



2016-17 ANNUAL REPORT



GEARING UP OUR MEMBERS

OUR BUSINESS AND SUSTAINABILITY PERFORMANCE IN 2016-17

Last year was full of activity at MEC. We held over 155 festivals, races, century rides and triathlons across the country. More people than ever took part in events: there was a 35% increase in race participation alone. 1,830 people experienced Learn-to Camp outings, while two Outdoor Nation summits inspired the next generation to get outside.

We were just as busy within our organization. Last year saw a record number of store openings (four new stores and one store relocation), as well as a new website platform, second distribution centre and system improvements. We continued to make headway on important sourcing and sustainability initiatives, including reaccreditation through the Fair Labor Association and progress on the Higg Index, an industry-wide social and environmental assessment tool for apparel and footwear.

These initiatives have been a lot of work, and we're incredibly proud of how our staff have stepped up to the challenges, working collaboratively across departments. They all bring their energy and passion to work towards our common goal: gearing up our members to lead active outdoor lifestyles.

We're excited about what we've accomplished and where we're going. Thanks for helping us get there.

MEC AT A GLANCE

ABOUT MEC

Established in 1971, MEC is Canada's go-to place for outdoor gear, know-how and inspiration. Combining high-quality apparel and equipment with expert advice and firsthand experience, MEC supports a wide range of activities including hiking, climbing, cycling, running, camping, fitness, yoga, snowsports, watersports and travel. As a co-op, MEC is owned by its members, who join by purchasing a \$5 lifetime individual membership. With over 4.4 million members across the country, MEC is Canada's largest consumer co-operative.

WHAT GUIDES US

The MEC Charter sets out our vision, values and core purpose. It's what guides us along the path to our future goals and business decisions. We also follow international co-operative principles.

OUR CORE PURPOSE

We inspire and enable everyone to lead active outdoor lifestyles. We do that by selling outdoor gear, clothing and services. We match our members with gear that suits their needs. But we offer more than products. We offer passion. We love to share our expertise, experience and enthusiasm. We're guided by our values: quality, integrity, co-operation, creativity, leadership, sustainability, stewardship, humanity and adventure.

OUR GOAL

We aspire to be the most viable, vibrant outdoor retail business in Canada. We want to bring about a future where Canadians of all ages, and especially our youth, play outdoors more often and in ever-increasing numbers; have access to a comprehensive, carefully nurtured network of parks, wilderness and outdoor recreation areas; and have a deep-rooted connection to nature. We strive to continuously adopt and execute leading practices in environmental, social and economic sustainability, and set an example that inspires other organizations and individuals to do the same. In short, we want to leave the world better than we found it.

ABOUT THIS REPORT

This 2016-17 Annual Report is an integrated account of our sustainability and business performance: our operations, our financial performance, our social and environmental impacts, and how we address those impacts through our operations and the products we sell.

Our material issues – areas of our business that are most important to members and the health of the organization – guide this report's focus. This report is further guided by integrated reporting principles from the International Integrated Reporting Council (IIRC).

In addition, this report is largely informed by KPIs based on Global Reporting Initiative (GRI) best practices. These KPIs keep us on track and show us where we need to improve (e.g., reducing the carbon footprint of transporting our products) and what we're doing well (e.g., achieving zero factory violations in 2016-17). They're measuring posts for our success, growth and integrity. MEC supports the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

We mainly prepared this report for members and staff, as well as the business, sustainability and co-operative community. For more information about our programs and how we calculated the data in this report, see mec.ca/sustainability.

Our financial year previously ran from January to December, but we recently changed the fiscal year to a March-to-February cycle, to allow for better inventory management and planning. This report covers the extended period from December 28, 2015, to February 26, 2017, which includes two additional periods as compared to previous fiscal years. As a result, year-to-year comparisons of KPIs will be affected. Future reports will follow the new March-to-February fiscal reporting period.

HIGHLIGHTS OF 2016-17

\$465 MILLION IN SALES

OVER 14.6 MILLION PRODUCTS SOLD

4.9 MILLION MEMBERS

4.4 MILLION MEMBERS IN CANADA

155 FESTIVALS, RACES, CENTURY RIDES & TRIATHLONS

21 STORES IN CANADA PLUS MEC.CA

2450 EMPLOYEES

82% OF STAFF WOULD RECOMMEND MEC AS A GREAT PLACE TO WORK

45 FAIR TRADE CERTIFIED™ PRODUCTS

1830 PEOPLE PARTICIPATED IN LEARN-TO CAMP

3.52 MILLION POUNDS OF WASTE DIVERTED

\$5.4 MILLION IN SHARE REDEMPTIONS

\$3.66 MILLION IN COMMUNITY INVESTMENTS

\$1.41 BILLION¹ CREATED IN DIRECT SPIN-OFF ACTIVITY TO THE CANADIAN ECONOMY

¹ Carnegie Mellon University Green Design Institute. (2017) Economic Input-Output Life Cycle Assessment (EIO-LCA) Canada 2002 (105 sectors) Producer model [Internet]. Available from: <<http://www.eiolca.net/>> [Accessed 6 Jun, 2017]



MESSAGE FROM *the Chair*

It was truly impressive to see everything that transpired at MEC throughout the year. We're in the midst of large capital investment projects, such as store openings, as well as system and infrastructure improvements. I'm particularly proud of our staff in relation to the store openings and their work in making it happen.

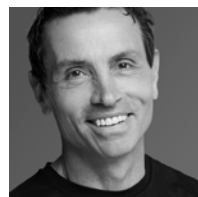
In 2016-17, to support all of this growth, your Board of Directors concentrated on business transformation oversight: governing the implementation and execution of these capital projects. In conjunction with management, we developed a more robust strategy for evaluating new store opportunities, and a more efficient approach to store openings. We continued to engage in strategic planning sessions, ensuring MEC's core purpose is embedded in everything we do. Director development was also a strong focus for us, ensuring the Board retains the governance skill set required for co-op oversight.

Through our Community Investment program, MEC donated \$3.66 million to grassroots and non-profit organizations, working to protect ecologically and recreationally important places and get more people active in the outdoors. We held a wide array of store events throughout the year – from races to century rides – and through MEC Outdoor Nation, we continued to inspire young Canadians to get outside.

I've been honoured to serve as your Board Chair, and am so proud of the work that's been done. Like you, I'm passionate about MEC, and live and breathe the outdoors every day. It's great to be able to help others do the same.

Sincerely,

Ellen Pেকেles
Board Chair



MESSAGE FROM *the CEO*

2016-17 was another strong sales year for MEC, and good news at a time when so many North American retailers are struggling to remain viable. We're operating in an uncertain retail environment that's driven largely by changes in demographics, urbanization and technology. These changes will not only continue, but will do so at an exponential rate.

Our primary goal is to ensure we remain relevant to the changing demands and expectations of Canadians who lead or aspire to lead active outdoor lifestyles. In 2015, we embarked on multi-year investments into our organization, and ramped up this work in 2016-17. This work includes:

- Technology to allow us to operate in a faster, more complex environment
- A supply chain that can meet members' demands for rapid delivery
- Stores in underserved communities
- The ability to customize our communication to members' specific preferences
- More training and development of our people
- Investment into the renaissance of our MEC-label product
- Ongoing efforts to lower the footprint of our products and operations

These significant investments are the start of a transformational period, as we strive for greater productivity and efficiency, while building capacity. We anticipate relatively higher operating expenses through this period, but remain committed to closely managing all aspects of our financial health.

