

Hudson's Bay Company

2011 Corporate Social Responsibility Report



HUDSON'S BAY CO.

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MESSAGE FROM RICHARD BAKER



The Hudson's Bay Company prides itself on being deeply engrained in the culture and the history of our continent and ensuring that we are as vital and relevant today as we were 342 years ago. We maintain a prominent position in the marketplace and 2011 has been a standout year; however, this does not permit us to stand still for long. Change is an integral component of growth and success, and change greeted us early in the year.

In January 2011, Zellers entered into an agreement with Target to sell the leaseholds of up to 220 Zellers stores, of which Target selected 189. This heralded a significant transformation to the retail landscape in Canada and presented us with an exceptional opportunity as well as numerous challenges over the course of the year, which continue into 2012. I commend every member of the Company for the integrity and professionalism with which these challenges were met, especially those who have worked diligently behind the scenes to roll out this lengthy conversion process.

We have also seen tremendous examples of growth, tradition and commitment. Our support of Canadian athletes continued with a contribution of more than \$5 million to the Canadian Olympic Foundation from the ongoing sale of the iconic Red Mittens. We've experienced a 63 per cent improvement in audit grades of the 2248 factories and vendors we worked with in 2011. We continued to aggressively manage our energy use by beginning a lighting retrofit program in 34 Bay stores in Ontario, bringing energy-efficient lighting to each Bay store across Canada, which will continue into 2012.

Looking back on 2011, I am incredibly proud of our accomplishments, and happy to share many of them through this report. We have achieved great things as an organization, and will continue to leverage our talent and resources, support our charitable partners and the local communities in which we operate, and renew our commitment to the environment. Looking forward, I am confident more great things are to come.

A handwritten signature in black ink, appearing to read 'Rl A B'.

Richard Baker
Governor & CEO
Hudson's Bay Company



CORPORATE OVERVIEW

Hudson's Bay Company (HBC) remains the longest continually-operating company in North America. Founded and chartered by British Royalty in 1670 as "The Company of Adventurers Trading into Hudson's Bay, a.k.a. The Hudson's Bay Company," we are an organization steeped in a rich history of adventure and innovation.

HBC comprises five banner stores; four in Canada and one in the United States. Canadian banners include The Bay, a major department store; Zellers, a mass merchandise format; Home Outfitters, a kitchen, bed and bath specialty store; and Fields, a value-priced retail format. Lord & Taylor (L&T), an upscale specialty department store, operates in the US. In 2011, Target Corp. purchased 189 Zellers leaseholds; the first of the acquired locations will close in June 2012. By March 2013 all acquired Zellers locations will be closed.

HBC is a privately held Company governed by a Board of Directors that is led by Richard Baker, the Company's 39th Governor and CEO. The board is supported by a strong senior executive team that leads the in-house operations of the organization. HBC's Canadian head offices are located in Toronto and Brampton, Ontario and are supported by regional offices throughout Canada. L&T's head office is located in New York, New York.

HBC has more than 600 retail locations and approximately 50,000 Associates located in every province in Canada. Lord & Taylor has 48 retail locations, two Lord & Taylor Home stores, three outlet stores, and approximately 10,000 Associates located in nine states and the District of Columbia.



Corporate responsibility is woven throughout every area of our business. We are committed to promoting and enhancing sustainable business practices that meet ethical and legal regulations, operating in an environmentally-conscious manner and sourcing merchandise in adherence to strict professional standards.

Our people drive our success. Ensuring our Associates are engaged, recognized and treated fairly is of utmost importance to us. We also believe it is our responsibility to give back, and we are dedicated to improving the lives of women, children and families by working with organizations that cultivate meaningful programs in the areas of nutrition, self-esteem, education, mentorship, shelter, recreation and clothing in local communities.

ENVIRONMENTAL SUSTAINABILITY



ZERO WASTE

In 2007 Simpson Tower was the first office tower in Canada to ever be certified as 'zero waste' in Canada. 2011 marks the fifth consecutive year our head office in Toronto, Ontario has been re-audited by Zero Waste International Alliance and maintained a zero waste status, achieving more than a 90 per cent waste diversion rate from landfill. HBC remains committed to maintaining a zero waste status year over year by providing the necessary tools and resources to ensure as much waste as possible is recycled, composted and diverted from landfill.

[Waste Audit Report for Simpson Tower](#)

WASTE DIVERSION

September set a benchmark for The Bay, Home Outfitters and Zellers, marking the first time we were able to report a diversion rate for all three banners after entering into an agreement with a waste management vendor to service the vast majority of our stores and supporting operational locations. Our total diversion rate from September through December was 48 per cent.

With a baseline established, we will partner with external parties to increase our diversion rate by expanding our diversion criteria to redirect more material types. Our 2012 'Waste Diversion Work Plan' will help us achieve this goal.

