



ENGAGING EMPLOYEES

Can we inspire our employees?

Our staff set us apart. They live our passion for the outdoors, people, and the planet. They're know gear and recreation. They hold us to high standards in gear quality, sourcing, our environmental actions and naturally, our human resource practices and compensation. Finding and keeping great employees is one of the keys to our success, so it's imperative we make MEC a truly outstanding place to work.

THE MEC CULTURE

Above all, MEC staff value their colleagues and the shared culture of recreating in the outdoors. According to our employee survey,¹ almost 90% of staff chose co-workers as one of their top reasons for staying at MEC. For many, MEC is a place to

connect with others who share their passion for the outdoors, and for social and environmental change. Water cooler chat is often about recent or planned outdoor adventures, current issues, or simply where to find the best locally grown produce.

ACTIVE CULTURE

76% of MEC staff are into day hiking and 35% are trail runners. 12% of them spend winter days telemarking, 17% alpine tour. 27% hit the gym for climbing and 9% take it to the winter extreme – ice climbing. And bikes? 64% cycle commute, 39% road ride, and 28% go for cross-country rides.

WHO WE ARE

In 2007, we had 1,387 employees (267 more than 2005). They work at the Head Office (203), Service Centre

(55), and Distribution Centre (55). At our stores, they work in Vancouver (152), North Vancouver (49), Victoria (75), Calgary (170), Edmonton (94), Winnipeg (41), Toronto (165), Ottawa (96), Montreal (128), Quebec City (76), and Halifax (30).

Employment Status	Full Time	Part Time	Casual	Contract
Total Staff	523	195	426	243
Percentage	38	14	31	18

Roughly an equal number of males and females (54%, and 46%) worked at MEC. Four of nine senior managers were women. While the majority of staff are between 20 and 30 (41%), ages range from under 20 to over 50. We recognize that employees at different stages of life have different needs, and are offering more diverse benefits to meet these (from flexible time-off, to matching RRSPs, to Maternity and Parental Leave benefits).

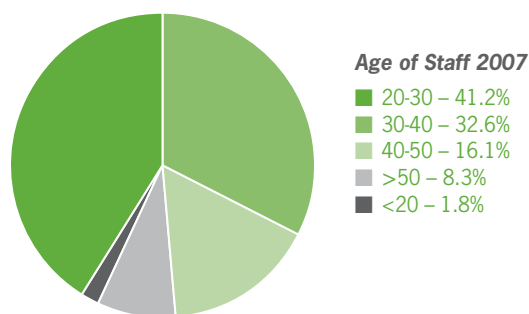
We improve our understanding of diversity at MEC through voluntary information from our 2007 Employee Survey (see Appendix C at mec.ca/accountability). Fewer than 1% of employees indicated they have a First Nations background. About 10% said they are part of a visible minority group. Almost 20% of our staff were born outside of Canada. Less than 1% told us they have a disability. Over time, we expect our workplace will increasingly reflect Canada's rich ethnic diversity and views. We encourage this through our new Diversity Policy.



EMBRACING DIVERSITY AT MEC

We're committed to social justice and diversity in our business practices. In 2007 we created a Diversity Policy to formally spell out our continuing commitment to provide an open workplace to all people. Fair and equitable treatment applies to all aspects of employment at MEC (including recruitment, hiring, training, compensation, promotion, termination, and the work environment).

We actively remove barriers to ensure access to employment and services. What does that really mean? We do things like modify a job task to accommodate physical disabilities, educate ourselves to better understand diversity and social justice issues, and demonstrate flexibility around religious holidays. Having said that, we hire on skills and talents and don't set diversity targets in our workforce.

