

IMPACT



2011 ACCOUNTABILITY REPORT SUMMARY

Welcome to our 2011 Accountability Report Summary. Here we highlight our economic, social, and environmental performance, and show some of the successes we achieved and challenges we faced in 2011.

See our complete online report for more information and stories.
mec.ca/accountability

OUR APPROACH

MEC exists to inspire and enable active outdoor lifestyles. We provide outdoor products and services to our members. Our core business strategy enables us to achieve our mission through product, services, people, processes, and communications/engagement. Sustainability is integrated in our strategy and culture, and our efforts are guided by a five-year agenda, which is informed by issues that are material to our core business and stakeholders. In 2011, we continued to challenge ourselves to increase our impact by integrating sustainability more deeply within MEC, broadening our sphere of influence, and collaborating more with stakeholders. We're aligning with others to make progress on our supply chain. We continue to support and advocate on conservation and activity issues. And we account for our actions openly and honestly.

CONTACT US

Additional copies of this summary report can be downloaded from mec.ca/accountability

We hope this update has been helpful. Your feedback is important to us.

Please email comments to:
accountability@mec.ca

Or write to us:
Accountability Update
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DESIGN: REDUCE OUR ENVIRONMENTAL FOOTPRINT

Offering relevant and quality product is paramount. One of our big challenges is making durable, beautiful, high-quality products while pursuing lower-impact materials and production methods. And we're seeing some success. In 2011, we managed to increase the amount of bluesign® approved apparel materials (that were secured for MEC-label products) to 39% (from 19% in 2010). We celebrate this progress, and we'll strive to further increase our impact in 2012. The number of product styles using environmentally preferred materials (e.g., organically grown cotton, recycled

polyester, recycled nylon, PVC free, 95% bluesign) has increased slightly. We also continue to expand our efforts, and have started to integrate bluesign approved materials in hard goods (e.g., sleeping bags) in addition to apparel. For us to have the most impact, however, industry collaboration continues to be vitally important. We participate with the Sustainable Apparel Coalition and are a founding member of the Outdoor Industry Association's Eco-Index and responsible chemical management working group.

INDICATORS	3 YEAR TREND	2011 TARGET	2011 ACTUAL	2012 TARGET
MATERIALS FROM FACILITIES WITH ENVIRONMENTAL MANAGEMENT SYSTEMS %		25%	✓ 39%	50%
PRODUCTS WITH ENVIRONMENTALLY PREFERRED MATERIALS #		INCREASE	✓ 644	INCREASE

OPERATIONS: IMPROVE OUR ENVIRONMENTAL PERFORMANCE

Getting gear to stores and members, and operating our retail buildings, presents challenges including carbon emissions and energy consumption. In 2011, we slightly reduced our greenhouse gas (GHG) emissions compared to 2010. Our new MEC Green Building Standard will improve the environmental performance of our buildings. We also continue to strive towards our vision of zero waste through initiatives such as annual waste audits and

packaging reduction. Our challenge is to continue to reduce GHG emissions to achieve our goal of a 20% reduction over 2007 levels. One way we'll do that is by including performance targets in accountabilities of key roles within MEC, and by implementing real-time energy monitoring in our buildings.

INDICATORS	3 YEAR TREND	2011 TARGET	2011 ACTUAL	2012 TARGET
MEC CARBON FOOTPRINT tCO2e		DECREASE	✓ 7,550	20% BELOW 2007
FACILITIES ENERGY USE GJ		MAINTAIN	✗ 42,869	TBD
WASTE DIVERSION RATE %		92%	✓ 92%	AT LEAST 92%

MANUFACTURING: IMPROVE WORKERS' LIVES

Improving factory workers' lives involves monitoring MEC-label factories, remediating Code of Conduct violations, and collaborating for change both within and outside of the outdoor industry. In 2011, we made \$57 million worth of MEC-brand inventory in 76 factories (mainly in Asia, and 10% in Canada). We updated our Social Compliance Strategy, including more strategic factory engagement and collaboration, improved reporting mechanisms and issue follow-up. We prioritize findings from factory audits to focus on the most important issues. The number of factories with priority violations (we call them zero-

tolerance issues) increased to thirteen (from three in 2010), mainly because we reframed our definition to include partially resolved violations in this report. We are following up on all issues. We also updated our factory disclosure list, and took steps to achieve certification with the Fair Labor Association (FLA). We will continue on the path to certification by addressing outstanding issues. Moving forward, we'll also focus on deeper collaboration within our supply chain and with our peers, as well as capacity building and our cycling supply chain.