It's rewarding to see results of our efforts beyond the sales line. For the second year in a row, Canadian Business named MEC one of Canada's Best Brands. The Gustavson School of Business, at the University of Victoria, named us Canada's Most Trusted Brand (alongside President's Choice), based on customer service, social and environmental performance, and authenticity. We also took first place in the Sporting Goods category of Léger Marketing's 2016 WOW Retail Customer Experience Index. We have seen a reengagement of members who have not shopped with us for many years, and we've also seen an increase in our younger members.

However, challenges remain. Unpredictability of weather continues to play a large role. As weather patterns shift due to climate change, we have to be very astute in how we manage our inventory. We need to do a better job at speaking to both younger people, and people across all cultures. We won't compromise on our core activities, but we'll continue to broaden our reach to fit the changing needs of our members, and to always look at things through their eyes.

The retail world may be changing rapidly, but our commitment to members is never going to waver. Staying authentic and relevant to our members is at the heart of everything we do. We're looking forward to another year of gearing up members to get outside.

Sincerely,

David Labistour
CEO

YOUR CO-OP'S SCORECARD

MEC'S PERFORMANCE SUMMARY FOR 2016-17

Goals achieved: ✓ Goals not achieved: ✗

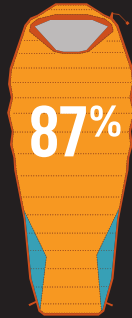
For more detailed information on how we calculated the data in this report, please visit mec.ca/reporting



ENVIRONMENTALLY PREFERRED

Products with PVC-free, or at least 50% recycled, organic cotton, or bluesign-approved content.

2016-17: ✓
2017-18 goal: Increase



BLUESIGN® APPROVED FABRICS

In MEC clothes and sleeping bags to lessen our impact on the environment.

2016-17: ✓
2017-18 goal: 100%



FAIR TRADE CERTIFIED™ MEC PRODUCTS

MEC paid into a special fund managed by the factory workers who made them.

2016-17: ✓
2017-18 goal: Increase

0.889%

PRODUCTS RETURNED

Because they were defective (as a percentage of sales).

2016-17: ✓
2017-18 goal: <1% of sales



99%

IN-STOCK ITEMS

On the store floor and available for purchase.

2016-17: ✓
2017-18 goal: 99.5%



41.1%

ACTIVE MEMBERS

Of the members who made a purchase at MEC over the past 10 years, 41.1% of them made a purchase in 2016-17.

2016-17: ✓
2017-18 goal: 38.9%



\$3.66M

TO COMMUNITY INITIATIVES

As part of our 1% for the Planet commitment.

2016-17: ✓
2017-18 goal: 1% of sales (previous year)

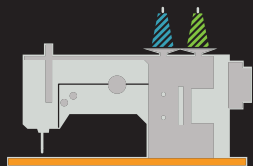


30.5M

LITRES OF WATER

Used in our buildings.

2016-17: ✗
2017-18 goal: Decrease



39%

FACTORIES MET OR EXCEEDED EXPECTATIONS

Based on our Code of Conduct standards for working conditions.

2016-17: ✗
2017-18 goal: Increase



76%

EMPLOYEE ENGAGEMENT

Our score in a survey that tells us how well MEC supports and engages employees.

2016-17: ✓
2017-18 goal: Increase

4972 TONNES

CARBON FOOTPRINT

From product transport, waste, energy use, and business travel.

2016-17: ✗
2017-18 goal: Reduce

2.76

INVENTORY TURNS

Times we sold through and replenished our inventory.

2016-17: ✓
2017-18 goal: 2.29



0 FACTORIES WITH UNACCEPTABLE VIOLATIONS

We're working with them to correct these issues, or MEC will seek a new supplier.

2016-17: ✓
2017-18 goal: Maintain zero



93.9%

WASTE DIVERTED

Recycled, donated or composted, instead of going to the landfill.

2016-17: ✓
2017-18 goal: 92%

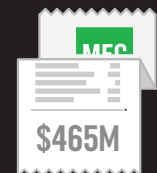


\$465M

ANNUAL SALES

Thanks for supporting MEC!

2016-17: ✓
2017-18 goal: Increase



GOVERNING MEC

APPROACH

As a co-operative, MEC has a democratically owned business structure. Members pool their resources to get access to products and services that support active outdoor lifestyles.

MEC is governed by a nine-member Board of Directors, which members elect. Three directors are elected each year to serve three-year terms. The Board works closely with the CEO and senior management team to provide vision and strategy for MEC. Major decisions, such as capital expenditures (new stores, infrastructure and systems), are made by the Board as a whole. The Board structures its work through various committees: Finance and Audit, Governance, Human Resources and Compensation, and Nominations.

Since we're a co-op, we function in a different way than regular retailers. We don't chase quarterly profits; as we govern MEC, we consider the wider impacts of what we do. That means we don't ship a product without considering its carbon footprint, or design a piece of clothing without considering its sustainability attributes.

As part of our governance, we are consistently improving our strategic planning processes. This allows us to better respond to the ever-changing world of retail, while staying true to our long-term interests as a co-operative. We ensure we have the right policies and framework in place so that staff are encouraged and supported in their work, ensuring they, in turn, can enable and inspire our members.

Through our annual election process, we continue to create a strong Board by recruiting and recommending candidates who fill identified skill gaps and demonstrate alignment with MEC's values. Find out more about Board members and elections: mec.ca/governance.

PERFORMANCE IN 2016-17

In the last year, we continued to improve our governance practices, including board evaluation procedures. We also improved our strategy and processes for store openings, and continued to focus on director development to ensure our board has the necessary skills and information.

Our 2016 Board of Directors election saw our highest voter turn-out in 19 years, with 53,629 members voting. 46% were first-time voters (a 2% increase from 2015). We also achieved the lowest cost per vote recorded since 1994.

WHAT'S NEXT

We'll continue to focus on business transformation to ensure we balance the short- and long-term needs of the organization, including risk management practices. We're pleased with our election process and will stay on course for 2017.