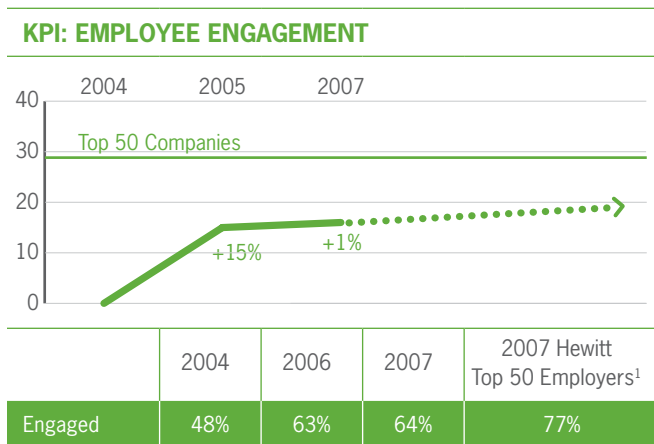


We believe in treating all staff equally and fairly. Eighty-nine percent of respondents agree that individual differences in gender, race, ethnicity, sexual orientation, religion, or age, do not affect how people are treated. However, fewer visible minority staff agree with this statement (77%). In the past two years, we've had no formal grievances or incidents of discrimination.

¹ 2007 Employee Survey (Hewitt)

STAFF ENGAGEMENT

In fall 2007, we held an employee engagement survey (our third since 2004), in partnership with Hewitt Associates, a leading human resources consulting group. Overall, 64% of staff indicated they're "engaged", a slight improvement since 2005. The score was just below our target of 65%.



Engagement is based on three behaviours:

- 1. Say** – Speaking positively about the organization to co-workers, potential employees, and members. We consistently do well here, with 82% of staff recommending MEC to friends, and 80% talking about the great aspects of working at MEC.
- 2. Stay** – Having an intense desire to stay with the organization. We're more challenged here, with only 44% of staff hardly ever thinking about leaving MEC. While we want our people to stay, we also support them in moving on to pursue their dreams through education and training.
- 3. Strive** – Exerting extra effort and dedication to doing the best job possible to contribute to the organization's business success. Fifty-eight percent believe MEC inspires them to do their best work every day. This is an improvement over 2005. However, it's not where we'd like to be. We're exploring results to understand how we can improve in this area. However, while our talented and educated staff are inspired to be with MEC, many may simply not achieve their desired goals through day-to-day retail work.

Following the Engagement Survey, all managers met with their teams to discuss the results and develop action plans, which we will roll out in the fall of 2008.

RESPONDING TO THE FINDINGS

In our last report, we identified specific areas for improvement. We made changes and achieved the following results in the past two years:

Creating Development Opportunities

Just under half our staff believe there are career opportunities at MEC. (In 2005, only 28% believed there were opportunities for them personally.) Given our flat co-operative structure and size, internal career opportunities are, admittedly, limited. Since 2005, we have improved opportunities within MEC and encouraged staff to pursue internal as well as external positions. All things equal, we work to promote and hire internally. In 2007, more than half of our posted positions were filled internally (including our new CEO). Special projects and a new Product Specialist Program (in which staff take significant responsibility for a specific area of the store) also help to build skills toward a promotion or another job.

Educating and Training

In 2007, we invested over \$70,000 in our Tuition/Continuing Education Reimbursement Program, doubling participation from past years. Our Product Specialist Program also helps staff learn, and keeps MEC at the forefront of outdoor expertise. In addition, we supported more field courses (structured courses to build new skills) and implemented field experience programs (opportunities to try new activities) for store staff. In 2007, we dedicated 38,800 hours to store staff training (an average of 28 hours per employee). We also established a Leadership Program for managers. It's our hope that these initiatives not only help develop staff for other positions at the Co-op, but build skills if and when they choose to leave MEC.

Encouraging Volunteering

To help inspire staff and support our communities, our Human Resources Department initiated a Volunteerism Program. Staff members are paid to volunteer with non-profit organizations in support of outdoor activity and conservation issues. So far, we've had 13 people participate and will build on this in the future. (Many also volunteer on their own time or through store-supported efforts.)

Providing Tools and Resources

Only 47% of employees told us the tools and resources we have in place allow them to be as productive as possible. (By tools

¹ Average result for all 50 Best Employers, from Hewitt's Best Employers in Canada Study (2007)

and resources, we mean people, equipment, technology and other resources.) As a growing organization, we recognize we're lean in this area and are investing in key systems. For example, we're currently implementing STEP Catalogue, a product information management system that centralizes data to help us better communicate with suppliers, store staff, and our web and catalogue teams. This helps floor staff access product information more easily. In 2007, we also initiated MEC's Collaboration Project to improve communication and the ability to work together. One of the commitments resulting from this project is an Intranet by the end of 2009.