INDICATORS	3 YEAR TREND	2011 TARGET	2011 ACTUAL	2012 TARGET
AUDITED FACTORIES %		100%	✗ 79%	100%
FACTORIES WITH ZERO-TOLERANCE VIOLATIONS #		DECREASE	✗ 13	TOWARD ZERO

EMPLOYEES: BE AN OUTSTANDING EMPLOYER

We have over 1,500 employees who are deeply passionate about outdoor activity. We focus on attracting and keeping great employees – they're key to our success as a business. This is particularly important as we are undergoing internal changes to increase our relevance to Canadians and be more proactive in an increasingly competitive marketplace. Our employee engagement survey results were 64% in 2011, a decrease from 72% in 2009. While we're not happy about this decrease, we understand that change can be challenging for



employees. We are undertaking focus groups to develop strategies for ongoing improvement. We benchmark compensation, and our hourly pay scales remain in the top 25th percentile of comparable retailers.

INDICATORS	3 YEAR TREND	2011 TARGET	2011 ACTUAL	2013 TARGET
ENGAGEMENT SCORE %		72%	✗ 64%	68%

MEMBERS: ENSURE HIGH MEMBER SATISFACTION

We exist to serve our members, full stop. We now have over 3.6 million members, who span three generations and have diverse interests. Our goal is to help them be active and engaged in the outdoors by providing quality service and products. The numbers show that members are happy with MEC (84.5% are satisfied or very satisfied). Satisfaction includes in-store and online ratings (86% and 83%, respectively). For online satisfaction, we benchmark against the ForeSee Results Top 100 Online Retail Satisfaction Index, which was 78%. We're pleased with these results. We also track member gear ratings (our average rating is



4.2 out of 5). Our in-stock rating also exceeded our target, though member perception of availability is lower. To make activity accessible and have a lower impact, we offer members alternatives to buying new gear (e.g., rentals, gear swaps, and product recycling options). 2011 marked the last year of the MEC print catalogue (a huge paper savings in future years), and we now offer different ways to engage online, including product reviews, member surveys, and social media.

INDICATORS	3 YEAR TREND	2011 TARGET	2011 ACTUAL	2012 TARGET
MEMBER SATISFACTION %		86%	❌ 84.5%	85%
IN-STOCK RATING (SERVICE LEVEL) %		92%	✅ 93%	92%

ECONOMIC: INVEST FOR A HEALTHY FUTURE

We focus on investing our resources for a healthy, sustainable future. We finished 2011 with sales of just over \$270 million. For each sales dollar, 65 cents go to the cost of gear. The next biggest slice goes to employee salaries and benefits (18 cents). MEC accounts for 0.06% of retail sales in Canada. We calculated that, through our operations, the Co-op generated over \$817 million in indirect economic activity. In December 2011, we opened

one new store in London, Ontario. And we introduced new products to support active lifestyles, including running, yoga, and the next phase of our comprehensive Bike Program (bike sales and service shops).

INDICATORS	3 YEAR TREND	2011 TARGET	2011 ACTUAL	2012 TARGET
TOTAL SALES \$M		2.5% INCREASE	✅ \$270.2	2.5% INCREASE
INVENTORY TURNOVER #		2.6	❌ 2.39	2.3

COMMUNITY: PROTECT PLACES AND GET PEOPLE OUTSIDE

We help protect important places and encourage Canadians to play outdoors. The best way we can do that is by supporting organizations that share our vision. Every year, as members of 1% For The Planet, we invest one percent of the previous year's sales in the outdoor community. We optimize our impact through a range of contributions – including granting, partnerships, and sponsored events – and we also advocate on relevant issues (e.g., urban cycling). In 2011, we increased our contributions to Activity and Access priorities, exceeding our target of 40% of contributions.



Through thebigwild.org (which MEC founded with the Canadian Parks and Wilderness Society), we help the conservation community encourage more Canadians to protect important places. We partnered with Parks Canada on an inaugural Learn to Camp program, reaching 1,000 people who had never camped before. We also explored the state of “outdoor activity” in Canada – trends, motivators, and barriers – and developed programs (such as races and meet-ups) to be Canada's hub for people who live active lives.

INDICATORS	3 YEAR TREND	2011 TARGET	2011 ACTUAL	2012 TARGET
COMMUNITY CONTRIBUTIONS \$M		\$2.61	✅ \$2.76	1% OF SALES (PREVIOUS YEAR)
CONTRIBUTIONS BY PRIORITY (ACTIVITY/ACCESS) %		40%	✅ 64%	40%

GOVERNANCE: MAKE SMART DECISIONS

MEC is democratically governed by an elected nine-person board. Our Manager of Governance advises us on governance matters, supports the relationship between the Board and management, and ensures leading governance practices are in place. We are now reporting on how much members trust MEC to make decisions with their best interests in mind. In 2011, we had 83% high or very high results. Our members are also owners, and we seek their input through various channels, including formal Board of Director elections, as well as more informal on- and offline engagement. Few members voted

in 2012 (0.84%) and the proportion is falling. In the future, we aim to improve member communication, and better utilize mec.ca and social media channels, to increase member engagement and voter participation.

INDICATORS	3 YEAR TREND	2012 TARGET	2012 ACTUAL	2013 TARGET
VOTER PARTICIPATION %		1.00%	❌ 0.84%	1.00%
MEMBER TRUST %		88%	❌ 83%*	88%

* 2011 DATA