

2015 AGM

PROPOSED RESOLUTION

at MEC's Annual General Meeting on April 23, 2015

Directors' Compensation

1. Background

MEC is a member-owned retail consumer cooperative incorporated under the Cooperative Association Act (BC). Pursuant to the Act, the members of MEC are responsible for approving the remuneration of directors at its Annual General Meeting. MEC last reviewed director compensation in 2012 at which time the current framework was approved by members (this framework is outlined in Appendix A). Compensation for directors had not been increased for eight years prior to 2012.

2. MEC's Board compensation philosophy

In December 2011, the Board approved the following Board compensation philosophy, intended to guide Board compensation decisions going forward and to inform MEC's member consultation process as described below.

At MEC, we believe better boards produce better results and that better boards are made up of dedicated and highly competent directors. To attract, retain and motivate qualified directors with the experience and acumen required to govern a complex cooperative such as MEC and achieve our values, long term vision and Charter, we must offer a level of remuneration that reflects our cooperative heritage and satisfies the market reality of today's retail industry.

Accordingly, director remuneration must be set at such a level so as to:

- affirm directors' duties, liabilities and responsibilities and the professional nature of the work they are expected to perform;*
- attract and retain qualified individuals to serve MEC's members in this capacity;*
- compensate directors for their time and be seen as "value received" for value given;*
- recognize the different levels of time and responsibility associated with the Board Chair, Committee Chair and general director positions; and*
- reflect the values and ownership structure of MEC.*

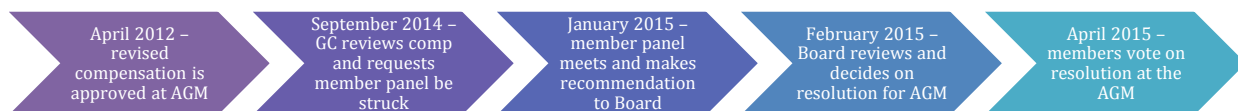
Consequently, director remuneration at MEC, as set by the members by way of ordinary resolution at the Annual General Meeting, should be comparable to co-operatives and credit unions of similar size and complexity and no higher than the lowest quartile for comparable public companies.

3. Compensation review process

MEC's Board Governance Committee's terms of reference require it to review director compensation every three years. In late 2014, the committee was provided with an overview of current trends in compensation across Canada in comparable organizations and decided to undertake further consultation with MEC members. Although compensation was increased in 2012, it remains behind market rates and does not necessarily reflect the complexity of MEC's business and ownership structure or the legal and market expectations of directors in today's environment.

An internal review of compensation was undertaken by MEC's Governance Office. An independent member panel then was struck to review the results, provide insight, and ultimately bring forward a recommendation to the Board. The member panel was made up of seven MEC members – five of whom were co-op and/or governance specialists and two randomly chosen highly engaged and longtime members. The proposed changes below are based on their unanimous recommendations.

Please note this review did not consider expenses and per diems (which are kept in line with MEC staff rates) or the director training and development budget. These are outlined in Appendix A.



4. Overview of proposed changes

1. Change in structure: retainer-only compensation

MEC has traditionally paid its directors based on a meeting fee structure (as illustrated in Appendix A). This resolution proposes a move to a flat all-inclusive retainer which eliminates the payment of meeting fees and instead pays each director a retainer which recognizes the sum total of their work throughout the year. This includes not only attendance at meetings but the preparation for committee and board meetings. This model places emphasis on an even distribution of work through committee assignments and is increasing in popularity for North American boards. It recognizes a board culture under which engagement and involvement is not limited to simply showing up for meetings. MEC typically has an attendance rate of over 97%. Other organizations that have moved to the retainer-only model have not experienced a reduction in attendance.

The MEC Board reports out on attendance each year on mec.ca and will begin providing a full governance disclosure in 2015 which includes attendance.