Reviewing Performance

We found staff performance reviews were not conducted consistently in 2005. Improving this has been a focus for the past two years. We want to ensure all staff receive timely feedback and set goals for the future. In 2007, 92% of our store and Service Centre staff received performance reviews by the targeted date. For the 2009 report, we will track Head Office and the Distribution Centre.

Over the next two years, we'll invest in staff development, compensation, resources and communications, and staff inspiration/activity culture.

KEY HEWITT FINDINGS 2004-07

SENIOR MANAGEMENT PRIORITIES ¹ (PERCENT OF STAFF WHO AGREE / STRONGLY AGREE WITH STATEMENTS)	2004	2005	2007	Change from 2005	Top 50 Employers
Organizational Reputation "I believe MEC is considered one of the best places to work in Canada" ²	n/a	n/a	69	n/a	n/a
Work-Life Balance "The balance between my work and personal commitments is right for me"	66	67	69	2 points	69
People Practices "Our people-focused policies, programs and practices create a positive work environment for me"	51	66	79	13 points	77
Career Opportunities "There are career opportunities available at MEC" ³	n/a	n/a	49	n/a	65
Performance Management "The way we manage performance here keeps me focused on helping MEC achieve its goals" ⁴	38	44	49	5 points	69
Senior Leadership "I see strong evidence of effective leadership from the Senior Management Team"	40	59	68	9 points	73
Employee Selected Measures ⁵					
Inspiration "MEC inspires me to do my best work every day"	42	54	58	4 points	75
Co-workers "My co-workers respect my thoughts and feelings"	78	83	87	4 points	85
Intrinsic Motivation "For the most part I look forward to coming to work each day"	67	73	74	1 point	81
Pay "My pay is appropriate for the role I have at MEC"	41	43	43	0 point	58

¹ Selected based on 2004 SMT prioritization and focus group feedback

² Changed from "I am certain that our business creates something that adds value to our community". However, we take corporate citizenship seriously, and will reinstate this question in future surveys

³ Changed from "My future career opportunities here look good"

⁴ Changed from "The performance review process helps me focus my work effort to help MEC achieve its goals"

⁵ Selected based on 2005 Accountability Report staff focus group; and 2007 Staff Reality Check Panel

ATTRACTING AND KEEPING GREAT STAFF

One of our biggest challenges is finding staff with experience in the outdoors. Like many businesses, we feel Canada's labour crunch, particularly in regions with strong economies such as Calgary and Vancouver. Among other initiatives, we've created an Employee Referral Bonus Program, are piloting a Member Referral Program, and provide materials for passive job seekers. We will develop a full communications program to reach out to potential employees, including different ethnic communities, demographics, and experience levels. We also do more training of new staff that may have less experience, to help them embrace the culture of MEC and build outdoor expertise.

We carefully monitor our compensation to ensure we're competitive – we remain in the top quarter of retailers.

COMPENSATION

In 2007, our entry-level retail wage was \$10 per hour in half of our stores, and \$11 in more competitive markets. On average these rates are 132% of minimum wage in Canada. Prosperity bonuses for all staff for the past two years total just over 2% of their earnings per year.

Stores	MEC Entry-level Wage	Minimum Wage	Percent of Minimum
Vancouver, Victoria, North Vancouver, Calgary, Edmonton, Toronto	\$11.00	\$8.00	138
Ottawa, Winnipeg, Montreal and Quebec	\$10.00	\$8.00	125
Halifax	\$10.00	\$7.60	132
Average	\$10.55	\$7.96	132

The ratio of our CEO's compensation (salary plus bonuses) to average employee compensation (both hourly and salaried staff, including wages and bonuses) is 7.4:1. The CEO salary includes incentive compensation linked to MEC's financial, social, and environmental performance. According to the Canadian Centre for Policy Alternatives, in 2006 the 100 best-paid CEOs in Canada were paid 218 times as much (total compensation) as an average worker's earnings.¹ MEC's incentive compensation, or bonus program, enables managers to earn up to 18% of their salary.

BENEFITS

In the retail industry, MEC offers a strong benefits plan.

