ Principle 9 "Consultation with Civil Society (CSO)" articulates how a company can engage with civil society to improve the lives of the workers in its supply chain

Participating in the FLA's Factory-Level Verification Assessment Pilot⁶

The FLA found that in both suppliers that received Verification Assessments, full or partial remediation of the majority of findings was implemented since the previous SCI assessment or audit.



In Factory A, the FLA had not conducted a previous SCI assessment, so FLA staff reviewed an audit report from 2015, which was conducted by another organization and accepted by MEC, along with its corrective action plan. FLA staff then conducted an SCI Assessment as the Verification Assessment at the same factory and verified 62 percent of findings from the accepted audit as remediated. However, due to the limited scope of standards in the accepted audit, the FLA identified 65 new findings in the Verification Assessment – 35 findings referenced local law violations and 30 findings referenced only FLA Compliance Benchmarks.

For Factory B, a facility that received an SCI assessment in 2013, MEC continued to follow up on remediation actions through its 2015 internal audit. MEC verified that 13 findings had been remediated, and identified eight new findings in its internal audit. For the 2016 Verification Assessment, the FLA reviewed the 2013 SCI findings and MEC's 2015 audit report, and verified that 86 percent of findings had been remediated from both the 2013 SCI and MEC's 2015 internal audit. Nine new findings were identified in the 2016 Verification Assessment.

The FLA's Analysis of MEC's Audit Tool

As part of the Verification Assessment process, the FLA analyzed MEC's internal audit and discovered that slightly less than half of the FLA's Compliance Benchmarks were included in the

⁶ To verify remediation efforts, the FLA piloted SCI verification assessments at MEC contract facilities. In the Verification Assessment process, FLA staff reviewed prior company internal audits or previous SCI reports for two selected factories in China. FLA staff reviewed the findings of the previous report, conducted an SCI assessment at the factory, and reported on remediation actions that were verified and the new findings identified. Additionally, FLA staff conducted an audit tool analysis against the FLA Compliance Benchmarks to support MEC in identifying gaps and risks in its internal audit tool.

MEC audit tool. The FLA found that while MEC adopted the “employment relationship” code element, MEC’s audit tool did not reflect a devoted section to assess for employment relationship standards. However, MEC has developed supplementary tools that demonstrate greater integration of employment relationship standards in MEC’s prioritization of its audit findings, in the company’s collaboration with facilities on the remediation process, and capacity building programs.

The remediation actions verified by the FLA show that in both factories, MEC and its suppliers made notable progress to improve working conditions. Additionally, FLA staff found that all standards included in the MEC audit tool meet, and in some cases exceed, the FLA’s Compliance Benchmarks. MEC’s audit tool questions on environment, health and safety, and overall workplace standards trainings, were highlighted as strengths in the audit tool review. The FLA encourages MEC to continue its commitment to developing best practices within its social compliance program that drive improved conditions for workers in its supply chain.



FLA staff conducted the MEC headquarter assessment in Vancouver, Canada in July 2015.

SECTION 4: CONCLUSION AND RECOMMENDATION TO THE BOARD OF DIRECTORS

This review of MEC's labor compliance program is intended to help inform the decision of the FLA Board of Directors on whether to reaccredit the affiliate's program.

The FLA staff's conclusion is that since affiliation as a Participating Company, MEC has developed an increasingly comprehensive labor compliance program that, on balance, aligns with FLA standards, benchmarks, and protocols. Reaccreditation is the FLA's continuing assessment of an affiliate's labor compliance program towards ensuring respectful and ethical treatment of workers. The FLA recognizes that no labor compliance program is perfect; the notion of continuous improvement means that there will be instances when a specific principle or benchmark is not met, yet such occurrence does not call into question the integrity of an affiliate's entire program. The FLA will continue to provide programmatic recommendations to further an affiliate's labor compliance efforts in support of the FLA's mission to protect workers' rights and ensure decent working conditions. FLA staff recommends to the FLA Board of Directors the reaccreditation of MEC's labor compliance program.

The assessment identified certain areas in which MEC's labor compliance program has been strong, and also areas to which improvements are possible.