The main reasons the member panel listed for proposing a retainer-only structure were that the structure would:

- recognize that the directors are ambassadors for MEC at all times;
- reflect the sophistication of the board as the meeting cycle is transparent and consistent;
- encourage passionate directors and foster board culture – there is transparency in expectations and rewards; and
- reduce administration costs.

2. Increase in retainer amounts: 3% increase each year until 2018

MEC last increased its remuneration for directors in 2012 and still remains lower than its comparators (namely similarly sized and complex co-ops and credit unions). Compensation needs to be at a level that will attract and retain qualified and valuable directors in a competitive market while taking into account MEC's cooperative structure. As such, the member panel recommended that a slight and incremental increase be implemented over the next three years. Director compensation will be reviewed again within three years' time.

The Board also recommended an additional retainer for the Vice-Chair, equivalent to a Committee Chair's, to reflect his/her additional responsibilities.

	MEC Current ¹	MEC Proposed, 2015-18	Large Co-op ²	Credit Unions ³	Publicly listed companies ⁴
Board Chair	\$58,000	\$58,195- 61,739	\$107,500	\$72,834	\$88,375
Director	\$31,900	\$34,445- 36,543	\$39,500	\$39,057	\$51,250
FAC Chair	\$36,900	\$39,625- 42,038	\$43,500	n/a	n/a
Committee Chair	\$34,900	\$37,565- 39,853	\$41,250	\$44,304	\$69,127

5. Proposed text of resolution

BE IT RESOLVED that:

1. Members of MEC's Board of Directors be compensated on a retainer-only basis, without additional meeting fees.
2. Director remuneration amounts be set at the levels outlined below and be hereby approved effective April 24, 2015.
3. The next review of director compensation be undertaken by 2018.

Position	2015/16	2016/17	2017/18
Annual Board Chair Retainer	\$58,195	\$59,195	\$61,739
Annual Director Retainer	\$32,445	\$33,418	\$34,421
Additional Retainer for chairing the Finance and Audit Committee	\$6180	\$6365	\$6556
Additional Retainer for chairing a committee (other than Finance and Audit) or for Director acting as Vice-Chair	\$4120	\$4244	\$4371
Additional Retainer for sitting on a Committee (but not chairing)	\$1000	\$1030	\$1061

¹ The dollar amounts in this column are based on figures from the predicted amounts for the 2014/15 board year, and represent averages.

² The dollar amounts in this column represent the average figures of the two large retail cooperatives in Canada.

³ The dollar amounts in this column represent the average figures of the four largest credit unions in Canada outside of Quebec.

⁴ The dollar amounts in this column represent the average figures of the lowest quartile of publicly listed companies with comparable revenues to MEC.

Appendix A

Existing MEC Director Compensation Structure

Length of Meeting	Meeting Fee
Full Day: Above 4 hours	\$600
Half Day: 4 hours or less	\$300

Position	Retainer Fee
Annual Board Chair Retainer	\$40,000
Annual Director Retainer	\$19,500
Additional Annual Retainer for a Director who Chairs the Finance and Audit Committee	\$6,000
Additional Annual Retainer for a Director who Chairs a Committee (other than Finance and Audit)	\$4,000

- Professional development for directors is included under a separate policy. The annual budget is typically around \$20,000 and is allocated between individual director training, externally-sourced consultants to provide training to the Board as a whole, and formal education such as courses and ICD programs for individual directors.
- Directors are compensated \$25 per hour for travel time in excess of 2 hours. There is no compensation for the first two hours of travel in either direction.
- Directors receive an annual communication and support allowance of \$950, paid automatically at the start of each board year, to cover depreciation and the purchase of computer support, technical assistance, printer paper and ink, software and hardware upgrades, virus protection, headsets, etc. from local suppliers. MEC does not provide technical support for directors' computers.
- Directors are reimbursed for their travel expenses (transport and accommodation) and receive per diems to cover meals that are not provided by MEC. The per diem amounts for directors is set at the current staff rate.