Full- and Part-time Staff

Our full- and part-time staff receive benefits that include extended health and dental coverage; life, accident, and disability insurance (for full-time staff); provincial medical coverage; vision care; an Employee and Family Assistance Program (EAP) for counselling in times of need; paid care days; employer-matching RRSPs (we provide a base contribution of 1% of earnings, plus match 50% of employee contributions up to an additional 3%, up from 2% in 2006); and tuition assistance (including support for courses and training in non-work-related fields). For both full- and part-time staff, we also offer an interest-free Computer, Bike, or Boat Loan Program. We've also introduced a Maternity and Parental Leave Program – MEC tops up the income a full-time employee receives from Employment Insurance to 75% of gross income for a maximum of 11 weeks. This is rare in our industry.

MEC offers twelve care days for full-time staff and six care days for part-time staff, in case of illness or for other legitimate uses. Different from vacation, care days are only for use as needed. Last year, 3,310 care days were taken.

Contract and Casual Staff

Our contract and casual workers all have access to the EAP. Full-time contracts (of over one year) receive medical and dental coverage. In 2006, all casual employees received a Health Care Spending Account through which they can earn up to \$250 a year toward health-related costs (excluding Quebec, which has equivalent government programs).

In addition to these more traditional benefits, all staff can take advantage of perks such as a generous leave of absence program, a 25% discount at our stores, pro-deals from vendors and – depending on our success in a given year – prosperity bonuses.

