



2018-19

Annual report

See what your Co-op was up
to over the last year.

Table of contents

What's inside

About MEC and this report	3
Message from the Chair	4
Message from the CEO	5
Highlights of 2018–19	6
Awards and recognition	7
Diversity and inclusion	8
Transformation in progress	9
MEC Label's time to shine	10
Plastics are a big deal, no matter the size	11
Introducing: MEC All Out	12
New stores across Canada	12
MEC Adventures takes off	13
Rentals go online	13
Expeditions: MEC in the wild	14
The return of Rad	14
Signed on for responsible recruitment	15
Piloted Higg BRM tool	15

Scorecard

Products	16–17
Responsible sourcing	18–19
Operations	20–21
Member experience	22
Community engagement	23
Working at MEC	24
Financials	25–26

About MEC

MEC exists to inspire and enable everyone to lead active outdoor lifestyles. As Canada's largest retail co-op, we do things a little differently than other stores. MEC members – over five million and counting – own this Co-op, and our success depends on giving members what they need to play outside.

The annual report is an opportunity to reflect on what we've achieved over the past year. Some of the stand-outs from 2018–19 include a major investment in systems to keep things running, the diversity and inclusion initiative, multiple store openings and the announcement of a change in leadership. See our messages from the Board Chair and CEO for their thoughts on the year.

About this report

For the fiscal 2018–19 year, we're trying out a new format and giving the report its own page on mec.ca. We want members to see what their Co-op has been up to, and we hope this shift helps members easily find information.

This is an integrated report that includes our business operations, financial performance, and social and environmental impact. For more information, check out the links below:

- [2018–19 Material issues \(pdf\)](#): The economic, societal and environmental issues that are most important to our main stakeholders and health of the organization.
- [2018–19 Financial statements \(pdf\)](#): For the period from February 26, 2018 to February 24, 2019.
- [Summary of past performance \(pdf\)](#): From 2015 to this year's report.
- [2018–19 Data methodology \(pdf\)](#): For our scorecard results.

For 2019–20, we'll be reviewing all our metrics and goals. We'll determine if we need to make updates or changes about what we measure, how we measure it, and the process we use to create and revise goals. It's important for our key performance indicators and goals to stay relevant to the issues that are most important to the Co-op; instead of taking a patchwork approach to updates, we plan to look broadly at all the goals and ensure they line-up to the future success of MEC and the values of the Co-op.





MESSAGE FROM

the Chair

Looking ahead, I am excited for us to take our impact to the next level and get all people in Canada active outside, all while strengthening MEC's roots as a Canadian icon.

Looking back at 2018–19, it would be fair to say that we had an exceptionally busy year at MEC. Our focus remained on preparing our Co-op to run more efficiently and strategically for the next decade. We also implemented new methods to improve the diversity of our Board and conducted a comprehensive search process to select our next CEO.

We continued the integral development of our systems technology, with the Board and MEC's executive team collaborating closely to pool our expertise. It is paramount to operate efficiently, stay at the forefront of competition and provide value to our members; therefore, we need to invest and grow to ensure we have the tools and profile to compete. I believe these investments, burgeoning e-commerce operation and sustainable brand direction have set us on the right

path for the future. Our Co-op needs to be increasingly agile in our rapidly changing world and these developments are giving us that ability.

The investments into improving our systems and store network, higher overhead costs and less than expected performance have resulted in larger operating deficits for the Co-op than planned. Over the last year, the Board has been working with MEC's executive team to implement measures to ensure we return to profitability. The Board is confident that the measures we are taking now will produce positive results so the Co-op can remain financially sound for generations to come.

In an effort to increase board diversity, MEC's Board of Directors adopted a more active approach to director recruitment this past year. We are aiming to recruit candidates from diverse ethnic and cultural groups

from across Canada, who possess the expertise to contribute to the overall composition and abilities of the Board most effectively. We appreciate that achieving greater board diversity may not be immediate and are taking a longer-term view to these efforts.

In the fall of last year, our CEO David Labistour announced he would be stepping down in June 2019. I wish to thank David for his commitment and drive in guiding MEC for the past 11 years. With David at the helm, our Co-op has gone from strength to strength. He was responsible for opening nine new MEC locations, expanding our reach nationwide and inspiring more people to lead active outdoor lifestyles. During his time as CEO, we developed our e-commerce operations, rebranded and repurposed to keep pace with society and the digital world we live in. We also helped found the Sustainable Apparel Coalition (SAC) and were named one of Canada's top trusted brands for four years in a row (2016 to 2019). David is a man of integrity and respect. It has been an honour to work together and bring MEC to where it is today. He has been a true partner to us all and we want that to continue moving forward as we welcome Phil Arrata as our next CEO.

Looking ahead, I am excited for us to take our impact to the next level and get all people in Canada active outside, all while strengthening MEC's roots as a Canadian icon. Thank you for your ongoing support.