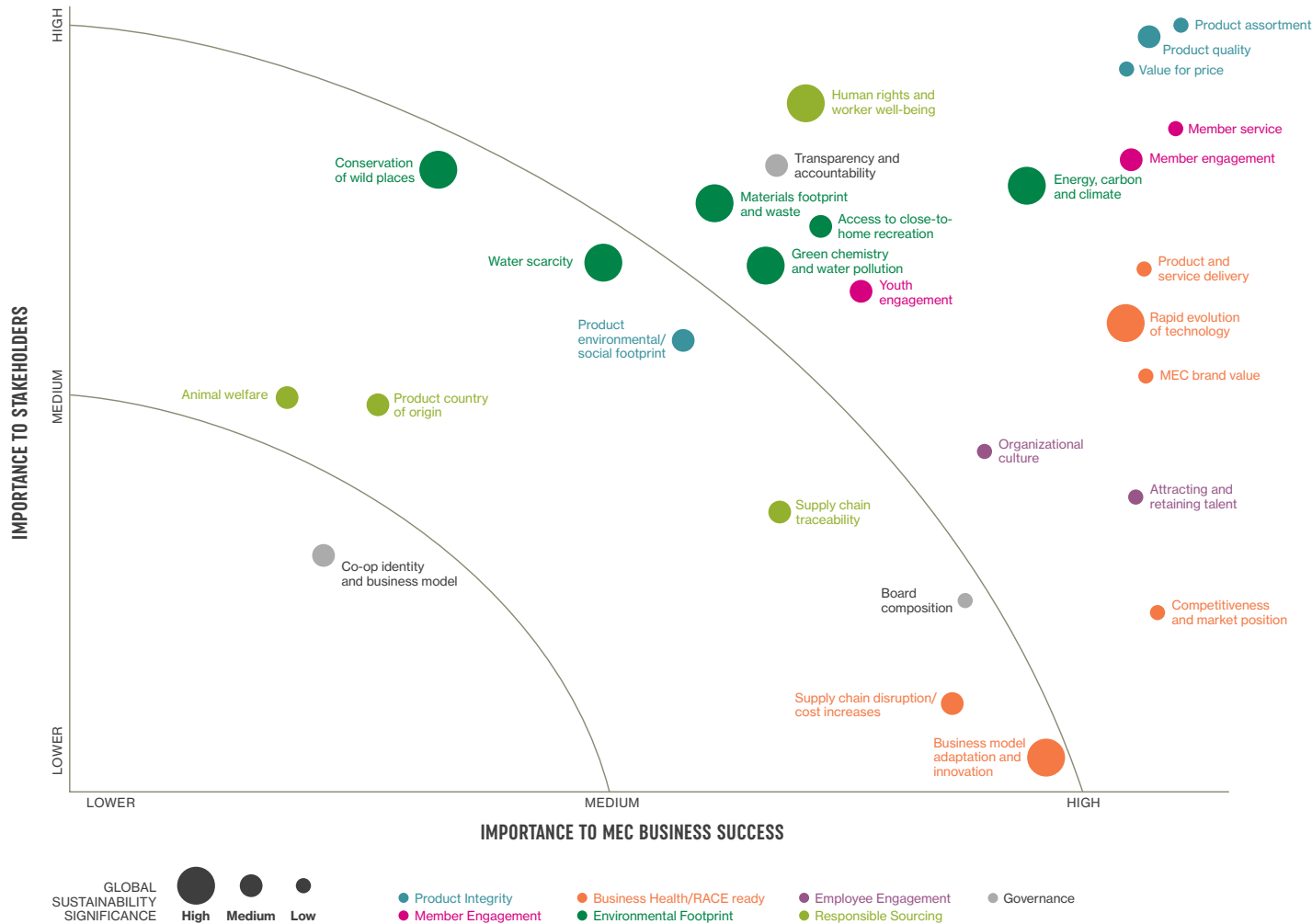
BUSINESS MODEL AND STRATEGY

MEC is a Canadian-based retail co-operative with a well-established private label and a global supply chain. We are largely driven by co-operative values. Our business model is guided by a commitment to serve our members and be socially and environmentally responsible. We also must remain financially viable in an increasingly competitive world.

Our strategy is to provide innovative, appealing products that represent outstanding value for money. This strategy is driven by our attention to quality, service and the social and environmental footprint of our products and operations. We encourage participation in the outdoors through events such as runs and training courses.

We also rigorously apply a long-term view to our decision-making so we can provide value for members now and in the future. We don't just look at the business case of what's going to pay off right now. We have a very disciplined approach in where we're going and where we should invest, and do that by staying in close touch with our members and the communities we serve. We continually steward MEC in our members' best interests.

2016-17 MATERIALITY



MATERIALITY ASSESSMENT

By clearly understanding the issues that affect our business, as well as our members and other stakeholders (such as our staff, vendors, advocacy groups and industry associations), we can prioritize our strategy and reporting, and mitigate our biggest social and environmental impacts. Our materiality matrix (pictured) provides a snapshot of these high-priority issues and where they land in terms of their importance to our stakeholders, and their impact on MEC's business success.

We deem an issue to be material based on:

- The degree to which it aligns with MEC's vision and purpose
- Its importance to our stakeholders
- Its potential impacts on our business
- Whether and how much we can influence it

Some of these issues represent risks, others represent opportunities, and many represent both. In addition, many of these issues are interconnected. For instance, apparel manufacturing uses a large amount of water and chemicals to process textiles, so we work to mitigate our impacts by buying organically grown cotton and by partnering with organizations such as bluesign® (water scarcity, materials footprint and waste, and green chemistry and water pollution issues). By having good visibility of our supply chain, we mitigate the risk of potentially costly supply chain disruptions.

While we report on all of the issues that matter most to our stakeholders and MEC, we have not set targets or established KPIs for every material issue.

PRODUCTS

APPROACH

We sell both MEC-label products, as well as clothing and gear from leading outdoor brands, to support a wide range of activities, including hiking, climbing, fitness, yoga, snowsports, watersports and travel.

We ensure we have the best selection of quality, functional and thoughtfully designed products, with new and innovative offerings, and great value for dollar. Our members trust that the products we curate on their behalf represent the best outdoor gear out there. As part of our commitment to product quality, all materials for MEC-label products are rigorously tested, and must meet performance requirements before we use them. In addition to our in-house testing lab, we also field test new materials in prototype products, which MEC Ambassadors and staff use in real-life situations.

Our products are backed by our Rocksolid Guarantee: if the quality of an item hasn't met a member's expectations, they can bring it back. We also guarantee the product selection advice we give. If something purchased based on this advice turns out to be unsuitable, members can bring it back for an exchange, refund, repair or credit.

Our products represent the single largest part of our social and environmental footprint. To ensure our products are as environmentally sound as possible, our material approval process includes detailed specifications for the use of environmentally preferred materials and processes within our supply chain.

We're a founding member of the [Sustainable Apparel Coalition](#) (SAC), which represents 40% of global apparel and footwear organizations. We actively contribute to the development of the SAC's Higg Index, a self-assessment tool that uses a series of modules to measure the environmental and social performance of apparel, footwear and equipment.

We also work closely with bluesign® to minimize the negative impacts of textile chemistry and processing on the environment and human health. We continue to increase the amount of products made with bluesign®-approved materials, and to encourage our suppliers and brands to do the same.

As part of our commitment to environmentally preferred materials and animal welfare, we only use organically grown cotton, responsibly sourced down and non-mulesed wool in MEC-label products.

Finally, we aim to increase awareness and share best practices with our partners and suppliers, including use of tools such as the Higg Index and bluesign®, so we all use the same framework and tools when assessing and working to mitigate our impacts.



MEC **ROCKSOLID
GUARANTEE**

PERFORMANCE IN 2016-17

In 2016-17, we had our best year ever in terms of unit sales and dollars. We worked hard to earn our members' business. All of us at MEC are outdoor enthusiasts, so we're very close to the activities we support, and see firsthand how they grow and evolve. This helps us best assess the need for new brands, products or changes. We keep a close eye on the marketplace and the interests of our members, consistently updating both our offering and our regional assortments to suit the evolving demand.

