



Minutes of the 47th Annual General Meeting of Mountain Equipment Co-operative held June 21st, 2018 at MEC Head Office, Vancouver BC

The 47th Annual General Meeting of Mountain Equipment Co-operative (MEC) was held on Thursday, June 21st, 2018 at MEC Head Office, 1077 Great Northern Way, Vancouver, BC.

The meeting began at 6:10pm PDT and adjourned at 8:40pm PDT.

Introductory remarks

Ellen Pেকেles, Chair of the Board of Directors, welcomed MEC members and acknowledged that the AGM was taking place on the unceded territory of the Coast Salish peoples, including the territories of the Musqueam, Squamish and Tsleil-Waututh Nations. She also noted that the AGM was taking place on National Indigenous People's Day and the solstice, the longest day of the year.

Presentation

Anne Donohoe, Chief Marketing Officer, introduced two short documentary films commissioned by MEC: *Escape*, and *Facing Sunrise*. The highly personal stories illustrated the profound impact outdoor recreation could have on a person's life; transcending the status of a hobby, and becoming an opportunity for growth, inspiration and understanding.

Call to Order

Quorum, Welcome, Introductions

Ellen Pেকেles (Chair, MEC Board of Directors) called the meeting to order at 6:30pm with a quorum present.

CEO David Labistour and the Directors in attendance were introduced:

Daniel Blanche, Board Vice-Chair (Montreal, QC); Phil Arrata, Finance and Audit Committee Chair (Vancouver, BC); Shawn Mitchell, Governance Committee Chair (Vancouver, BC); Judi Richardson, Human Resources and Compensation Committee Chair (North Vancouver, BC); Rob Campbell, Nominations Committee Chair (Richmond, BC); Kathy Uher, Technology Committee Chair (Toronto, ON), Bob Wallis (Vernon, BC), and Kathy Weston (Toronto, ON).

The Chair introduced Doug Copland of BLG as the meeting's parliamentarian, noted that Shona McGlashan, MEC's Chief Governance Officer, would serve as secretary, and that there were meeting scrutineers in attendance, including MEC's Auditor, Guyle Tippe, from MEC's external audit firm, KPMG LLP.

Adoption of the Agenda

The Agenda was adopted as circulated.

Adoption of the Rules of Order

The Rules of Order were adopted as circulated.

Acceptance of the 2017 AGM Minutes

Steve Jones (#306823255) proposed an amendment to the minutes of the 2017 AGM, to insert a footnote stating that “Steve Jones rebuts the accuracy of statements attributed to him.” The motion was seconded by a member. The minutes were amended and accepted.

Reports

Chair’s Report

Ellen Pekeles presented the Chair’s Report.

Highlights from the report can be found at mec.ca/reporting.

CEO’s Report

Chief Executive Officer David Labistour presented the CEO’s Report.

Highlights from the report can be found at mec.ca/reporting.

The CEO acknowledged the MEC Executive Team:

Nancy Blair (Information Technology); Jeff Crook (Product); Anne Donohoe (Marketing); Gary Faryon (Retail Operations); Shona McGlashan (Governance); Sandy Treagus (Chief Financial Officer); and Nahal Yousefian (People Experience).¹

Audited Financial Statements and the Finance and Audit Committee Report

Phil Arrata, Finance and Audit Committee Chair, presented the Audited Financial Statements for the fiscal year ended February 25, 2018.

The 2017/18 Audited Financial Statements, and highlights from the report, can be found at mec.ca/reporting.

Questions and Discussions on Reports

Anders Ourom (#224-6) noted that the Chair had used the terminology “company”; the Chair noted that she had not been aware of this, and acknowledged that she should have used the word “co-op”.

Steve Jones (#306823255) asked when MEC had last not issued a patronage return at the end of a financial year. The Chief Governance Officer agreed to follow up with the specific year.² Phil Arrata added that since this year’s surplus funds had been generated from the sale of long-held

¹ The Chief Product and Chief Retail Operations Officers were not present at the AGM.

² Post-meeting note: MEC did not issue a patronage return in the following financial years: 1971, 1972, 1973, 1974, 1977, 1978, 1981, and 1982.

assets, it would not have been equitable or appropriate to allocate the one-time gains to those members who had happened to purchase from the co-op in this particular year.

Steve Jones asked about the financial impact of unionization of the Eastern Distribution Centre. The CEO responded that there had been no financial impact.

Steve Jones asked when the co-operative anticipated returning to an operating profitability and issue a patronage return. The Chair responded that MEC planned to return to profitability in 2019/20. This year's operating deficit had been planned in order to invest in the co-operative.

Appointment of the Auditor

The Finance and Audit Committee Chair put forward the motion to appoint the auditor for 2018/19:

Motion Regarding the Appointment of the Auditor

It was moved and seconded, that KPMG be appointed as the auditors for Mountain Equipment Co-op for the 2018/19 fiscal year, and that the Board be authorized to fix the remuneration for the auditors.