Sincerely,

Ellen Pেকেles
Board Chair



MESSAGE FROM

the CEO

While we've come a long way over the past decade, the retail landscape is constantly changing and so we must continue to adapt and evolve. With this, it's time for me to embody the change.

In 2018–19, we continued to pursue our purpose of getting Canadians active outdoors. Over the past 12 months, over 94,000 people participated in MEC festivals, races, century rides, triathlons and clinics, we were named the most trusted brand in Canada by the Gustavson School of Business for the third time, and we kicked off the MEC Adventures travel program, with our first trips leaving this summer.

We've had plenty of successes, but it was also a challenging year, one which was compounded by soft sales and significant change. We restructured our product, operations, communications and marketing, and supply chain teams to be more integrated and responsive to the continually evolving needs of members. The significant cost of these changes is reflected in our financial results, but they are necessary to remain a nimble and competitive retailer.

Some examples of these changes include:

The re-launch of our MEC Label this spring, which is seeing a great response. Our product design has taken a big step forward while maintaining the quality and value we stand behind. We've also accentuated the sustainability attributes and are proud to be Canadian leaders in this area. Not only do we carry the most Fair Trade USA Certified apparel products of any Canadian retailer, but 88% of MEC Label clothing and sleeping bag fabrics are [bluesign® approved](#).

Our merchant teams are now structured on building comprehensive activity-based assortments that appeal to the diversity of Canadians and their lifestyles across the country.

Our planning teams are working to anticipate the needs of members, rather than focusing on past demand patterns, which are no longer reliable.

E-commerce continues to grow as a consumer preference, as does our investment in the web and analytics team – omnichannel sales are now a quarter of our business and gaining. To support this, our supply chain improvements are resulting in a faster flow of goods and our distribution centres are fulfilling more e-commerce orders, so our members can get their gear faster.

Last fall, we opened our Calgary South store in the Seton Urban District, complementing MEC's existing downtown location in the city and further investing in the local market. Most recently, we moved our downtown Toronto store. The new store is an impressive space, offering an inspiring and inclusive member experience, and I'm proud of everyone involved in the project. Later in 2019, our Vancouver store will move to its new site, which will raise two of our oldest stores to the leading edge of contemporary retail.

In September 2018, we became the first Canadian company to sign the [Outdoor Industry CEO Diversity Pledge](#) and committed to better representing the rich diversity of the outdoor community. This spring, we launched MEC All Out, the evolution of our community and events program with an ambitious goal of making Canada the most active nation in the world.

While we've come a long way over the past decade, the retail landscape is constantly changing and so we must continue to adapt and evolve. With this, it's time for me to embody the change. It has been an honour to serve members and staff these past 11 years. MEC has achieved a lot: we've doubled our membership and become Canada's most trusted brand. I am proud of the many accomplishments of the Co-op over the years and the ongoing dedication of our staff.

I look forward to following the future achievements of the organization under Phil Arrata, our incoming CEO, and wish him and all the people of MEC the best.

Sincerely,

David Labistour
CEO

Highlights of 2018–19

Behind all the stories are the numbers. Here's MEC at a glance over the last year:

Over 13 million
products sold

2,583
employees

\$44 million
in community
investments since
1987

\$2.62 million
in community
investments

5.42 million
members

1.9 million
pounds of waste
diverted

Over 11,000 product repairs (plus
thousands more small fixes we could do
while members were in store)

4.96 million
members in Canada

\$1.4 billion
created in direct
spin-off activity
to the Canadian
economy¹

Over 94,000 people participated in MEC
festivals, races, century rides, triathlons
and clinics

22 stores
in Canada,
plus mec.ca

¹Carnegie Mellon University Green Design Institute. (2019) Economic Input-Output Life Cycle Assessment (EIO-LCA) Canada 2002 (105 sectors) Producer model [Internet]. Available from: <<http://www.eiolca.net/>> [Accessed 5 Jun, 2019]

Some recent awards and recognition

Named Canada's **most trusted brand**
by the Gustavson Brand Trust Index

Selected as one of **Canada's top
employers** and **greenest employers**
by MediaCorp

Recognized as **Canada's most
reputable company** by Reputation
Institute

1

Diversity and inclusion

MEC recognized that we haven't always been representative of the diverse outdoor community in Canada, and we set out to change that. In October 2018, MEC launched a campaign to highlight the lack of representation for people of colour in the outdoor industry. Some of the steps we took:

- Drove awareness through a [diversity landing page](#) that busted myths and gave people a way to share their ideas with MEC.
- Signed the [Outdoor CEO Diversity Pledge](#) to advocate and advance the representation of people of colour in the outdoor industry.
- Presented the [Diversity in the Outdoors panel](#) at the Banff Mountain Film Festival – close to 260 people filled the room, and [CBC picked up the story](#).
- Screened our [documentary series](#) at film fests around the world. The aim of these highly personal short films is to foster dialogue about the lack of representation in the outdoor industry, and they played everywhere from Vancouver to New Zealand.