Here are some highlights from last year:

- We continued to expand our backcountry assortment, and saw strong growth across all areas, from stoves to sleeping bags to tents. Downhill skiing has done particularly well, with both hard goods and apparel systems, and members are seeing more choices than ever.
- In 2016, we introduced Intense mountain bikes, a premium brand, and our members have been just as excited about them as we are.
- We've also seen an upsurge in both Nordic skiing and trail running.
- We've always been strong in technical outerwear, but have strengthened our assortment of travel apparel and gear, which has proven to be popular with members.
- The MEC label has always been focused on high-end performance, and has been very strong with our members who are active in the backcountry. We'll continue to grow and evolve the MEC label so we stay true to our core audience, as well as filling the needs of members across all activities.

On the sustainability front, in 2016-17, we publicly affirmed our commitment to the Higg Index, and reached out to our vendors to do the same. We actively worked with our suppliers to complete the Higg Facility and Brand Environmental Modules, collaborated with Columbia Sportswear and REI to develop and deliver training sessions, and gave a presentation on the Higg Index at the Outdoor Retailer trade show to underscore the importance of the industry sharing a common language for sustainability from a retailer's perspective. At the same time, we worked on our own action plan to improve MEC's performance in relation to the Higg Index.

87% of MEC apparel and sleeping bags used bluesign®-approved fabrics, a 4% increase from 2015. We continued to expand the use of bluesign® materials into hard goods (such as packs). The more we use these preferred materials, the greater their availability and impact in the larger supply chain.

Of the product styles we sold in 2016-17, 1,630 were made with environmentally preferred materials (versus 1,227 in 2015¹). This includes products that are made with more than 50% bluesign®-approved materials, organically grown cotton, or recycled content, contain responsibly sourced down, or are PVC-free.

We achieved our goal of having 100% of our down certified to the Responsible Down Standard by fall 2016. We also partnered with the Textile Exchange to develop a Responsible Wool Standard, and began rolling it out through our supply chain.



Finally, we began looking at the potential environmental impacts of microplastics and microfibers. Research into microfiber pollution has been ongoing for several years, but hard data has been scarce. We recently struck a year-long research partnership with the Vancouver Aquarium's Ocean Pollution Research Program to generate research to help us move forward on this important issue.

WHAT'S NEXT

As we have in the past, we'll continue to invest in our core activities – climbing, paddling and backcountry skiing – so they remain strong and vibrant. We'll also continue to tailor our assortments to fit regional preferences across the country, consistently fine-tuning our mix to address member preferences.

Work on the Higg Index will progress: we'll continue to help brands and factories with related training, tools and resources. We'll also implement our action plan to improve our own performance against the Higg Index.

We'll set new targets for bluesign®-approved materials. Our original goal was to have 100% of MEC-label products be bluesign®-approved by the end of 2017. With the change in our fiscal year, we decided to extend the timeline by two months to align accordingly with the fiscal year end in 2018, which will not have a material impact on the results. We have made significant progress in apparel and sleeping bags since we first set our ambitious 100% target in 2012. We will continue down the path of expanding our use of bluesign®-approved materials, and put more effort into hard goods textiles such as tents and packs.

MEC is in the process of adopting the Responsible Wool Standard, which once applied will be implemented throughout our supply chain. Finally, we'll commence our research into microplastics pollution so we better understand the causes and can find solutions to this problem, such as identifying opportunities for textile innovation and re-engineering materials.

¹ Note: We mistakenly reported 1,524 products made with environmentally preferred materials last year and have corrected the number.

LISTENING TO OUR MEMBERS

MEC Duffle Bags are time-proven member favourites. In 2014, we decided to improve them with a flexible, lighter fabric that was just as strong as previous bags. However, our members didn't love the new bags as much as we'd hoped, and said the fabric just didn't feel as robust.

So, we went back to the drawing board, and found another fabric that was closer to the original. We tested the prototype harder than anything we've ever tested, both in the lab and with a few creative testing methods (such as filling it with jagged objects and dragging it across rocks). Hands down, it's one of the toughest bags we've ever made. In fact, the fabric is so resilient, we're now using it in MEC crag bags. Best of all, the new bags are made with bluesign®-approved fabrics, so they meet our strict environmental standards.

And it's all thanks to our members. "We have a good trust base with our members," explains Mark Knight, MEC Senior Equipment Designer. "We have a really strong and active review process, both online and through our member service desk, and it's something our design team and product managers constantly look at."

"We're a co-op, so our members are our owners," adds Tyrone Brett, MEC Product Manager. "We have a direct link with our members, so we can immediately respond to what they're looking for."

We're pleased to report that our new **MEC Duffle Bags** have been a huge success, and members have been giving them reviews in the 4-5 star range.



*Thanks for letting
us know what you think!*



RESPONSIBLE SOURCING

APPROACH

We work with dozens of factories around the world (none of which we own or operate), and our goal is to ensure our gear is made in a way that respects the people who manufacture it. To achieve that, we have a Social Compliance Program that's dedicated to improving conditions in factories that produce MEC-label apparel and gear (including legal working hours, safer environments, and reasonable pay for work done).

As a condition of doing business with MEC, we require our suppliers and wholesale brand partners to uphold the [MEC supplier code of conduct](#), which sets out our minimum standards for workers' rights and environmental responsibility. We monitor compliance to our Code and we require full and open access to the facilities where MEC-label products are made to ensure that the workers are fairly treated, and work in safe and healthy workplaces.

Audits are a great monitoring tool, but they can be cumbersome for factories, and only provide a snapshot in time rather than an ongoing look at factory operations. Where we can, we collaborate with other brands that use the same factories to conduct joint audits, provide compliance training and help factories implement leading labour and health and safety practices.

We are participating in industry-wide initiatives such as the [Social and Labor Convergence Project](#) to develop a simple, unified and effective assessment framework that accelerates social progress in the apparel and footwear sector. A common framework for data collection will reduce duplication of data and audits, and free up resources to dedicate more time and effort to improve social and labour conditions.

MEC is one of only 28 organizations in the world to achieve accreditation from the [Fair Labor Association](#) (FLA), a global organization dedicated to protecting workers' rights around the world.



PERFORMANCE IN 2016-17

We have high expectations for factory conditions, and continue to consolidate and elevate our source base, ensuring that we're manufacturing in the best facilities for quality, social responsibility, delivery and other criteria. We audit our factories on an 18-month cycle, which makes it difficult to conduct a straight year-to-year comparison.

Our goal is to have zero factories with outstanding unacceptable violations. At the end of 2015, we had two outstanding unacceptable violations. In 2016-17, we found two new unacceptable violations in two factories in China and Taiwan. These were related to misrepresenting conditions to auditors and holding migrant worker passports. This totaled four facilities throughout the 2016-2017 fiscal period with noted unacceptable violations.

Our main goal is to work with each factory through remediation plans – understanding the root cause and working towards continuous improvement. Throughout the year, we were successful in resolving three of the unacceptable violations. After repeated unsuccessful attempts to support remediation with the last factory, we ended business with them in 2016. At the end of the year, we had zero outstanding unacceptable violations.

39% of factories met or exceeded our expectations, compared to 45% in 2015. There are several reasons for this decline. For instance, most audits were conducted in the second half of the year, so there was not enough time for them to complete a corrective action plan within the fiscal year. We also brought on several new factories: we tend to see more areas of non-compliance in initial factory audits, when a factory is not yet familiar with MEC's standards.

75% of MEC-led audits were shared with other brands (compared to 58% in 2015). We also accepted audits from Fair Trade, the FLA and the Responsible Sport Initiative in lieu of conducting our own. This not only created streamlined communications to factories, but enabled us to share best practices with other brands and make our audits and corrective and preventative action plans more robust.