Members voted on the motion. **The motion was carried.**

2018 Board of Directors Election

The Chair invited Erik Berg of KPMG LLP to present the results of the 2018 election.

2018 Election Results

Erik Berg reported that KPMG LLP, in its capacity as election auditor, had monitored the 2018 election process, and the results of the election were as follows:

Member participation:

- Total votes: 47,058
- 46,599 votes registered online, 437 via telephone, and 22 delivered via mail.

The election results by candidate were as follows:

- Judi Richardson received 21,224 votes and was re-elected for a three-year term
- Daniel Blanche received 18,971 votes and was re-elected for a three-year term
- Matthew Handford received 13,802 votes and was elected for a three-year term

The remaining candidates received the following votes:

- Steven Jones: 12,178 votes
- Philippe Arrata: 11,248 votes
- Ravi Deshpande: 10,881 votes
- Lisa Hunka: 9,702 votes

- Brenda Sweeney: 7,463 votes
- Martha (Marti) Evans: 6,971 votes
- Margaret Soden: 6,147 votes
- Bob Brent: 5,029 votes

Farewell to Outgoing Directors and Introduction of New Directors

Members present congratulated newly elected Directors, Daniel Blanche, Matthew Handford, and Judi Richardson.

The Chair thanked the independent members-at-large who sat on MEC's Nominations Committee: Graham Allen and Judy Martin.

The Chair also acknowledged outgoing director Phil Arrata, and thanked him for his contributions to MEC.

New Business

The Chair advised the membership that the next segment of the Annual General Meeting was to include the consideration of a resolution proposed by the Board of Directors, and for general questions from the floor. She reminded the membership that the purpose of the meeting was to transact the business of the general membership of the Co-op and that issues of a personal or political nature were requested to be addressed through the feedback form available in the room or online

Other resolution

The Chair introduced a resolution, proposed by the Board of Directors as follows:

THAT

1. Director remuneration amounts be set at the levels outlined below and be hereby approved effective June 22, 2018.
2. The next review of director compensation be undertaken by 2021.

	2018/19	2019/20	2020/21
Annual Board Chair Retainer	\$63,282	\$64,865	\$66,486
Annual Director Retainer	\$35,282	\$36,164	\$37,068
Additional Retainer for chairing the Finance and Audit Committee	\$6720	\$6888	\$7060
Additional Retainer for chairing a committee (other than Finance and Audit) or for Director acting as Vice-Chair	\$4480	\$4592	\$4707
Additional Retainer for sitting on a Committee (but not chairing)	\$1088	\$1115	\$1143

MOVED by Anders Ourom/ SECONDED by Steve Jones:

THAT director compensation resolutions be decided by secret ballot.

Discussion on the motion:

Shawn Mitchell, chair of the Governance Committee, gave the additional context that the BC *Cooperative Association Act* required both that the AGM be held in British Columbia, and that director compensation be determined at the AGM.

Gerald Joe (#26387530) suggested that instead of having a secret ballot, the directors should leave the room for the duration of the discussion.

Colleen Melville (#2894665) suggested that the terminology used in the resolution and supporting documents could be more accessible.

The motion was voted on. With 40 in favour and 46 opposed, the motion to decide director compensation resolutions by secret ballot was **defeated**.

Steve Jones commented that business cases for the co-op's investments in systems and projects had not been presented to members, and that he considered it inappropriate for the Board of Directors to propose an increase in their own compensation in those circumstances.

Jackie Asante (#645631) asked about the amount of money concerned. The Chair responded that the proposed increase in director compensation was in the region of \$9,000 per year for the entire Board. Shawn Mitchell noted that Board compensation was only one part of the context of attracting qualified and engaged directors. Previous increases approved at the AGM had been designed to ensure that the Board continued to align with director compensation in similar organizations.

Gus Polman (#2699700) stated that he believed he had heard reasonable explanations for both recent soft sales and the co-op's investments in technology. He did not consider that these provided a rational reason to deny the board compensation increase.

MOVED by Jessy Chang (#25063330)/ SECONDED by Renita Kralik (#36953651)

THAT board directors and the executive team leave the room during the vote on director compensation.

Discussion on the motion:

Anders Ourom suggested that the directors were as entitled to vote on this question as any other members of the co-op, and asked that the motion be ruled out of order.

The parliamentarian stated that the Board could take the results of the vote on the motion as advisory.

The motion was voted on. With 39 in favour and 49 opposed, the motion to request that the board and executive team leave the room during the vote was **defeated**.

Rozalyn Hardy (#4320537) asked whether a similar increase could be provided for frontline positions. The CEO responded that frontline staff had received a significant increase in 2017, with annualized increases in store wages and benefits amounting to \$2million in BC alone.

Renita Kralik did not approve of increasing director compensation as she believed that staff had not received a commensurate uprating. Another member suggested she felt misled as she had thought the proposal was in line with staff increases. She asked whether MEC's staff would receive a 3% increase in compensation in the coming year.