We understand that addressing representation for people of colour is just the start. To increase inclusion and address the broad spectrum of diversity, we also:

- Created a committee made up of staffers from across the Co-op. For 2019, the committee's focus areas will be: people of colour representation; LGBTQ2S+ inclusion; Indigenous allyship; and all abilities, ages, sizes and genders in the outdoors.
- Continue to support groups that make the outdoors more accessible to everyone, like Power to Be & Canucks Autism Network climbing program and accessibility workshop.
- Celebrate Pride and inclusion for LGBTQ2S+ communities through universal products like the MEC Cross Wind Pack and MEC Travel Light Anorak, and placing rainbow stickers on our storefronts.
- Took steps to recognize the Indigenous lands we work and play on. In Toronto's new flagship store, we installed a land acknowledgement at the entrance paired with Indigenous community partner storytelling in store.



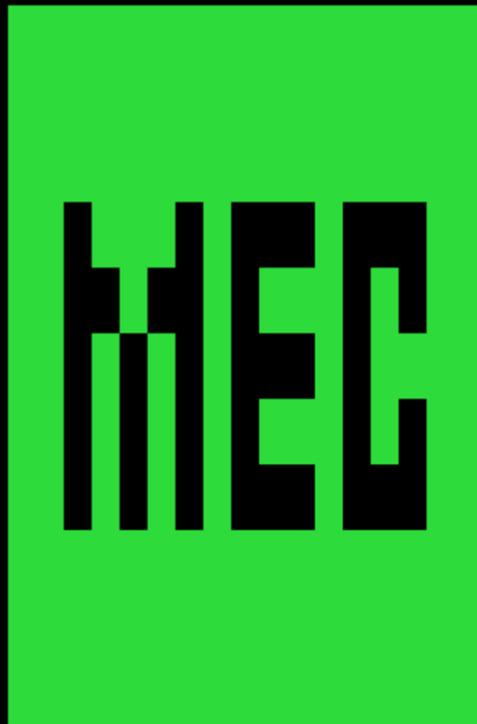
Diversity in the Outdoors panel

Photo credit: Milen Kootnikoff

Sign On

System . . .
Subsystem . . .
Display . . .

er
ssword



Screenshot from MEC's current ERP system

2

Transformation in progress

MEC has been putting a significant focus on behind the scenes systems and processes, and this year was the midpoint of implementing major transformation projects to get us ready for the future. We've been taking a phased approach to update our technology systems (some are 27 years old and no longer support our business needs). Modern systems are critical to improve functionality and make data-driven decisions, but changing for the future requires more than just tools. It also means a close look at processes, team structures and how to be forward-looking in a Co-op with nearly five decades of history behind us.

Have these transformations been easy? No, but they're necessary. In 2018–19 we did a deep dive into the flow of work, from what we decide to sell to how products get to members. We also rolled out another phase of our Enterprise Resource Planning (ERP) system and our human resources system, piloted online rentals, reorganized teams, developed a new way to receive staff feedback, and kicked off our point of sale update project (just after fiscal 2018–19). We're looking forward to finding more ways to improve processes, decommissioning our old ERP system in 2020, and setting up MEC to serve members for another five decades.



MEC Label's time to shine

Your Co-op's been making gear and clothing since the mid-1970s, and big visions for the MEC Label are coming to life. The redesign work we started last year continued in 2018.

"Everything made by MEC Label is designed with three pillars in mind: value, quality and sustainability," said Wendy Youds, MEC Senior Director of Product Design. "Members have trusted the durability of our gear for decades, so it's a must to maintain that. Our goal is to keep retail prices as accessible as possible for members *and* keep the design, fit, performance features and construction intact – it's not about one or the other."

Sustainability is also a constant consideration. "The MEC Label has been an industry leader in this area since the 1990s," said James Brittain, MEC Design Manager. "Over the last year, we've realized how incredibly humble we've been. Moving forward, we

have a duty to not just continue our product sustainability work, but also to help members understand what goes into the things they're buying."

Keep an eye out for new MEC Label products showing up in stores and online in 2019, and see the scorecard for updates on responsible sourcing, Fair Trade Certified products and bluesign®-approved fabrics in MEC Label products.

FIRST-EVER VENDOR SUMMIT

We have great relationships with factories and mills that make gear and clothing for MEC (we've worked with some factories in Vietnam and Taiwan for over 30 years). To share industry insights and challenges, MEC brought our global supply chain together for our first-ever vendor summit in Hong Kong in May 2018.

Partners from 40 factories and mills attended the summit, and came from Cambodia, Central America, China, Hong Kong, India, the Philippines, South America, Taiwan, Turkey, the USA and Vietnam. Over two days, we discussed how the MEC Label is evolving, gave updates on our supply chain strategies, and supported our partners to develop a deeper understanding of social and environmental best practices. It was a valuable opportunity to hear feedback, work together on solutions and create stronger relationships. After the summit, the MEC Label team created an action plan to improve our ways of working with factories and mills, and we've shared what we've achieved so far with our partners.