Some additional highlights:

Fair Labor Association – In October 2016, the FLA approved the reaccreditation of MEC's Social Compliance Program. As part of the reaccreditation, we received suggestions for strengthening our program, which included development of responsible production guidelines for bicycle and sunglass suppliers, and further exploration and development of grievance mechanisms for workers. For more information, please refer to the [FLA's latest assessment report](#) of MEC's practices.

Fair Trade Certified – We produced 45 [Fair Trade](#) certified styles in 2016-17, an increase from 32 in 2015, providing tangible benefits directly to the workers who make the products. We supported an existing factory in Thailand to become Fair Trade Certified, for a total of three certified factories (the other two are in India).

Enhanced Audit Scope – In conjunction with other brands, we conducted a pilot program for shared auditing at some of our strategic material suppliers (textile mills). We also developed an enhanced audit scope that includes chemical management, and piloted it at four factories.

For more information on our extensive responsible sourcing program, please visit mec.ca/sourcing.

WHAT'S NEXT

We will implement suggestions received from the FLA during our Social Compliance Program review. We plan to increase Fair Trade Certified MEC-label products to 95 styles next year. We will continue contributing to the Social Labour Convergence project. Lastly, we will finalize a rollout plan for our enhanced audits.



MEC GLOBAL SUPPLY CHAIN



OUR FAIR TRADE SUPPLIERS



INDIA
Pratibha Syntex Ltd.
Certified since: Nov 2013

Factory feedback:
 "We feel that Fair Trade adds great value in not only improving the quality of life for our workers, but also by helping industries to follow ethical trade practices, providing right wages to their workers, and maintaining health and safety standards."



INDIA
Penguin & Peacock Apparel
Certified since: May 2015

Factory feedback:
 "Working with Fair Trade has helped to empower our employees. They feel recognized by the brands that support the program, which gives them greater motivation in their work and personal lives. We thank MEC for introducing the Fair Trade model to us."



THAILAND
TEI
Certified since: Feb 2017

Factory feedback:
 "The Fair Trade program has fostered positive rapport throughout the company. It impacts workers' lives in a meaningful way, and gives our employees the chance to implement social and economic welfare programs for themselves, their families and communities."

OPERATIONS

APPROACH

Our operations include the systems, infrastructure and processes MEC needs to provide our members with the right products and services, at the right time, in the right place and at the right price. It includes product transportation and logistics, as well as the development and operations of our website, stores and distribution centres.

Through our omni-channel service model, we've created a convenient, hassle-free shopping experience for members. We consistently upgrade and develop this offering, so members can browse, find, buy, learn, communicate and get help in any channel or on any device anywhere. We also invest in new technology and process improvements to support business, enable growth and enhance member service.

At the same time, we need to manage our carbon footprint, and both our water and waste management practices. We currently measure four areas of our carbon footprint (i.e., our greenhouse gas emissions): product transport, business travel (flights), facilities energy consumption and waste, and have goals in place to reduce our footprint in all these areas except waste, which makes up a very small portion of the footprint we measure. Product transport makes up the majority of our measured footprint, roughly 80%.

We're consistently trying to balance today's need to have product delivered as soon as possible, with concerns about the accompanying carbon footprint. To achieve our carbon reduction goal for facilities energy consumption, we have energy-efficient green buildings, engage in energy conservation measures and invest in renewable energy certificates for all MEC facilities in Canada. We also incorporated a carbon price into our business planning and risk management strategies.

To encourage bike commuting, we provide staff with suitable infrastructure such as secure bike storage, change rooms and showers. We also actively promote an alternative commuting culture through participation in events such as Bike to Work Week and the Commuter Challenge.

Find out more about our environmental commitment: mec.ca/sustainability.

PERFORMANCE IN 2016-17

Stores – In 2016-17, we had a period of unprecedented growth: new stores in Kelowna, Laval, South Edmonton and North York, as well as a relocation of our store in London, Ontario. The North York location is our third in the Greater Toronto Area, while Kelowna is our first store in the Okanagan.

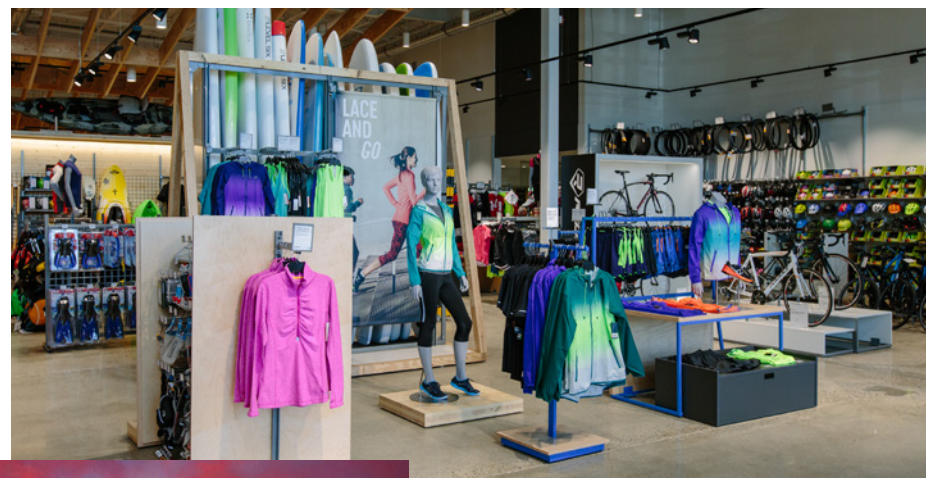
We rolled out a new store design with improved merchandising to make it even easier for members to access what they need. These larger stores have broader and regionally specific assortments, as well as events, rental programs and repair services. In 2016-17, we conducted over 12,000 repairs so members can get the most of their gear for years to come. We also implemented an in-store policy for members: if a store is out of stock

of an item (and it's in stock at MEC), we'll ship it to the member in three business days, free of charge.

Website – We transitioned to a new website platform to provide us with a stronger foundation, which will help us innovate and meet members' online needs. As part of that, we made numerous website improvements to make shopping even easier (see next page).

IT Systems – We continued to make improvements to internal systems and tools that will ultimately help us serve members better. These include new HR management and payroll (see 'Employee Experience' section), Enterprise Resource Planning (to improve our supply chain and cross-functional operations), and Product Lifecycle Management (to better manage production of apparel) systems.

Eastern Distribution Centre – Last summer, we opened a second distribution centre (DC) in Ontario (our other DC is in BC). This means we're able to quickly replenish inventory at our eastern stores, substantially improving service for our eastern members. The shorter transportation distances ultimately translate into lower carbon emissions and freight cost savings.



Carbon Footprint – In 2012, we set carbon reduction targets for product transport, facilities energy consumption, and business travel, respectively. We also measure emissions from waste, which being relatively small, we don't set a target against. The results are measured in tonnes of CO2 equivalents (tCO2e). For product transport, we also report in grams of CO2 equivalents per dollar of total sales revenue (gCO2e/\$). Normally, our results would be reported on a 12-month cycle; this year, the reporting follows the 14-month extended fiscal year. Because of the two additional months covered, our overall footprint was higher compared to 2015 (4,972tCO2e versus 4,855tCO2e).