¹ The Great CEO Pay Race (2007), Canadian Centre for Policy Alternatives

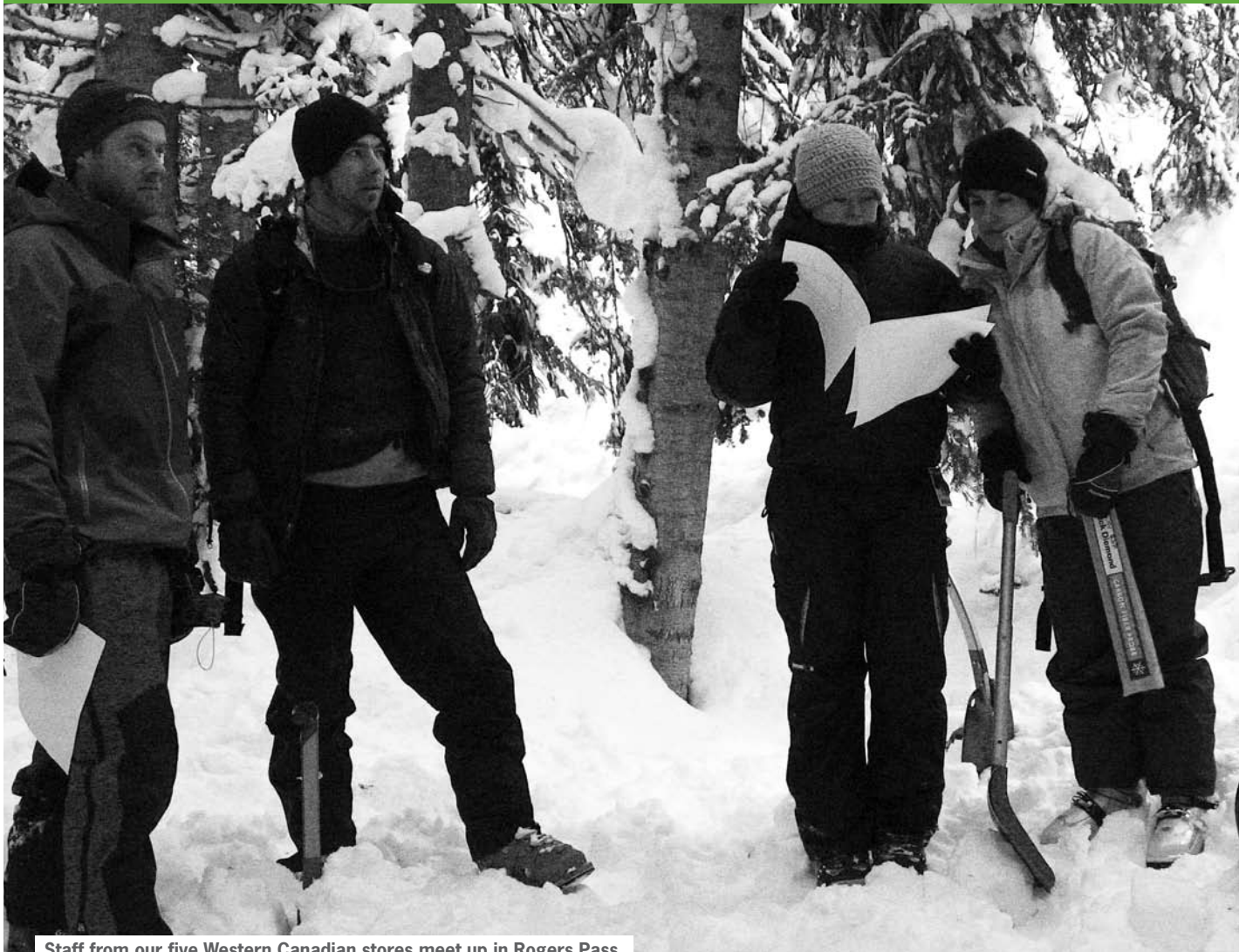
BRINGING STAFF TOGETHER

With almost 1,400 employees in 11 stores across Canada, holding a Christmas party can be a challenge! We don't get to connect often, but what better way than in the backcountry?

In late 2007, Paul Dywelska and Dirk Gibbs, two Vancouver staffers, came up with a great idea: hold an outdoor training session and invite MEC staff from different stores. "We thought it would be neat to get a bunch of the MEC stores together in one area," explains Dirk. "That way staff could get to know each another and learn valuable skills at the same time. MEC was in full support of it, and the idea just grew."

The event, called Ski Symposium, entailed a four-day trip in Rogers Pass in February 2008. Twenty-five staff members were invited from the western stores (Vancouver, Victoria, North Vancouver, Calgary, and Edmonton, as well as the Service Centre). "We wanted to get an array of skill levels – not just beginners and not just advanced," explains Dirk. "People who had a variety of skills and backgrounds." Each store led a training or team building session.

"The best part was the chance to meet a lot of different people from other stores," says Dan Tresidder, a frontline staff member from the Victoria store. "Plus I'd never backcountry snowboarded before. I remember sloggng up a steep hill, putting my gear on and carving my way through beautiful untouched powder... that was a great moment."



Staff from our five Western Canadian stores meet up in Rogers Pass.



HOW WE MAKE WAGE DECISIONS

Our compensation policy states “compensation for positions in opening pay scale levels will not be less than the average paid in the external market.”

We have salaried staff and hourly staff. Salaried staff positions are assessed and assigned levels of pay according to their responsibilities. Their wage increases are based on annual performance reviews. Hourly staff wages are assessed annually and increase on a time-driven scale. Employees begin at a common entry-level wage. (Our regular entry-level wage is \$10 per hour. This increases to \$10.25 after 500 hours of work – and so on, up to a maximum of \$17.00 per hour in 2007.)

MEC reviews retail wage rates every year. We engage Mercer Human Resources Consulting to compare our retail rates and current market to make sure we’re on track relative to other retailers. (We continued to be in the top quarter of the external market averages in 2007.) In some years, we make decisions to change our rates, based on factors such as market comparison, inflation, and MEC’s ability to sustain an increase. In 2008, entry wages will increase by \$1 per hour as a result of this assessment.

We have also received questions about having a local living wage policy for our employees. We don’t manage to a local living wage policy, due to the widely varying living costs in our different markets, lack of clear definition of living wage, and challenges with our low margin co-operative business structure. We do, however, support compensation reflecting regional differences in the marketplace. In select cities (Vancouver, North Vancouver, Victoria, Calgary, Edmonton, and Toronto) we pay a regional premium of \$1 per hour above our average pay scale.

TURNOVER

Given the seasonal nature of our business and industry (busy summer and winter holiday seasons, with lulls in-between), we rely on contract, casual, or part-time employees to give us the flexibility to respond and manage changing sales curves. Some staff love this flexibility, because it means they can attend school or plan long trips. For others, it’s a financial challenge. Navigating this seasonal reality means we need to be clear with our work expectations upfront and provide relevant benefit programs that include components such as Health Care Spending Accounts for casual employees.