4

Plastics are a big deal, no matter the size

The world's oceans are awash in plastic pollution, and compounding the problem are [microplastics and microfibres](#). We know that virtually all clothing – synthetic or otherwise – sheds fibres through washing and regular use. To help understand this complex issue, MEC provided Ocean Wise with a grant in 2017 to study microplastics and microfibre pollution. Arc'teryx, Metro Vancouver, REI and Patagonia also signed on as partners to help study this issue.

Phase one of the study happened in 2017–18; it investigated microfibre shedding from household laundry, how wastewater treatment plants filter these out, and how microfibre particles weather in the environment. Ocean Wise publicly shared [preliminary findings](#) in February 2019 and a full report is coming to MEC. Our hope is that the data and insights from studies like these will eventually help us make decisions around materials for future products.

To build and share microfibre knowledge in the textile industry, MEC and Ocean Wise presented to leaders at Planet Textiles 2018.

Disposable plastic is another concern. Over the years, MEC has taken steps to cut out single-use plastic – eliminating shopping bags in 2008 and adopting “sushi-roll” packaging in 2010. In 2018, MEC supported Ocean Wise’s [#BePlasticWise](#) pledge to help Canadians break their disposable plastic patterns. [Plogging videos](#), [MEC run crews](#) doing plogging events, and social posts spread the word.

What’s next? We’re excited to announce that MEC is the first retailer to commit to funding for phase two of Ocean Wise’s critical microplastics and microfibre research. We’re also participating with the [AATCC](#) to develop an industry standard to assess textile shedding, which could become part of fabric specs to help make better decisions in the future.



5

Introducing: MEC All Out

MEC's social purpose is to inspire and enable everyone to lead active outdoor lifestyles, and one of the ways we do that is through our community programs. In 2018, we continued the work that we started in 2016 to focus our efforts around our social purpose. The evolution of community programs at MEC officially took its next steps in early April 2019 when we introduced [MEC All Out](#) to staff and members.

MEC All Out wraps community events and investments together into a single program that's focused on connecting people to the places to go, the people to go with, and the skills they need to get there. The big goal? To make Canada the most active country in the world. We created an [MEC All Out blog post](#) to give people the background about what's new, what's changed and what to look forward to in 2019.

Starting in 2019–20, our community investment budget will be set in the same way as any other budget in the organization. It will take into account the prior year's performance, our priorities for the year ahead and how effectively we can scale our impact in communities from coast to coast. It will not be based on a calculation in relation to our revenue. Moving forward, we're excited to be able to measure our community programs against our purpose and find more ways to get Canadians hiking, camping, biking, climbing, paddling and moving outside.

For more info on our community investment for 2018–19 and the ways we're changing our approach and measuring impact, check out our scorecard.



6

New stores across Canada

Brand new stores: In fall 2018, the new [Calgary South store](#) opened in the Seton Urban District. This was the first store to have an open-concept bike shop, and it joins our other Calgary store downtown as an outdoor community hub. Planning for the new Calgary West store continued in 2018, and construction is now underway. When it's complete in 2020, Calgary West will be our third location in the city.

Two flagship relocations: This was a major construction year for store relocations in Toronto and Vancouver. The new locations are designed to be flagship stores, which means more features for members, including Basecamp (community spaces for workshops and how-to events), open-concept bike shops, plus bouldering walls for members to use. [MEC Toronto](#) opened its doors in April 2019, and [MEC Vancouver](#) is set to open in late 2019.

Store announcement: Members in Saskatchewan got some big news in 2018: [MEC Saskatoon](#) is on its way. We plan to open the doors in spring 2020.



Photo credit: G Adventures

MEC Adventures takes off

Your Co-op's been helping members choose gear for adventures since 1971. What if we could help lead them on adventures too? We know members like to travel, based on sales of travel-related products, and in early 2018 we did a survey to see how members would feel about MEC offering trips. Results were positive: 75% of members were very likely or somewhat likely to consider MEC for small group adventure tours. We decided it was time to offer travel experiences to members.

MEC Adventures fully launched in January 2019. This collection of active guided trips includes 18 international trip itineraries, from trekking in Patagonia to biking in Vietnam, and all with responsible travel values in mind. We're excited to learn what places and activities spark the most wanderlust for members. Next up? We plan to offer Canadian trips too; if you have ideas, let us know at adventures@mec.ca.

8

Rentals go online

MEC has offered gear rentals since 1976 (we were way ahead of the sharing economy). Rentals help members get into outdoor activities without making a huge financial investment or worrying about gear storage.

In 2018, we kicked off a project that allows members to book rental gear online. Three stores – Vancouver, North York and Montreal – piloted the new rental software in late 2018. After key learnings, we officially declared the pilot a success in early 2019, and are rolling out online bookings, for all stores that currently offer rentals, to coincide with the busy summer season.

