

MEC STAKEHOLDER PANEL REPORT

MEC has been inviting stakeholders to review its sustainability and accountability performance since 2006 when the first Accountability Report was published. The process of seeking stakeholder feedback and input to future work has become a hallmark of MEC's approach to integrated sustainability and accountability. In November 2012, MEC once again sought input from members, employees, experts in sustainability, marketing, conservation and access, and retail peers to provide a thoughtful critique of MEC's performance and path forward. This time the focus was on MEC's identification of its "material" issues and its draft five year sustainability strategy. The panel process consisted of two meetings facilitated by an independent consultant from Solstice Sustainability Works. Participants in the panel process were:

Eric Baron, Parks Canada

Kai Chan, IRES, University of British Columbia

Linda Coady, University of British Columbia

Jill Dumain, Patagonia

Tyler Elm, Canadian Tire

Mike Gerbis, Delphi Group

Kay Hodgins, MEC member

Alison Manley, Parks Canada

Jane Osler, PJ Osler & Associates

Jennifer Penikett, Sustainalytics

Janet Stollar, MEC service centre employee

Jane Wolverton, MEC member

Susan Todd, Solstice Sustainability Works (facilitator)

This report was prepared by Solstice and summarizes the key recommendations from a majority of the panel members, but does not necessarily represent a consensus view on all topics. Participants received a draft of this report and agreed to be named in it. We are very grateful to these individuals for sharing their time and giving us the benefit of their insight and experience. Feedback from participants has been grouped below into comments on the materiality process, the resulting material issues, MEC's overall business sustainability strategy, and each of the draft strategic focus areas. Comments from both meetings have been combined and greater emphasis given to comments that arose in both meetings. MEC's response follows each comment. The information in this report is used by MEC as input to the next cycle of materiality, to enhance its reporting of

material issues, and to influence the final version of its 5-year business strategy and its integrated sustainability strategy.

MATERIALITY PROCESS

Continue to follow a rigorous process for identifying and prioritizing material issues

The Panel commended MEC for its “rigorous and pragmatic” process that follows the guidance of the Global Reporting Initiative. They appreciated that the materiality thresholds were curved to give weight to both stakeholder views and MEC business interests. They were especially pleased that the ranking of stakeholder priorities involved quantitative techniques and surveys of members. However they cautioned MEC that the members who constitute its regular survey panel may be “super members” with more interest in sustainability than the membership at large. *Thanks! We agree, and will continue to be cautious in our interpretations and seek diverse channels of input where possible.*

Consider the interaction of various issues when prioritizing them

The Panel commented that ranking issues independently may not take account of the potential for interaction among issues, for example water and chemical discharge, or climate change and water shortages. If these were considered together, they might rank higher. The Panel noted that MEC is already working on some of these issues in a coordinated way, for example through the Bluesign certification process for chemicals used in textiles, and suggested clustering issues that interact. *We agree that the interactions are important, both in terms of impacts as well as the opportunity to find solutions to address multiple issues.*

Use a more nuanced approach to sustainability impact

MEC uses a low, moderate, high ranking for the (potential) impact of issues on sustainability. The Panel found that this did not allow for enough differentiation among issues and suggested using a third dimension/axis in the model instead of circle size to denote the sustainability impact. They also noted that impact is one part of a risk function while the other is probability and that more likely events (e.g. climate change disrupting supply chains) should be given more weight than less likely events (e.g. members stop being active). *Good point. We explored other ways of communicating and decided that circle size was still the most understandable approach to denote the potential impact of issues. We may change this in future. In terms of risk, the probability of an event occurring is considered when we evaluate the importance of an issue to our business. In the future, we'll make the link to risk more explicit.*

MATERIALITY RESULTS

The Panel noted that many issues “clumped” in the high/high area of the chart and suggested redrawing it to eliminate the space in the relatively unused low/low area. As they questioned the placement of the issues, most suggestions were to move issues higher rather than lower, which demonstrates part of the challenge of the prioritization exercise. Specifically, the Panel questioned the relative ranking of the following issues:

Water and chemical discharge

The Panel would rank water use and quality higher on the stakeholder significance axis, as water is increasingly seen as a global sustainability challenge. Chemical discharge was ranked higher than water, and the panel highlighted the connection of chemical discharges as a potential threat to water sources. *We agree, and have increased the priority of both water and chemical discharge.*