Brittney Campbell, PX Manager, explained that directors and salaried staff would receive a percentage increase, with a global budget for salary increases of 2.5% for 2018. However, the situation for frontline, non-salaried, store staff was different. In the previous year, the frontline staff base hourly rate had increased from \$13 to \$14.25, a 9.6% increase. Everyone within the payscale range would have had their salary increased, but those at the top of the payscale would not, with the payscale capped at \$19.50 per hour. More details on pay scales were provided.

Renita Kralik noted that the stepped payscale provided a slow increase to frontline staff, and that while people had had raises, their hours had been cut. The CEO disagreed, stating that hours had not been cut as a result of payscale increases.

Kat Nguyen (#35273374) did not think director compensation increases should be considered given that not all frontline staff were being paid at the level of the Living Wage. She noted that in Metro Vancouver a Living Wage was considered to be \$20.91 per hour, and this was the starting wage for frontline staff at Vancity credit union. The CEO acknowledged that the cost of living in Vancouver was making life challenging. The Chair added that the Living Wage rate incorporated base salary plus benefits, and was calculated on the amount required for two working adults to support a family with children. Kat Nguyen responded that compared with other companies and co-operatives, she did not find MEC's benefits and employee discount to be competitive.

Pierre-Yves Legault, Director, Compensation and Benefits, explained that MEC used Mercer's survey of retail compensation practices in Canada to assist with benchmarking compensation. Based on those survey results, MEC was competitive in the market, and offered a generous benefits package valued at the equivalent of around \$3 per hour, which would be included in the Living Wage calculation.

The motion on director compensation was voted on. With 67 in favour and 13 opposed, the motion to set director remuneration at the proposed levels was **carried**.

Motion to extend the meeting

MOVED by the Chair/ seconded by Anders Ourom

That the meeting be extended by 15 minutes.

Members voted on the motion. **The motion was carried.**

Questions

The Chair opened the meeting to new business, which included general questions or comments from the floor.

Anders Ourom stated his growing concern about the diversity of the board and senior management at MEC, which did not fully reflect the diversity of modern Canada. The Chair agreed, noting that the nominations criteria for the 2018 election had specifically called out the Board's desire to increase diversity from cultural and geographical perspectives. Rob Campbell, chair of the Nominations Committee, added that this clear call for additional geographic and cultural diversity had not provided the desired results, and the Nominations Committee would continue to work on the issue.

Penelope Heatherington (#17802364) asked why political comments at the AGM were prevented when all questions had an underlying ideological basis. The Chair said that she defined politics in this context as relating to partisan municipal, provincial or federal agendas. Penelope Heatherington asked whether MEC still partnered with Wildsight; she expressed concerns with their client list. Shawn Mitchell answered that that Wildsight was an organization active in environmental education in the Interior of BC. While it had received community funding from MEC in the past, he did not know whether this was still the case.³

Colleen Melville, noting that 82% of the Canadian population were not active enough, asked why the co-op was not catering more to older adults. The CEO clarified that, while no demographic group in Canada was sufficiently active, the most active were school-aged children and the sharpest drop in activity was in young adults straight after school. This was why MEC currently focussed much of its programming on 18-34 year olds. The Chair added that in realizing MEC's purpose to inspire and enable all Canadians to live active outdoor lifestyles, the co-op tried to serve all segments of the population.

Alexander Tamo (#34485540) said that management had held several recent emergency meetings with store staff, and asked how senior management would demonstrate accountability for a drop in staff engagement.

The CEO responded that the People Experience team had been sent to stores to listen to feedback from staff, and to take action in response. MEC's network of store managers would meet in Vancouver the following week to discuss action plans. Alexander Tamo said that he believed that staff were scared to speak up about their concerns. The CEO agreed that this

³ Post-meeting note: Wildsight most recently received a grant from MEC in spring 2017.

was unacceptable and did not want staff to feel that way. The PX team's work had uncovered that there was a lot of work to be done in certain stores, and this would be addressed.

Steve Jones noted that employees did not usually come forward with concerns at AGMs. He suggested that despite criticisms the evening's question period was indicative of a culture of openness. He asked whether there were indications of unionization in any stores. The CEO noted that employees were among MEC's greatest assets and the co-op always wanted to be an employer of choice. The restructure of the People Experience team would assist with that aim. He understood that in some stores conversations about unionization were taking place. This would be a matter for staff choice and management asked that employees make an informed decision.

Kat Nguyen stated that employees did not always get the management support they would expect if member/staff interactions were not respectful. This rewarded poor behaviour from certain members and invalidated staff experience. The CEO responded that bad behaviour from members could not be condoned and that line managers should be handling this consistently. While MEC's members were its owners, and MEC strove for high levels of member satisfaction, this did not mean that poor behaviour was acceptable.

Adjournment

Ellen Pেকেles thanked members in attendance and it was moved and seconded that the 2018 AGM be adjourned. The motion was **carried**.

The meeting ended at 8:40pm PDT.