Being able to book rental gear online is more convenient for members, is a huge time-saver for staff, and brought our previous paper-and-Excel-sheet process into the modern age.

9

Expeditions: MEC in the wild

MEC's expedition support program officially started in 2002 and is now one of the most established expedition programs in Canada. In 2018, we awarded grants for canoe trips in Canada's north, a first ascent attempt in the Karakoram mountains of northern Pakistan, paraglide-camping in the Rockies, bikepacking across Mongolia, hiking from the Black Sea to the Atlantic Ocean, backcountry ski treks in Canada and more.

We also took our first steps to better represent the diversity of the outdoor community we love. We helped fund [Karen Lai's kayaking trip](#) to cultivate a sense of inclusion on the water, and [James Lovasz's bike trip across Canada](#) to raise awareness about the challenges facing trans folks.

In 2019, we'll be putting efforts into redefining the criteria for expedition support to ensure more members get the chance to enjoy the outdoors in ways that work for them.

Expedition in the Karakoram Mountains.

Photo: Alik Berg



The return of Rad

Throughout 2018, MEC staffers had a secret they were keeping under wraps: Rad Pants were about to make a triumphant comeback. After years of member feedback (including online tributes, poetry and discussion with members through our social media channels) our team decided to release a [special run of Rad Pants](#). All the work to create the pants quietly happened in 2018, and we announced their return with a hefty dose of nostalgic fun on April Fool's Day in 2019.

It was a huge hit. Members scooped up nearly the entire run of MEC Rad Pants in about a day and a half.

Will they appear again? Only time will tell – but rest assured, we've seen that members' stoke for Rad Pants is very real.



Signed on for responsible recruitment

MEC Label gear and clothing is made in factories around the world, and our suppliers must uphold standards for workers' rights. In part, these standards eliminate conditions that could lead to forced labour. To proactively address this issue, the American Apparel & Footwear Association and Fair Labor Association announced the [Commitment to Responsible Recruitment](#) in October 2018, and MEC signed on immediately. We commit to working within our supply chain to ensure no workers pay for their job, all workers keep control of their passports and can come and go from work, and all workers know the terms of their job before they leave home.

MEC also partnered with seven other brands in 2018 to share our raw material facility list and see where we have overlapping suppliers. We're collaboratively working with shared suppliers to eliminate recruitment fees that foreign migrant workers pay (a form of modern-day slavery) by 2020.

As part of our transparency to members, we publicly disclose our [supplier code of conduct](#), the [names and addresses of factories](#) that make products for MEC, and report on social compliance as part of our annual KPIs.

12

Piloted Higg BRM tool

A QUICK REFRESHER

The [Sustainable Apparel Coalition](#) (SAC) is the clothing and footwear industry's alliance for more sustainable production. Their vision: an industry that does no unnecessary environmental harm and has a positive impact on people and communities. MEC shares that vision, and we've been a proud member of the SAC since it started.

The [Higg Index](#) is a suite of tools the SAC is creating to measure environmental and social impacts of brands, retailers, manufacturers, factories and products. Organizations will be able to use these tools to find out how they can improve, and can share their results with consumers. The complete set of Higg modules aren't complete yet; MEC has been actively helping to develop them to move the industry forward.

WHERE WE'RE AT NOW

In fall 2018, MEC was part of a pilot group that tested a beta version of the [Higg Brand & Retail Module](#) (Higg BRM). This is the main Higg Index tool for measuring an organization's overall sustainability, so it's a big deal – research shows the overall sustainability score is the one most people are likely to care about when they shop. As leaders in the industry, we had the opportunity to use the Higg BRM and provide feedback. The SAC has incorporated MEC's feedback and the official release of the Higg BRM is expected to happen at the end of 2019. It will be a major milestone for the Higg Index.

We're also making progress on last year's target for 100% of our [Tier 1 and strategic Tier 2 suppliers](#) to adopt the Higg Index.

Products

The largest part of our environmental and social footprint – we work to reduce these impacts as much as possible.



FAIR TRADE CERTIFIED™ MEC LABEL PRODUCTS

In 2018–19, the MEC Label produced 80 Fair Trade Certified™ products, which means we paid into a special fund managed by the factory workers who made them. The workers themselves decide how to use the funds.

Part of the redesign project for the MEC Label was to refine the focus of what we create, and we ended up decreasing the overall number of styles we made in 2018. As a result, that meant the number of Fair Trade Certified styles also decreased from 92 to 80. While we didn't meet our goal to increase the

number of Fair Trade styles for MEC Label, we're still proud to carry *the most* Fair Trade Certified USA apparel products of any Canadian retailer.

For 2019–20, we aim to increase the number of Fair Trade Certified MEC Label products, and to assess the next factory partner to propose to be part of our Fair Trade Certification program.