Conservation and access

While they agreed with the top level placement of conservation and access from a stakeholder perspective (primarily member), they expressed surprise that it ranked as only moderately significant to MEC's business success and perceived this to be a shift in priority for MEC. They suggested that conservation should be a significant business imperative for MEC because protecting places for recreation enables members to be active and could increase demand for gear. *Conservation from an access perspective is core to our business in the short term. We divided the conservation issue into two – access and environment – and adjusted our materiality matrix accordingly. While environmental conservation is still noted as medium from a business importance perspective in the short term, it is noted as high from a sustainability impact perspective.*

Product safety

Panel members questioned why product safety did not rank as high as other product aspects. As long as there are no complaints about product safety it might seem a low priority to members; but, considering the technical nature of some of the products and the activities they are designed for, a product safety issue would significantly affect MEC. While MEC has not experienced significant product safety failures, a risk based approach should result in a higher ranking. *We agree that this is important. MEC and the outdoor industry have extensive product safety standards in place. Therefore, we felt that it was not necessary to increase importance on the matrix.*

Co-op and business influence

Panel members suggested that the combined topic of communications, advocacy and public policy should be higher. They linked business influence to the discussion of MEC's co-operative business model, commenting that MEC's membership size gives it considerable leverage to affect public policy and to advocate on issues of importance to members. *We agree that this is important. As it is already high in the existing matrix, we did not increase it further.*

They also found that MEC's co-operative structure and identity was downplayed and could be higher as a business benefit. They questioned why member participation, closely related to co-op identity, was rated relatively low from a stakeholder perspective (though high for MEC). The Panel was also curious about the high placement (from MEC's perspective) of future growth and market position, asking about the type of growth MEC envisions and how it aligns with co-operative business philosophy. *Member participation was rated low from a stakeholder perspective because we believe that members are most interested in the intent of an*

action, which is captured under other issues, rather than the act of participation itself (e.g. a fixed bike falls under “services”, voting for the board falls under “governance”). MEC’s future growth and market position is high from a business perspective because of our competitive retail environment and desire to meet member needs. We have renamed this issue “competitiveness and market position” to more accurately reflect this.

Youth and Activity

Youth was an important topic for the Panel – not as a material issue, but as an important demographic to be considered in relation to several issues, including active lifestyles. The panel supported the importance of Activity and suggested there may be additional sub-issues linked to this overall theme. *Good point, we have made this change.*

OVERALL STRATEGY

Strategy will lead MEC in the “right direction”

The Panel commended MEC for an excellent, comprehensive and systematic strategy. They were pleased to see that it both hits key business priorities and advances sustainability. They commented that the strategy would continue to position MEC at the leading edge and encouraged MEC to “keep pushing the envelope.” *Thank you!*

Consider combining the Community and the Outreach & Advocacy performance areas

While generally supporting the prioritization of the five performance areas, the Panel did not see enough distinction between the strategies associated with the community performance area and those of the outreach & advocacy performance area to justify separating these. *Good feedback. We have made this change.*

Distinguish priorities more clearly

MEC’s 2011 Panel asked MEC to clearly set out the areas in which it intended to be “in the game, raising the game or changing the game.” Similarly, this year’s panel asked MEC to show the relative effort attached to each Performance Area and to distinguish where it seeks ongoing improvement and where it plans to be an “agent of change.” *Thanks for the feedback. We are now more explicit about where we intend to raise the game and where we are seeking continuous improvement. We will be an “agent of change” in Product Integrity as well as within key areas of other pillars. For example, within Operations will be an agent of change with respect to energy and carbon, and within Community, on key conservation campaigns.*

Show the linkages

Continuing a theme from the materiality discussion, the Panel encouraged MEC to further demonstrate the links between material issues and the priorities in the strategy, and among the strategic elements of the strategy. “Seeing the connections between things will strengthen the individual pieces.” *We continue to work on this.*

Include longer term targets

The Panel had been presented with a small number of targets with the understanding that the rest would be developed through the implementation of the strategy. They strongly supported setting targets for both short-term and longer-term performance. While acknowledging that the term of the strategy was intended to be five years, they noted that “an outdoor lifestyle company needs a longer view than five years” with and voiced interest for longer term targets. *We set long-term visions but focus on one, three and five-year targets so we can anchor them in our core business modeling and decision-making.*

Continue to practise transparency and extend it through the supply chain

The Panel acknowledged MEC’s strong track record in transparency and encouraged MEC to keep extending this expectation through the supply chain. It was suggested that showing vendors where they stood in relation to their peers on key sustainability factors could motivate them to improve. *This will take several years due to our business technology and systems.*

Continue to collaborate with factories, wholesalers and others in the value chain