Product Transport is the largest source of emissions we track. In 2012, our baseline year, our emissions totalled 10.48gCO2e/\$. In 2016-17, our transport carbon footprint was 8.52gCO2e/\$. This marked a decrease of 14% over the previous year, resulting from the opening of a second distribution centre, use of more efficient carriers and a decrease in air freight. In absolute numbers, our product transport carbon footprint increased from 3,160tCO2e in 2012 to 3,963tCO2e in 2016-17, based on store and sales growth over the past several years.

For facilities energy consumption, our goal is to achieve a 35% reduction in emissions by the end of the 2017-18 fiscal year, compared to our 2012 baseline of 489tCO2e. In 2016-17, our footprint was effectively zero, excluding 2 tonnes of emissions from two backup diesel generators that ran for less than one hour last year. We achieved carbon neutrality by purchasing renewable energy certificates for all our locations.

For business travel, our goal is to achieve a 15% reduction by the end of 2017-18, compared to our 2012 baseline of 988tCO2e. In 2016-17, business travel emissions were 957tCO2e, 3% lower than 2012.

Our carbon footprint from waste was 50tCO2e in 2016-17, up from 37tCO2e in 2015.

Water and Waste – We achieved an overall waste diversion rate of 93.9%. We changed to a new waste auditor and applied a different methodology to report based on the total volume of waste generated and diverted from all MEC facilities.

We've had water efficiency initiatives in place at our stores and head office for many years. In recent years, we began collecting data on water to establish a baseline. However, we've found that water metering and billing varies widely among locations, making this a challenging initiative to tackle.

WHAT'S NEXT

In 2017-18, we will have several more store openings, including a new Kitchener store, and relocation of the Edmonton and Quebec City stores in Spring 2017. Looking further ahead, plans are underway for a relocation of the Toronto store in Fall 2018, a new Calgary South store in Fall 2018, and a relocation of the Vancouver store and the opening of a new Calgary West store in Fall 2019. We'll also continue to make improvements to our website, including navigation and search functionality, and we'll implement a new call management system to better respond to and track member inquiries. Finally, we'll set new targets with the intention of reducing our carbon footprint, and assess whether it's feasible to continue with our water-consumption baseline, given the challenges of measuring water consumption accurately.

MEC.CA – WHAT'S NEW?

Last year, we rolled out a new website platform, and simultaneously made numerous improvements to mec.ca. Here's a quick look at how we've improved members' shopping experience:

- Redesign for a better look and ease of use
- Improved search results
- Responsive, touch-compatible design
- Persistent shopping cart across all devices (e.g., mobile and desktop)
- Improved tool for making product comparisons
- Better colour swatch features
- Better product review process
- Ability to view order history
- Saved account information for faster transactions
- Ability to use multiple gift cards at one time
- Canada Post address verification to ensure prompt delivery
- Archived products visible on the website
- Favourite store/geolocation feature





MEMBER EXPERIENCE AND COMMUNITY ENGAGEMENT

APPROACH

Our members are the lifeblood of our organization; we serve them by selling great gear and helping them lead active outdoor lifestyles.

To stay healthy as a co-operative, we need to not only help existing members, but continuously bring in new members as well. We do this by offering an outstanding selection of functional, thoughtfully designed, quality products. We also engage and inspire members through store events, initiatives, sponsorships and partnerships, and through our Ambassador program. We have a strong Community Investment program, and we're a member of 1% for the Planet, a global movement of companies that donate at least 1% of their annual net revenues to environmental organizations.

Since 2011, we've collaborated with Parks Canada on Learn-to Camp, aimed at helping people enjoy camping while connecting to national parks and historic sites. We also developed MEC Outdoor Nation to inspire, engage and connect young Canadians to get outside and get active.

Our MEC Ambassador program consists of passionate individuals who share in MEC's vision, beliefs and values. They are aficionados of the outdoor activities we promote, and help connect with the community investments we're making. They are also our field test team, and help us continually develop, improve and refine our products.

PERFORMANCE IN 2016-17

By the end of our fiscal year, we had 4.9 million members. Our member satisfaction rate (based on in-store and online surveys) was 90.5%, a slight increase from last year (90% in 2015). Of the people who shopped with MEC in 2016-17, 47% said they would recommend us to their friends and family. While this is a slight decrease from last year (49% in 2015), it continues to make us the top-ranked retailer in Canada (according to market research) in this category for the fourth year in a row.

Some highlights from 2016-17:

Learn to Camp – We held 29 Learn-to Camp events in 25 national parks and national historic sites, with 1,830 participants in these overnight events. We've renewed the program for another three years, and will be expanding it to include more low- to middle-income families, and new Canadians.

MEC Outdoor Nation – We held two Outdoor Nation summits in Toronto and Montreal, with nearly 150 participants overall. To assist in our efforts, we formed partnerships with groups already working to get people outside and active, including Chasing Sunrise, Surf the Greats, and Chèvres de Montagne. We also provided \$30,000 in funding toward six great projects aimed at getting the next generation outside.

Good Times Outside – We launched a brand campaign to help build and inspire a nation-wide community of outdoor enthusiasts. It launched in September 2016, and by February 2017 we'd already seen 13,000 social media tags at #goodtimesoutside.

Parks Canada – In celebration of Canada's 150th birthday, we partnered with Parks Canada to distribute free Discovery Passes to national parks and historic sites. To promote a lower footprint, we encouraged members to visit lesser-known parks and to follow the seven principles of Leave No Trace Canada.



Events and Partnerships – Our store events are a key way of connecting with communities and inspiring people to get outside. In 2016-17, we held 155 festivals, races, century rides and triathlons across the country. In total, an estimated 100,000 people participated in our events, run crews, ride meet-ups and in-store clinics (not including festivals).

Our race series was one of our biggest successes: we saw a 35% participation increase nationwide. We're excited to see we've built a loyal following, and that we're being recognized as a viable (and leading) race organizer. To maintain outstanding health and safety practices at our events, we now have a sole events medical provider, and ensure that all meet-up run and ride leaders are first-aid trained.

We also continued to sponsor events and activities outside of our stores, including the Banff Mountain Film Festival and Cherry Bowl, a project dedicated to avalanche education. Finally, we continued to partner with a variety of organizations, including Avalanche Canada, the Alpine Club of Canada, and Our Living Waters.

Grants – In 2016-17, our 1% community contributions totaled \$3.66 million. This supported both outdoor recreation programs and expeditions, as well as organizations and initiatives that conserve ecologically and recreationally important places, or inspire and enable people to be active outside. Some highlights:

- \$20,000 to Avalanche Canada to launch the Cherry Bowl project, an interactive educational website based on a challenging backcountry rescue in northern B.C.
- \$74,440 to Parkbus, a non-profit initiative providing express bus service to key outdoor destinations in Canada, making the outdoors accessible to more people
- \$21,758 to Chèvres de Montagne to help women 18-35 discover and excel at outdoor activities
- \$15,000 to the British Columbia Mobility Opportunities Society to support a new Adaptive Paddling Program at the Creekside Community Centre in Vancouver
- \$8,000 to Ontario-based Connected in Motion to support outdoor adventures for diabetics

MEC Homewaters – This project was created to help preserve Canada's freshwater. Our efforts haven't been as successful as we'd hoped, so we've decided to discontinue this project. We believe we can have a greater impact by funding freshwater issues through Our Living Waters, a collaboration of organizations dedicated to strengthening Canada's water movement.