Strengths of MEC's labor compliance program include:

- (1) Development and implementation of collaborative programs and practices with brands, service providers, and multi-stakeholder initiatives to improve working conditions throughout its supply chain;
- (2) Integration of responsible purchasing practices in its Social Compliance Team, Sourcing, and Product Managers;
- (3) Commitment to utilizing the guidance from the FLA and other organizations to improve MEC's internal monitoring and training programs; and
- (4) Contribution of MEC's supply chain learnings to the FLA, other organizations, and academia to provide guidance and insight into the complexities of global supply chains.

Suggestions for strengthening MEC's labor compliance program include:

- (1) Development and implementation of responsible production guidelines for bicycle and sunglass suppliers;
- (2) Further exploration and development of various mechanisms to ensure workers in its global supply chain have access to functioning grievance mechanisms;
- (3) Further implementation of MEC's CSO Engagement Strategy; and
- (4) Where it is found that workers require more protection, continue to develop and improve programmatic assessments and capacity building tools to ensure that employers uphold MEC's workplace standards.

APPENDIX A: MEC'S CODE OF CONDUCT

MEC SUPPLIER CODE OF CONDUCT

Mountain Equipment Co-op (MEC) is committed to understanding and continuously improving social and environmental conditions in our supply chain. MEC believes that suppliers who work to continuously improve social and environmental standards will also have in place the essential foundation to consistently produce first quality goods.

As a condition to doing business with MEC, MEC requires our suppliers to uphold the following Code of Conduct, which sets out our minimum standards for workers' rights and environmental responsibility. MEC monitors compliance to our Supplier Code of Conduct and we require full and open access to the facilities where our products are made. MEC is committed to ensuring that the workers who make our products are fairly treated in safe and healthy workplaces.

COMPLYING with the LAW

Employers shall comply with all legal and regulatory requirements in the country where they do business. This requirement includes the safeguarding of workers' rights under national and international labour and social security laws and regulations.

VOLUNTARY EMPLOYMENT

There shall not be any use of forced labour, whether in the form of prison labour, indentured labour, bonded labour or other forms of forced labour.

CHILD LABOUR

No person shall be employed under the age of 16 or under the age for completion of compulsory education, whichever is higher.

NON- DISCRIMINATION

No person shall be subject to any discrimination in employment, including hiring, compensation, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, social group or ethnic origin.

HARASSMENT OR ABUSE

Every employee shall be treated with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse.

HOURS OF WORK

Employers shall not require workers to work more than the regular and overtime hours allowed by the law of the country where the workers are employed. The regular work week shall not exceed 48 hours. Employers shall allow workers at least 24 consecutive hours of rest in every seven-day period. All overtime work shall be consensual. Employers shall not request overtime on a regular basis and shall compensate all overtime work at a premium rate. Other than in exceptional circumstances, the sum of regular and overtime hours in a week shall not exceed 60 hours.

COMPENSATION

Every worker has a right to compensation for a regular work week that is sufficient to meet the workers' basic needs and provide some discretionary income. Employers shall pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any fringe benefits required by law or contract. Where compensation does not meet workers' basic needs and provide some discretionary income, each contractor employer shall take appropriate actions that seek to progressively realize a level of compensation that does.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Employers shall recognize and respect the right of employees to freedom of association and collective bargaining. 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.

HEALTH & SAFETY

Employers shall provide a safe and healthy workplace setting to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employers' facilities. The same standards shall apply to residential facilities, where they are offered.

ENVIRONMENT – Suppliers shall comply with environmental laws and adopt credible, proactive measures to mitigate negative impacts on the environment. MEC requires suppliers to be transparent about environmental impacts and steps taken to mitigate those impacts, and commits to work with our employers to identify priorities for action and opportunities for improvement.

COMMUNITY

MEC encourages suppliers to engage directly or through partnerships in projects that improve the social well-being of employees and their families in the local community.

QUALITY

Quality assurance begins at product design and continues through to the development, production and final delivery of products to MEC. Suppliers shall have procedures and management systems in place that support the consistent delivery of quality products on every MEC order.

TRANSPARENCY IN THE SUPPLY CHAIN

Suppliers shall be transparent about their supply chains and all subcontracting must receive approval from MEC. A clear system that provides traceability of materials and production leads to better quality and allows MEC to assess the Social and Environmental impacts of our products.

Confidential Grievance Channel

If you believe your rights have been violated, please email MEC at worker.rights@mec.ca. All communications are confidential.

As adapted from the Fair Labor Association's Code of Conduct and International Labour Organization Standards