2018–19 goal: Increase
Result: Goal not achieved ✘
2019–20 goal: Increase





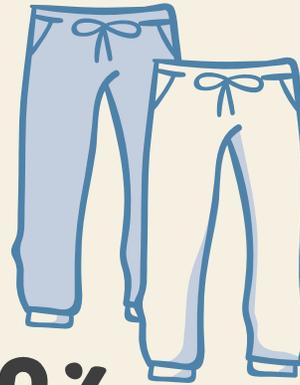
1131

ENVIRONMENTALLY PREFERRED PRODUCTS

Of the product styles we sold in 2018–19, 1131 were made with environmentally preferred materials (versus 1340 in 2017–18). This includes products that are PVC-free, contain only responsibly sourced down, or are made with more than 50% bluesign-approved materials, organically grown cotton or recycled content.

For next year’s report, we plan to update what this goal measures; we’ll shift to reporting on the percentage of products with environmentally preferred materials instead of the number of products to better reflect our assortment. Our new Enterprise Resource Planning system will provide better data to help make this possible. Sustainability is a major focus for MEC Label products and we want to stay accountable for the products we design and make, so the 2019–20 report will also break out the percentages of products with environmentally preferred materials by MEC Label and other brands we carry. We’ll also continue to have conversations with vendors around attributes and materials that we consider environmentally or socially preferable.

2018–19 goal: Increase
Result: Goal not achieved ✘
2019–20 goal: Increase



88%

BLUESIGN® - APPROVED FABRICS

For 2018–19, our aim was to have 100% bluesign®-approved textiles in MEC Label clothes and sleeping bags to lessen our impact on the environment. While we didn’t meet our goal this year – the bluesign percentage stayed the same at 88% – we’re continuing to strive towards 100%. In fact, for 2019–20, we plan to increase the scope of this goal and report on all MEC Label materials, not just apparel and sleeping bags.

We know this means that our overall 2019–20 percentage goal will decrease, but it’s more reflective of all the materials we create for the products we make. We still have a stretch goal of 100% bluesign-approved materials. We’ll continue to work toward it and encourage our suppliers to become bluesign certified too.

2018–19 goal: 100%
Result: Goal not achieved ✘
2019–20 goal: 100%



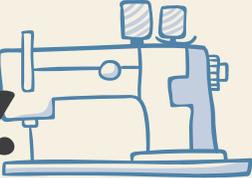
PRODUCTS RETURNED

In 2018–19, 0.92% of products purchased at MEC were returned because they were defective (as a percentage of sales). For 2019–20, we plan to adjust the way we capture this metric by reporting on the number of products returned as a percentage of total products sold. One way we help members get the most of their gear is our gear repair, and we did over 11,000 repairs for members in the last fiscal year.

2018–19 goal: <1% of sales
Result: Goal achieved ✔
2019–20 goal: Under review

Responsible sourcing

We believe our gear should be made in a way that respects the people who manufacture it.

40% 

FACTORIES MET OR EXCEEDED EXPECTATIONS

MEC audits on a 6- to 18-month cycle. While this timeframe is standard in our industry, it makes it difficult to conduct a year-to-year comparison of factory audit performance. Audits are a great risk assessment tool, but they should be used as a starting point to dive into systemic issues a facility can face, such as sexual harassment, freedom of association and forced labour through recruitment fees. Where possible, we conduct joint audits with other brands that use the same factories and collaborate to provide compliance training and help factories implement leading labour and health and safety practices.

Based on our Code of Conduct standards for working conditions, 40% of MEC Label factories met or exceeded our expectations, compared to 28% in

2017–18. MEC has high expectations for factory conditions, and we work closely with each facility to create an action plan for any issues that come up during audits. The goal is to find long-term solutions to remediate issues. For 2019–20, we're continuing to refine our sourcing base to make sure we're working with facilities that have the technical skills to make MEC Label products and meet our standards.

2018–19 goal: Increase
Result: Goal achieved ✓
2019–20 goal: Increase





FACTORIES WITH UNACCEPTABLE VIOLATIONS

Our goal is to have zero factories with outstanding unacceptable violations. When issues are discovered, we work with each factory through remediation plans to understand the root cause and foster an environment of continuous improvement.

In 2018, two facilities audited by MEC had unacceptable violations around transparency of wages and hours of work. These facilities were new to MEC production and our program that strives for continuous improvement (not a pass/fail system). Many brands' standards state that a facility can't work more than 60 hours a week; unfortunately, this has created a system that encourages facilities to create a second set of books to pass an audit. While MEC's Supplier Code of Conduct does state a maximum of 60 hours a week, we emphasize the

importance of transparency. If there's excessive overtime at a facility, our sourcing team works with them to move our orders to the low production season.

Since the initial audit, MEC worked to build trust with these suppliers. Through verification audits, we were able to confirm accurate working hours, and close out the unacceptable violations. By the end of fiscal 2018–19, zero factories had unacceptable violations. MEC is still active in both facilities and we have remediation plans in place to work through other areas of non-compliance against our Supplier Code of Conduct.