Ambassador Team – In 2016-17, we worked with fewer Ambassadors to do more in-depth relationship building and have a more meaningful impact. As a result, more Ambassadors became involved with partnerships and community investment initiatives such as Protect Our Winters, Outdoor Nation, VIMFF, Banff Film Festival, and more. Some highlights:

- MEC Climbing Ambassador Sarah Hart put on a women's-only clinic at the Banff Film Festival to educate and inspire female climbers.
- MEC Adventure Ambassador and family man Bruce Kirkby wrote one of [MEC's most popular blog posts](#) of 2016, highlighting the many benefits of enjoying the outdoors from a young age.
- MEC Ambassador Joshua Lavigne, one of Canada's top alpinists, led an expedition to Baffin Island to set first ascents and routes on Great Sail Peak.
- MEC Running Ambassador and cancer survivor Jim Willett ran back-to-back marathons, inspiring communities and people along the way with his epic story.

WHAT'S NEXT

We'll continue to host Learn-to Camp overnight programs, and will build on the Good Times Outside campaign. We'll plan MEC Outdoor Nation summits in Toronto, Vancouver, and Montreal. We'll also put in place a better evaluation framework to determine the long-term impact of these programs, and increase our efforts at broadening cultural diversity across all events.

Over the next 18 months, we'll relaunch our Events website to make it more user-friendly. We'll be reassigning our grant categories to ensure they have the most impact, and investing in research to ensure we demonstrate sufficient return on investment from funds we spend. We'll also actively seek out new female ambassadors, to provide a better representation between genders. We'll look at bringing on ambassadors in Alberta, Ontario, and Quebec.

Finally, we'll continue to explore ways to ensure MEC is relevant to an increasingly culturally diverse population. In the coming year, we'll conduct research in the Greater Toronto Area – Canada's most multicultural region – to better understand how we can best reach out to a range of members. We'll then apply those learnings to other MEC communities across the country.

2016-17 MEC EVENT HIGHLIGHTS

MEC

MEC

27
FESTS

PADDLEFEST,
SNOWFEST,
BIKEFEST &
ICEFEST

102
RACES

57,058
RUNNERS

ESTIMATED
35,000
PARTICIPANTS

RUN CREW,
RIDE MEET-UP,
IN-STORE CLINICS

ESTIMATED
TOTAL

100,000
PARTICIPANTS

MOST POPULAR RACE

CALGARY

1,668 RUNNERS
5K, 10K, HALF AND FULL MARATHONS

8
TRIATHLONS

1,330
PARTICIPANTS

18
CENTURY RIDES

3,926
RIDERS

FASTEST
MARATHON
TIMES

MEN'S
2:53:44

WOMEN'S
3:07:27



HOW DO YOU LIKE OUR EVENTS?

We've been getting awesome feedback from members about our events. Some of their comments:

“ We are enjoying your events. They are well run and the perfect size for new runners. Our son came in first in his age group, under 17, and also managed to get his dad, youngest brother, and me to run. Thank you! ”

– Calgary race participant

“ First, I want to underline the exemplary professionalism of your staff! They were dedicated, friendly, and were always listening to the participants. These fantastic qualities are one of the reasons why your organization is extraordinary. Congratulations on your success: I'm looking forward to participating in the next race with MEC. ”

– Longueuil race participant

“ This is my second year running the series! You and the staff and volunteers are amazing! I love the low cost of the races as it makes it manageable for so many. Being able to book them in advance keeps me running. ”

– Halifax race participant



“ My daughter and I participated in the race at Saint-Raymond, and we adored our experience. It was our first experience with you, and it won't be the last... what's more is that we discovered a magnificent corner of the countryside. A big thanks to the organizers and volunteers! ”

– Quebec City race participant

“ A big thank you for a great event today. I have participated in lots of run events, but it was my first triathlon. From the very beginning, with all your informative and encouraging emails, to the finish line recovery snacks/beverages, it was a top notch experience for me. ALL of the staff and volunteers were so friendly and helpful. I met a lot of new friends along the way today and can't wait to try again next year! ”

– Langley triathlon participant

EMPLOYEE EXPERIENCE AND ENGAGEMENT

APPROACH

Having great staff is what sets MEC apart. That's why we hire and support people who are passionate about the outdoors, and who bring that passion into our culture.

For us, a top priority is supporting our staff, and making MEC a great place to work. Besides competitive compensation and benefits packages, along with comprehensive health and safety practices, we focus on developing a culture of collaboration, and on ensuring staff have processes and systems to help them do their job. We also conduct annual staff surveys (Pulse Checks) to gauge employee satisfaction, and assess organizational strengths and challenges.

We conduct ongoing work to identify how Canadians of different ethnicities and cultural backgrounds approach outdoor recreation, and how we can add value and be relevant to their needs. By understanding issues around cultural diversity, we will not only increase our relevance to the Canadian population, but also be able to better attract a more culturally diverse workforce.

Through our *Bring It* internal brand, we help align employees' roles with MEC's purpose and vision, to bring a consistent approach to the organization and ensure we have a culture that looks and feels like the people we're trying to attract. Our *Bring It* initiative consists of three key points:

SHOW UP	Take personal responsibility
MAKE IT HAPPEN	Contribute to MEC's success
CARRY THE FIRE	Inspire at every opportunity

PERFORMANCE IN 2016-17

By the end of February 2017, we had 2,450 employees. Approximately 250 were added in the last fiscal year, to help staff our four new stores and new distribution centre. Fewer than half were full time, similar to past years.

During the 2016-17 period, our Board of Directors consisted of four women and five men, and our executive team also had four women and five men. Our staff are similarly split: 44% identify as female, while 56% identify as male.

2016-17 was a record year in terms of store openings, and the opening of our Eastern DC. We're particularly proud of our staff for their teamwork in making this happen, and for working collaboratively towards one common goal.

Pulse Check

In 2016-17, we conducted a shorter Pulse Check Survey, to check in on progress against last year. Our overall engagement score for 2016-17 came in at 76%: two percentage points higher than our original goal, and 0.7% points higher than 2015.

Looking at the results, we're excited to see such high levels of pride, commitment to quality work and clarity of MEC's purpose. Staff did express concerns around capacity and our ability to sustain the current pace, which was largely due to the complexity of work around store openings and other projects. The survey also highlighted an opportunity for us to do a better job of managing change.

Processes and Systems

We continued implementing a new HR management and payroll system to streamline HR processes, and help us recruit, reward, manage and develop our people more effectively. This is a large-scale undertaking that will allow for a more modern workplace to meet the needs of our growing business, and help staff work more efficiently. We also improved our action planning processes to create more accountability and communication with staff.

Bring It

We further integrated *Bring It* across all our employee touchpoints, including job postings/recruitment, interviews/hiring, on-boarding and performance management. As part of integrating *Bring It*, we created an on-boarding program that's consistent across the entire organization, and improved our performance management program, taking a behavioural-focused approach (not task-based) to reviews.

Through #mecstaffer, our employees continue to share their personal experiences as MEC staffers, both in and out of the workplace. In 2016-17, the number of #mecstaffer posts on Instagram alone grew to almost 18,500 (from 8,000 in 2015).

Health & Safety

Following the trend observed over the last two years, the number of reported employee health and safety (H&S) incidents continued to climb in 2016-17. We had 341 reported incidents in the 2016-17 fiscal year (a longer period), compared to 231 in 2015.

