

COLLABORATE



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OUR APPROACH

MEC exists to inspire and enable active outdoor lifestyles by providing products and services to members. Sustainability is deeply integrated in our strategy and culture, and in 2012, we developed an updated 5-year Business Sustainability Strategy to take our impact and integration a step further, focusing our efforts on products and services. We are deepening our collaboration and work with industry in the realm of supply chain and product integrity. We continue to focus on providing outstanding retail operations and member service, as well as on our environmental, social, and economic performance. We also remain staunch supporters and advocates for conservation and activity issues. And we account for our actions openly and honestly.

CONTACT US

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:
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2012 ACCOUNTABILITY REPORT SUMMARY

Welcome to our 2012 Accountability Report Summary. It highlights our economic, social, and environmental performance for the year, and shows some of the successes we achieved and challenges we faced.

The complete report contains more information and stories that detail our progress. You can find it at mec.ca/accountability



DESIGN: REDUCE OUR ENVIRONMENTAL FOOTPRINT

Our goal is to sell high-quality products that provide members with outstanding value. Making durable, quality, high-performance products while pursuing lower-impact materials and production methods is challenging, but we're seeing some success. In 2012, we increased the amount of bluesign®-approved apparel materials (for MEC-brand products) to 53% (from 39% in 2011). The number of product styles using environmentally preferred materials (organically grown cotton, recycled polyester, recycled nylon, PVC free, bluesign-approved) increased in 2012.

We continue to expand our efforts, including integrating bluesign-approved materials into hard goods, such as sleeping bags, as well as apparel. To make the most impact, however, industry collaboration is vital. We are proud to be working with other retailers and manufacturers to pilot the Sustainable Apparel Coalition's Higg Index, a tool to identify opportunities to improve the environmental and social performance of apparel and footwear products.

| INDICATORS | TREND | 2012 TARGET | 2012 ACTUAL | 2013 TARGET |
|---|-------|-------------|-------------|-------------|
| MATERIALS FROM FACILITIES WITH ENVIRONMENTAL MANAGEMENT SYSTEMS % | ↑ | 50% | ✓ 53% | INCREASE |
| PRODUCTS WITH ENVIRONMENTALLY PREFERRED MATERIALS # | ↑ | INCREASE | ✓ 724 | INCREASE |

OPERATIONS: IMPROVE OUR ENVIRONMENTAL PERFORMANCE

Our challenge is to ship gear to stores, get it to members, and operate our retail buildings efficiently in a way that minimizes our carbon emissions and energy consumption. In 2012, we achieved a 31% decrease in total greenhouse gas (GHG) emissions from 2007 levels, surpassing our goal of a 20% decrease. We celebrate this success, and are evaluating ways to achieve even further reductions. We continue to strive towards our vision of producing

zero waste, using initiatives such as annual waste audits and packaging reduction. In 2012, we achieved our goal of diverting 92% of waste from landfills. We continue to implement our MEC Green Building Standard to improve the environmental performance of our buildings, and are piloting real-time energy monitoring.

| INDICATORS | TREND | 2012 TARGET | 2012 ACTUAL | 2013 TARGET |
|----------------------------|-------|----------------|-------------|--------------|
| MEC CARBON FOOTPRINT tCO2e | ↓ | 20% BELOW 2007 | ✓ 6,780 | DECREASE |
| WASTE DIVERSION RATE % | ↔ | AT LEAST 92% | ✓ 92% | AT LEAST 92% |

MEMBERS: ENSURE HIGH MEMBER SATISFACTION

Our goal is to be the preferred retailer for Canadians leading active outdoor lives, by providing quality service and products. We now have over 3.8 million members, who span three generations and have diverse interests. 84.8% of members are satisfied or very satisfied with MEC. Satisfaction includes in-store and online ratings of 86.6% and 83%, respectively. We also track the percentage of active MEC members (those who made a purchase in the last year). In 2012, 32.5% of members were active, slightly below our 33.1% target. As active members are

vital to our success, we continue to improve the products and services we offer them. Our in-stock rating of 93.5% exceeded our target, though member perception of availability continues to be low. We also continue to offer members alternatives to buying new gear by providing access to rentals, gear swaps, and product recycling options. Through in-store engagement, outreach, and events, we're turning MEC into the hub for outdoor activity in Canada, with member service at the forefront.

| INDICATORS | TREND | 2012 TARGET | 2012 ACTUAL | 2013 TARGET |
|-----------------------------------|-------|-------------|-------------|-------------|
| ACTIVE MEMBERS % | ↔ | 33.1% | ✗ 32.5% | 33.3% |
| MEMBER SATISFACTION % | ↑ | 86% | ✗ 84.8% | 87% |
| IN-STOCK RATING (SERVICE LEVEL) % | ↑ | 92% | ✓ 93.5% | 95% |

FINANCIALS: INVEST FOR A HEALTHY FUTURE

We focus on investing our resources for a healthy, sustainable future. We finished 2012 with sales of \$302 million. For each sales dollar, 67 cents go to the cost of gear. The next biggest slice goes to employee salaries and benefits (17 cents). MEC accounts for 0.06% of retail sales in Canada. We have calculated that, through our operations, the Co-op generated over \$918 million in indirect economic activity.