2018–19 goal: Zero
Result: Goal achieved ✓
2019–20 goal: Zero

Operations

Includes product transportation, business air travel, waste, facilities energy use (carbon) and water use.

4309tCO₂e



CARBON FOOTPRINT

In 2018–19, our overall footprint was 4309tCO₂e, which reflects a 1% reduction compared to the previous year*. We set targets to reduce our carbon footprint from facilities, product transport and business air travel by 1.8% each year, and review this target annually in line with science-based targets.

Our **product transport** carbon footprint was 3700tCO₂e, an 8% increase compared to last year. This increase is based on the addition of a new store location and more product categories and brands offered by MEC.

For **facilities**, operational carbon neutrality was achieved at all our locations through the purchase of renewable energy certificates. In 2018–19, two backup diesel generators ran for less than one hour to conduct annual testing and maintenance, resulting in 2 tons of emissions.

For **air travel** (of people, not products), emissions were 543tCO₂e, achieving a 37% reduction compared to 2017–18.

This reduction was the result of implementing a company policy around booking economy or premium economy class over business class, as well as an overall reduction of trips taken. This is a policy that we are carrying forward in 2019–20.

Our carbon footprint from **waste** to landfill was 64tCO₂e in 2018–19, up 9% from 58tCO₂e in 2017–18. The increased waste was attributed to a new store location, an increase in product categories and brands being sold, and recycling infrastructure changes around soft plastics globally (which primarily affected Ontario).

**The 2017–18 carbon total has been amended. We had reported the total as 4367tCO₂e but we discovered a calculation error and it was actually 4337tCO₂e.*

2018–19 goal: Reduce by 1.8%
Result: Goal not achieved ✘
2019–20 goal: Reduce by 1.8%



MEC head office is a
LEED® Platinum Certified
facility



29.2M (TOTAL LITRES*)
41.4 (LITRES PER SQ FT*)

LITRES OF WATER

We've had water efficiency initiatives in place at stores and head office for many years. As we've been collecting data on water to track our usage, we've learned a lot. Water metering and billing varies widely among locations, so this has been a challenging initiative to tackle. For 2018–19, the reporting was based on a sampling of locations. Moving forward, we plan to fill in the gaps of missing locations and establish a new benchmark as a result. We expect to have water consumption data for all locations and plan to report on a baseline for both water intensity and water use in the 2019–20 report, so we can compare previous results.

** Based on a sampling on locations*

2018–19 goal: Decrease intensity (litres per sq ft*)
Result: Goal not achieved; data insufficient ✘
2019–20 metric: New benchmark



92.8%

WASTE DIVERTED

We achieved an overall waste diversion rate of 92.8%, meaning that 92.8% of waste we produced was recycled, composted or donated instead of going to landfills. Over 7.1 metric tons of used gear were donated to community and not-for-profit groups in 2018–19. This year, we reviewed and refined our data capture and tracking methods; we'll continue to revise them to further improve and provide the most accurate waste data possible.

2018–19 goal: 92%
Result: Goal achieved ✓
2019–20 goal: 92%

Member

experience

MEC exists to inspire and enable everyone to live active outdoor lifestyles.



MEMBER SATISFACTION

When we took a look at this metric for 2018–19, our teams concluded that it needs more analysis and a better way to measure it. As a Co-op, member satisfaction is incredibly important to us. Starting next year, we'll assess this metric by using new digital tools that will help us measure member satisfaction more accurately. Watch for a new member satisfaction metric in next year's annual report, which will capture the changes about how we measure this key performance indicator at MEC.

2018–19 goal: 90%
Result: Data unavailable
2019–20 metric: Under review

IN-STOCK ITEMS

This goal tracked items on the store floor and available for purchase. Part of our prep for next year's annual report will be to review the current metrics and goals we report on and make sure they effectively capture our performance. When we reviewed this goal for 2018–19, our teams concluded that this metric was unreliable and needed to be replaced. Meeting members' expectations around product availability is important to us, and our teams are working hard to improve the ways members get gear, whether they're shopping online or in stores. Looking ahead, we'll see if there are better ways to monitor and measure product availability, so we can continue to hold ourselves accountable on this front.

2018–19: No longer reporting on this metric



Community engagement



37.6%

ACTIVE MEMBERS

Of the members who made a purchase at MEC over the past 10 years, 37.6% of them made a purchase in 2018–19. Over the last 10 years, the number of active members has been steadily increasing. So while we saw a decrease in the percentage of active members (last year it was 39%), we also had a 1.4% increase in the number of active members in 2018, compared to the previous year.

Based on the recent growth of new members, and understanding the rate that new members typically return to make more purchases, we've set our 2019–20 goal for active members to be 34.7%.