As a result, turnover rates (the percentage of the workforce that leave and are replaced in a given year) in retail are traditionally high. This is also influenced by a competitive labour market. Staff also leave for travel or other seasonal employment, or to advance their education or find new careers. Our highest rates of turnover are in our western stores, where the labour shortage is most intense. Many employees come back to MEC after time away. In 2007, a full 26% of all hires were re-hires of past employees. Our Human Resources Department counts these as terminations and separate re-hires.

TURNOVER RATES	MEC 2005	MEC 2006	MEC 2007	Change Since 2005	2007 Industry Benchmark ¹
Head Office	20%	14%	17%	-3 pts.	17%
Stores	53%	59%	63%	10 pts.	70% ²
Distribution Centre	12%	36%	20%	8 pts.	30%
Overall	47%	52%	56%	9 pts.	N/A

We have incredibly talented and well-educated employees (67% have post secondary education, ranging from philosophy to outdoor education to law³). We love that many co-workers see us as part of their future, but we’re not surprised that more than half our staff sometimes think of leaving MEC to work elsewhere. Given our flat structure, we don’t always have internal opportunities for employees. So we see some turnover as a good thing. While it’s never easy to see our people leave the fold, we support and cheer them on in their next life adventures. And we hope that MEC values and skills will help in their next place of work.

¹ Canada Retail Industry Compensation & Benefits Survey (2007) Mercer Human Resource Consulting

² Weighted average of full-time and part-time/casual/temporary benchmarks

³ MEC Employee Survey (2007)

UNION REPRESENTATION

The Canadian Retail Workers Union represents 4% of our staff (all our Distribution Centre). They have negotiated terms of employment and benefits within a collective agreement. The most recent collective agreement was negotiated in 2004 and will be renegotiated in 2008. There has never been a formal union grievance filed against MEC. We pursue a collaborative approach with our union representatives and strive to ensure excellent management practices.

HEALTH AND SAFETY

All MEC employees are covered by Health and Safety committees that have mandates to meet monthly. In 2007, we held monthly meetings at nearly all our facilities (166 meetings). This is a vast improvement over 2005, when meetings were more sporadic. Only two locations missed the monthly requirement.

Over the past two years, we haven't tracked lost days from injuries sustained at work at the national level. This information lives with our stores, as workers compensation is a provincial issue. We'll implement a company-wide tracking system.

ETHICS AND INTEGRITY

Above all, we value integrity.

Our Conflict of Interest Policy helps ensure personal interests don't conflict with the interests of MEC. All staff learn about this policy and our Code of Business Conduct when they start at MEC. In 2007, we also established a Whistleblower Policy. Staff can anonymously report concerns such as actions that are unlawful, may lead to incorrect financial reporting, aren't in line with MEC's financial policies, or otherwise amount to serious improper conduct. This policy provides reassurance that employees will be protected from reprisals for reporting concerns in good faith. To date, we haven't received any Whistleblower calls.

We believe our workplace must be ethical, open to dialogue, and foster respect. Our Code of Business Conduct ensures we operate with the highest standards of business ethics. Ninety percent of staff feel comfortable raising concerns if asked to do something illegal, unethical, inappropriate or against personal beliefs. Eighty-four percent believe their manager displays integrity and ethical conduct at all times. Ethics is also about how we treat one another. Eighty-seven percent of our staff believe their co-workers respect their thoughts and feelings.

LOOKING BACK

2005 Actions	Target
Score between 65-70% on overall employee engagement in the next Hewitt survey in September 2007	Missed (64%)
Evaluate the RRSP program and increase the matching program by 1% in 2006	Made
Ensure all Health and Safety Committees meet 12 times a year in 2006	Missed (11 times)
Develop MEC's Diversity Policy and better understand employee diversity at MEC	Made
Roll out health spending account for casual employees in 2006	Made
Formalize an Employee Volunteerism Policy and Program in 2007	Made

REACHING FURTHER

Strategic Goal:

We aspire to have highly effective, knowledgeable and engaged employees who make MEC an outstanding workplace.

2012 Target	Target Date
Increase our Engagement Score to 68%	2012
Actions	
Implement a national tracking system for days lost from injuries	2008
Increase our Engagement Score to 66%	2009
Implement improved communication tools such as Intranet	2009
Develop and implement an initiative to increase the culture of activity among staff	2010