In September 2012, we opened a new boutique store in Montreal, Quebec. The introduction of new products (running and yoga) to support active lifestyles, and service (bike shops) have been well received by members. At the same time, we stay true to our core backcountry roots: our climbing and whitewater paddling departments saw some of their best sales performances ever in 2012.

| INDICATORS | TREND | 2012 TARGET | 2012 ACTUAL | 2013 TARGET |
|----------------------|-------|---------------|-------------|-------------|
| TOTAL SALES \$ | ↑ | 2.5% INCREASE | ✓ \$302M | INCREASE |
| INVENTORY TURNOVER # | ↓ | 2.3 | ✗ 2.12 | 2.26 |

MANUFACTURING: IMPROVE WORKERS' LIVES

Improving factory workers' lives involves monitoring MEC-brand factories, remediating violations, and collaborating for change within the outdoor industry and with businesses outside of it. In 2012, we made \$69 million of MEC-brand inventory in 79 factories (10.6% in Canada, with the majority from factories in Asia). In addition to auditing factories, we work to increase factory self-assessment, build their social-compliance-management capacity by collaborating with the Fair Labor Association, and participate in the Sustainable Compliance Initiative. Accordingly, we

revised our Supplier Code of Conduct to prioritize non-compliance issues and identify suppliers that demonstrate leadership. In 2012, 10 factories had zero-tolerance violations, a slight decrease from the 13 factories in 2011, and one factory was deemed as Moving to Demonstrate Leadership. Helping more of our supply chain move into this leadership category will be a focus in 2013 and beyond. We'll also focus on deeper collaboration within our supply chain and with our peers, as well as capacity building in our factories.

| INDICATORS | TREND | 2012 TARGET | 2012 ACTUAL | 2013 TARGET |
|--|-------|-------------|-------------|-------------|
| FACTORIES THAT MEET OR EXCEED EXPECTATIONS % | n/a | Benchmark | 47% | 50% |
| FACTORIES WITH UNACCEPTABLE VIOLATIONS % | ↓ | TOWARD ZERO | ✗ 13% | TOWARD ZERO |

EMPLOYEES: BE AN OUTSTANDING EMPLOYER

We have over 1,700 employees who are deeply passionate about the outdoors and about living active lives. They inspire and enable the same passion in our members. We want to be one of Canada's best employers, and continue to focus on attracting great employees. As we undergo internal changes designed to increase our relevance to Canadians and make us more proactive in an increasingly competitive marketplace, our staff are more important than ever.

We want to achieve an employee engagement survey score of at least 70% in 2013. To reach this goal, we are implementing training and leadership programs, benchmarking compensation, and ensuring our hourly pay scales remain in the top 25th percentile of comparable retailers.

| INDICATORS | TREND | 2011 TARGET | 2011 ACTUAL | 2013 TARGET |
|--------------------|-------|-------------|-------------|-------------|
| ENGAGEMENT SCORE % | ↓ | 72% | ✗ 64% | 70% |

COMMUNITY: PROTECT PLACES AND GET PEOPLE OUTSIDE

We are inspired by adventure: being active, pushing boundaries, and reaching for our goals and dreams. To fuel our passions and sustain the planet, we need to continue to take a stand on the places and issues that matter. MEC helps keep space for adventure by conserving ecologically and recreationally important places, and by inspiring and enabling Canadians to be active outside. Every year, as members of 1% For The Planet, we invest a portion of the previous year's sales in the outdoors. In 2012, we missed our target of one percent of sales, but achieved our 1% For The Planet

commitment overall using credits from past years, when extra grants were made. We optimize our impact through a range of contributions, including granting, partnerships, and sponsored events, and we advocate on relevant issues. We exceeded our target for contributions to Conservation, and Activity and Access priorities. Working together with the Canadian Parks and Wilderness Society, we created the Dare to Be Deep campaign to protect Canada's oceans. We continued our partnership with Parks Canada on a Learn to Camp program, reaching over 1,000 people who had never camped before.

| INDICATORS | TREND | 2012 TARGET | 2012 ACTUAL | 2013 TARGET |
|--|-------|-----------------------------|-------------|-----------------------------|
| COMMUNITY CONTRIBUTIONS \$ | ↓ | 1% OF SALES (PREVIOUS YEAR) | ✗ \$2.06M | 1% OF SALES (PREVIOUS YEAR) |
| CONTRIBUTIONS BY PRIORITY (ACTIVITY/ACCESS AND CONSERVATION) % | ↑ | 40% | ✓ 41% | 50% |

GOVERNANCE: MAKE SMART DECISIONS

MEC is democratically governed by an elected nine-person board. Our Chief Governance Officer 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 2012, 83% of members reported high or very high results. Our members are also owners,

and we seek their input through structured channels, such as Board of Director elections, as well as informal measures of engagement in stores and online. Few members voted in 2013 (0.55%) and the proportion is falling. In the future, we aim to find better methods for measuring member engagement, and working with our fellow co-ops, we hope to determine and implement best practices for engaging members in our election process.

| INDICATORS | TREND | 2013 TARGET | 2013 ACTUAL | 2014 TARGET |
|-----------------------|-------|-------------|-------------|-------------|
| VOTER PARTICIPATION % | ↓ | 1.00% | ✗ 0.55% | TBD |
| INDICATORS | TREND | 2012 TARGET | 2012 ACTUAL | 2013 TARGET |
| MEMBER TRUST % | ↔ | 88% | ✗ 83% | TBD |