2018–19 goal: 38.6%
Result: Goal not achieved ✗
2019–20 goal: 34.7%

\$2.62M

COMMUNITY INVESTMENTS

In 2018–19, MEC contributed \$2.62 million to organizations focused on conservation and outdoor recreation to make getting active outside easier. Since 1987, we've contributed over \$44 million to community programs and organizations across Canada.

Looking ahead, we plan to measure the impact of our community program as a whole. Our community metric will track the number of people getting active outside from MEC All Out's partnerships and programs (our goal 2019–20 is 354,000 people), along with the number of people learning outdoor skills, responsible recreation practices and environmental stewardship (our goal for 2019–20 is 46,900 people).

As of December 2018, we're a proud member of Imagine Canada's Caring Company Program, as well as the



London Benchmarking Group Canada – the global standard in measuring community investment – to help us measure the impact of our community program as a whole.

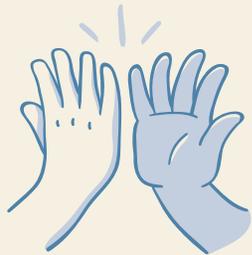
Our community investment budget will be set in the same way as any other budget in the Co-op. It'll take into account the prior year's performance, our priorities for the year ahead and how effectively we can scale our impact in communities from coast to coast. It will not be based on a calculation in relation to our revenue.

2019–20 goal: New metric coming

Working at

MEC

With every conversation, every piece of advice, every transaction, bike fitting, clinic or event, we bring it.



EMPLOYEE ENGAGEMENT

Having great staff is what sets MEC apart. That's why we hire and support people who are passionate about the outdoors, bring that passion into our culture, and are committed to meeting the needs of members. In the past, we used an annual survey to tell us how well MEC supports and engages employees; in 2018–19, we moved away from that annual survey format. Our People Experience team has created a way for staff to share ideas and concerns through an ongoing program called Listen, Act and Share. Since Listen, Act and Share started in 2017, staff have reached out with more than 2,500 pieces of feedback or concerns; more than half of these have been addressed and closed. Feedback from staff has helped us adjust our processes and improve the way we work to serve members.

Looking ahead, we remain committed to receiving valuable input from our staff and addressing the concerns they raise. We're updating the Listen, Act and Share initiative by revamping the tool used to gather information. This will allow us to more accurately report on employee engagement and progress to resolve staff concerns. The new tool will also invite staff to provide real-time input on products and services that we plan to roll out to members. As part of this work, we will be introducing a new employee engagement metric in 2019 and will report on the results in next year's annual report.

2018–19 goal: Increase
Result: Data unavailable
2019–20 metric: Under review



Financials

Our goal is to be financially viable in the short-term and the long-term, and we'll continue on our path of measured growth.

2.43



INVENTORY TURNS

This metric relates to our supply chain. It captures the number of times we sold through and replenished our inventory, and shows how efficiently we managed our inventory and were able to generate sales. If the result is much higher than the target set, it may indicate low stock available for members. If the result is much lower, it may indicate issues around turning our inventory into revenue. We always work to find the balance of providing available inventory to members while managing our costs effectively.

2018–19 goal: 2.59

Result: Goal not achieved ✘

2019–20 goal: 2.39





\$462M

ANNUAL SALES

Our sales were \$462 million, an increase of 1.7% year-over-year. Sales have increased year-over-year since 2011. One notable area was our omnichannel sales, which grew 12.6% over last year. Omnichannel shopping is a key part of how we get members the gear they want when they want it, be it online or through our Service Centre. Our gross margin also increased from 31.5% in 2017–18 to 32.3% last year.

While sales grew in 2018–19, the result was an operating deficit of \$23.5 million, due in part to the year being a time of intense capital and non-capital investments. Within the operating deficit there were non-recurring restructuring expenses of \$8.5 million and an impairment loss on computer software of \$4.1 million.

At the end of a fiscal year, MEC can choose to return surplus earnings to members through a patronage return, which increases the value of members' patronage share accounts. MEC may also choose to declare a share redemption by buying back some patronage shares from members' share accounts and returning the money to members in the form of gift cards that equal their share redemption

amount. In 2018–19, we decided not to declare a patronage return or a share redemption as we determined that retaining capital within MEC would provide a better long-term outcome.

At the end of fiscal 2018–19, your Co-op:

- Owned \$372 million in assets (cash, inventory, property, equipment, accounts receivable and other assets)
- Owed \$183 million (payables, gift cards, loans and obligations)
- Had \$191 million in equity (member and patronage shares)

We believe that by staying committed to our purpose and values, we will continue to differentiate ourselves as a leader in the market. Moving forward, we will continue to keep our members' needs at the forefront of every decision, while making prudent financial decisions that ensure your Co-op is financially healthy for the next generation of members.

2018–19 goal: Increase
Result: Goal achieved ✓
2019–20 goal: Increase



We want to hear from you

Your feedback matters. We want to make sure we're serving members' needs in the activities we support.

Let us know how we're doing at [**info@mec.ca**](mailto:info@mec.ca)