This significant increase is caused by the addition of four new stores and a second distribution centre. However, there was only a 1.28% increase in incidents requiring outside medical attention, compared to 2015. Overall we are seeing an increase in minor incidents caused by injuries on sharp edges, trips and falls, or bumps against objects.

In the 2016-17 fiscal period, our Western DC went 185 days with no time-loss accidents, and our Eastern DC has had no time-loss accidents since becoming operational in July 2016 (216 days).

WHAT'S NEXT

We'll integrate feedback from the 2016 Pulse Check across departments, and address capacity and change management. We'll also conduct a longer 40-question Pulse Check survey. The first phase of our HR Management and Payroll System will launch in Fall 2017. We'll also strengthen our H&S culture by incorporating more H&S materials in the new hire package, providing H&S training to new supervisors, and hiring a H&S Specialist to analyze and mitigate potential risk. Based on the results of our cultural diversity work (see 'Member Experience' section), we'll continue to explore ways of addressing diversity across our workforce.

DEDICATED TO OUR MEMBERS

We're constantly amazed at how our staff go above and beyond to help our members. Here are just a few brief highlights from last year:



CALGARY

MEC staffer Neil Jennings (fondly known as Papa J) was helping a member with a rental order for a family trip the next day. An hour went by (it was a large order) when the member realized he needed a map. Unfortunately the maps we carried weren't quite right, and other stores in town were already shut. Rather than let the member hit the road empty handed, Papa J explained that he had exactly the right map at home and would be happy to loan it out. Neil gave the member his home address and left the map in his mailbox that night for the family to pick up.



HALIFAX

A member came into the store with his wife, wanting to buy camping gear. It was a busy weekend, and the store was crowded. When the member stepped outside to take a break, his wife explained to staff member Nina Doherty that he suffered from PTSD and had difficulty in noisy, small spaces. Nina helped the member get the equipment he needed. Our Service Centre later received a very grateful phone call from the member, who explained how Nina's calm, patient approach was instrumental in helping him out.

LANGLEY

Staff heard from a BC man whose 10-year-old son has a number of needs, including low muscle tone, which prevented him from pedalling even a small tricycle. MEC staffer Carson McQuarrie worked closely with the family to source the best bike, and staff even fashioned training wheels out of lawnmower wheels. To the father's delight, his son has experienced the joy of cycling for the first time.

QUEBEC CITY

Quebec City store staff went the extra mile when assisting a blind member who came into the store to purchase some basic rock climbing gear. To participate in the sport he loves, he explained to MEC staff that he wears an earpiece and gets cues from a guide on the ground on where to climb. Wanting to ensure the equipment was the right fit, staff member Karine Pépin, along with the help of a colleague, assisted and spotted the member in testing the recommended gear on the climbing wall.

OTTAWA

Staff discovered that a family of 10 from Burundi were sorely in need of school bags and winter clothing. Rich Turner and Rachel Slater of the Ottawa team generously coordinated the donation of snow suits, jackets, backpacks and other items to ensure the family were properly outfitted for Ottawa winters.

MEC'S ECONOMIC CONTRIBUTION

APPROACH

As a co-op, we endeavour to have a healthy organization and make sure our member offering is as compelling as possible. We're not profit focused. However, we operate in the same competitive environment as other businesses and are aware that nothing stands still: we need to compete as hard as anyone else. A strong balance sheet helps us to be resilient.

Our success depends on strong cash flow, effective movement of inventory, ongoing store development, and productive use of floor space. It also depends on investment in product development and management of costs of goods, investment in appropriate systems and tools, employment and training of staff, and integrity and trust with our members and stakeholders. We prioritize our investments and expenses to achieve this. We also put an internal price on carbon to integrate carbon costs of product transport, facilities, and travel (see 'Operations' section) into our business decision-making.

Patronage Returns and Share Redemptions

As a member-owned organization, we exist to provide value to our members. One of the ways we do that is through patronage returns. Because MEC does not exist to produce profits, our gross earnings at the end of the year (surplus) are returned to members.

Each year, the Board decides whether or not to declare a patronage return – a total portion of earnings to be returned to the membership. The total is divided between individual members based on how much money each member spent at the Co-op over that year. Each member's portion of the return is called a patronage dividend and is allocated to the member as a quantity of shares (each worth \$5). Every member has an account that shows the value of patronage shares held in their name.

As part of our strategic and long-term planning, including large capital projects, the Board regularly reviews the expected financing needs of the Co-op. When possible, the Co-op buys back some patronage shares from its members' patronage accounts. We return the money to members in the form of gift cards that equal their share redemption amount.

PERFORMANCE IN 2016-17

In 2016-17, our sales were \$465 million, a 27% increase over 2015. (Note: we recently changed our fiscal year so that it now runs from March to February, instead of ending in December. As a result, a year-to-year review of financial performance will be comparing results of different lengths of time due to the extended fiscal period.) At a time when market-wide retail sales suffered a downturn, we're pleased with these results. We attribute the strong sales results to our increased efforts with omni-channel offerings, growing number of stores, evolving assortments, and focus on member service in spite of some unexpected weather patterns and a warmer winter negatively impacting our sales performance at times.



At the end of 2016-17, we owned \$381 million in assets (cash, inventory, property, equipment, accounts receivable and other assets). We owed \$194 million (payables, gift cards, loans and obligations). Our members had invested \$187 million in equity (member and patronage shares). Our selling and administration expenses were 34% of sales. With more project work occurring at the moment and expected to continue over the next few years, spending is somewhat higher than it has been in the past.

The longer 2016-17 fiscal year included two extra sales periods (28 and 35 days) of typically low demand. A loss of \$1.66 million, before patronage dividends, or 0.4% of sales is therefore showing for the extended 2016-17 financial year. Remaining financially healthy and achieving modest surplus earnings remains the objective of MEC's Board and management. This is balanced against the need to make investments into our store network, systems and tools to ensure we can operate efficiently and are well positioned to meet our members' needs – both now and in the future.

Economic Impacts

MEC's operations in Canada make a significant contribution to the Canadian economy. In 2016-17, we estimate that we created approximately \$1.41² billion in direct spin-off economic activity through our operations, payroll, member spending on outdoor recreation, and community contributions.

Patronage Returns and Share Redemptions

In 2016-17, we declared \$12.6 million of patronage returns.

We also redeemed shares worth \$5.4 million from more than 110,000 members in 2016. In March 2017, we redeemed \$1.8 million worth of shares from more than 35,000 members. (More details on the 2017 share redemption will be provided in next year's financial statements.) Since 1971, MEC has completed 16 share redemptions totaling more than \$35 million.

WHAT'S NEXT

We will continue to invest in MEC – through new stores, and an expanding array of gear and systemic improvements. This will ensure we maintain our organizational viability, and help us best serve the needs and interests of our member-owners.



² Carnegie Mellon University Green Design Institute. (2017) Economic Input-Output Life Cycle Assessment (EIO-LCA) Canada 2002 (105 sectors) Producer model [Internet], Available from: <<http://www.eiolca.net/>> [Accessed 6 Jun, 2017]



WE WANT TO HEAR FROM YOU

We continue to focus on making sure we are best serving members' needs in the activities we support. Your feedback matters most of all.

Let us know how we're doing at info@mec.ca.