The Panel was highly supportive of MEC’s practice of collaborating with others to address systemic challenges. They pointed to MEC’s role in the Sustainable Apparel Coalition, the Fair Labour Association, and the Outdoor Industries Association as examples. The OIA developed the ground breaking Higg Index, now a best practice tool in the textile and retail sectors. *Thanks! We believe that effective collaboration is the foundation for success.*

PRODUCT INTEGRITY

Continue to influence value chain partners

The Panel strongly supported MEC’s strategy with product integrity as a high priority including the emphasis on improving workers’ lives. They encouraged MEC to continue collaborating with industry partners for leverage (on both traceability and working conditions) and with supplier factories to help them see the business case for improving social impacts. *Continued collaboration is core to our approach forward.*

Set targets to promote accountability

The Panel commended MEC for its work in a challenging area. They want to see more detail on how MEC will achieve its targets including where it is now and what will have to be done to reach short and long term targets. Some of this information had been prepared by MEC but not shared with the Panel to reduce the preparation requirements. *Please see the 2012 accountability report.*

Break out product related impacts

MEC currently presents carbon under the retail operations heading as this is where most of their tracking is now (MEC tracks the following: product transportation, facilities, employee commute, business flights and paper).

The panel wanted more specific data and transparency on the environmental impacts of textiles. In particular carbon and water impacts associated with products. *We agree, and are working on gaining access to real data (rather than estimates) through collaboration with industry, and through Bluesign. We continue to work on this, and believe that it will take several more years.*

RETAIL OPERATIONS

Seek opportunities to leverage green building

The Panel noted that retail operations have a smaller footprint than product and supported the move to place more emphasis on the latter. However, there are still opportunities for MEC to use its influence and experience in green building for greater system change, through advocacy on building codes for example. There was support for MEC building some smaller “boutique” stores as a way of testing a local market before committing to a fully green building. *We agree, and will continue on this path. In 2012, MEC was a founding member of the Council for Clean Capitalism and will focus on green building incentives with municipality as part of this coalition in 2013.*

Address employee turnover

While workplace issues are only indirectly addressed by the sustainability strategy, the Panel suggested that MEC look at ways to retain staff. MEC’s sustainability practices were seen as a way to attract staff with an interest in sustainability, but to hold them would require looking at other factors such as salary levels which are typically low in the retail sector. *Ongoing employee engagement and annual compensation benchmarking and adjustment to remain at the top percentile of the retail industry is part of our approach to achieve MEC’s goal of being a destination employer. We believe that some turn-over is healthy and are comfortable with our numbers, which are below retail averages.*

MEMBER SERVICES

Develop business case for extended rental and resale programs

There was strong interest from the Panel in the member services performance area, which looks at ways MEC can encourage activity without necessarily selling products. MEC already has a strong culture of repair. The Panel viewed renting and resale as opportunities to reduce barriers to activity among those who are new to an activity or cannot afford to buy the gear they need to participate. Panel members were realistic about the challenges of this approach, noting that some people simply prefer to own products and that maintaining a clean pool of rental equipment is demanding. The panel provided some tactical ideas and suggestions for extended rentals and fee structures. The Panel also noted that some programs take time to prove themselves and pointed to the Learn to Camp program where some participants returned to do it again because they didn’t feel adequately prepared to camp after the first time. *We agree. Developing a business case for extended rentals is in the 2013 business plan. While we don’t have a plan for an extended resale program, we*

encourage members to use our gear swap, and will explore opportunities as part of the Services pillar of the strategy.

COMMUNITY

Continue to protect areas and ensure recreational access

The Panel supported MEC's 1% for the Planet commitment. They urged MEC to see protection and access as part of a long term plan that should include engaging people in new markets, such as youth, in conservation and access work. *Thank you. We agree.*

OUTREACH AND ADVOCACY

Enlist other businesses in advocacy on key issues

The Panel noted that while it can be risky for a company to take an advocacy position. Most panellists felt, however, that the imperative to advocate is higher for a co-operative business, and that the risks may be lower than for a public company. There is strength in numbers and MEC can raise its voice as part of its various industry affiliations, to encourage public policy makers to take action on sustainability issues. *Thank you. We will continue to engage in core issues as an industry voice in Canada. MEC's participation on the Council for Clean Capitalism is one of our efforts in this regard.*

Educate members

MEC's strength as a co-op with a large member base was a recurring theme. The Panel urged MEC to communicate more with its members about its own actions (e.g. Bluesign, 1% for the Planet) as a way of educating them about sustainability and empowering them to make sustainable choices, whether shopping, being active or supporting a cause. *Thank you for the feedback. We will work to integrate information and stories as part of our brand communications.*