WASTE BY TYPE FOR THE BAY, HOME OUTFITTERS AND ZELLERS (SEPTEMBER-DECEMBER 2011)

WASTE STREAMS Measured in Metric Tonnes (MT)		SEPT 2011	OCT 2011	NOV 2011	DEC 2011	YTD
1	TRASH	2,420.65	2,341.31	2,383.44	2,422.61	9,568.01
2	SSS* TRASH	60.59	77.07	62.55	77.39	277.60
3	SSS* RECYCLING	180.01	196.01	180.01	186.02	742.04
4	CARDBOARD	415.12	441.34	420.46	376.81	1,653.72
5	CARDBOARD (CASCADES)	1,445.00	1,505.00	1,820.00	1,424.00	6,194.00
6	PLASTICS	72.53	56.70	63.78	80.06	273.07
7	COMINGLED	2.51	2.79	2.51	2.23	10.04
8	METAL	0.00	4.01	1.81	0.00	5.82
9	MIXED PAPER/CARD	2.77	3.28	2.69	2.77	11.51
10	OFFICE PAPER	0.00	0.00	0.00	0.00	0.00
11	ORGANICS	2.00	2.29	2.38	1.94	8.61
12	RECYCLABLE	0.00	0.00	0.00	0.00	0.00
13	WOOD	2.99	2.12	0.00	6.10	11.21
14	GRAND TOTAL	4,604.17	4,631.91	4,939.63	4,579.93	18,755.64
15	TOTAL TRASH	2,481.24	2,418.38	2,445.99	2,500.00	9,845.61
16	TOTAL RECYCLING	2,122.93	2,213.53	2,493.63	2,079.93	8,910.02
17	DIVERSION %	46.11%	47.79%	50.48%	45.41%	47.51%

Notes:

* Weights for total Trash and Total recycling are in Metric Tonnes (MT)

* Diversion % = Total Recycling / Grand Total

RECYCLING

HBC's participation in Cascades Recovery Inc.'s Recovery ...PLUS™ program, which manages discarded recyclable materials, was a great success, with significant diversion achievements for the year:

TOTAL MATERIAL RECOVERED	15,517 METRIC TONNES
LANDFILL REDUCTION	60,516.3 CUBIC YARDS
ENERGY SAVED	69,060,000 KWH
CARBON DIOXIDE EMISSION REDUCTION	55,861.2 TE CO2E
WATER SAVED	411,200,770 LITRES
OIL (PETROLEUM) SAVED	40,623.5 BARRELS
TREES SAVED	263,789 MATURE TREES
DIVERSION RATE	100%

FLAP PROGRAM

Office towers in urban centres pose a serious risk to migratory bird populations. HBC's Simpson Tower in Toronto, Ontario participates in the Fatal Light Awareness Program (FLAP), which works to reduce the number of bird collisions caused by the lighting in office towers. Associates who work in this building lowers the blinds on windows and turns off lights at night in order to help prevent bird fatalities.



BRITISH COLUMBIA HYDRO'S POWER SMART PROGRAM

We are proud to announce that we ranked seventh in the retail sector by BC Hydro's Power Smart program in 2011 for adhering to basic energy-efficient behaviors and ensuring our stores use efficient technologies. [BC Power Smart Partners Commercial Rankings – Retail.](#)

LIGHTING RETROFITS

In 2011 HBC implemented a lighting retrofit program in 34 Bay stores in Ontario, replacing 40,384 50W lamps with 25W lamps for its accent/display lighting. Bringing energy-efficient lighting to all Bay stores across Canada will continue into 2012, resulting in reduced energy consumption, brighter stores, improved product presentation and an enhanced shopping experience.

TRANSPORTATION

Shipping goods from distribution centres to stores inevitably results in fuel consumption and emissions. HBC aims to significantly reduce these environmental impacts, especially during the Long Combination Vehicle operating season from April to November. By connecting two trailers to one tractor, we have decreased our fuel consumption and emissions by approximately 40 per cent per load.

We ship rail versus road for all long distances over 800 miles in order to reduce emissions. A load planning system that analyzes available inbound and outbound loads, and optimizes the routes to deliver store merchandise or pickup inbound vendor purchase orders, reduces miles travelled and optimizes the fleet.

We consistently monitor our delivery schedule, making ongoing adjustments to maximize the cartons per trailer and reduce the frequency of deliveries. We also ensure the majority of our long distance deliveries ship only when they're full and have a fixed shipping day, guaranteeing our trailers are 100 per cent utilized.

Idling vehicles can unnecessarily contribute to carbon emissions. We believe the idle times should be kept to a minimum: our drivers' idle times are monitored and reported via satellite, then reported back to our fleet for continual improvement.



GHG EMISSIONS

Tracking our GHG emissions, water consumption and fuel efficiency is important to us in order to understand our environmental footprint. We track the following seven sources of GHG emissions:

1. Natural gas
2. Propane
3. Transportation (truck fleet)
4. Oil
5. Electricity
6. Steam
7. Chilled Water

HBC's emissions are reported as direct (Scope 1), energy indirect (Scope2) and biogenic carbon dioxide in accordance with the GHG Protocol and ISO14064.

- Direct emissions that arise from sources owned or controlled by HBC, such as fuel burning equipment in stores or our owned trucking fleet.
- Energy indirect emissions are associated with power that HBC has purchased and consumed, such as electricity, steam and chilled water.
- Biogenic carbon dioxide is discussed below.

Benchmarking from our 2003 baseline, our water consumption has reduced by 37 per cent as of December 2011. From our 2000 baseline year, we have reduced our emissions by 43 per cent. This reduction is a result of retrofits to existing stores, construction of energy-efficient stores and the use of innovative technologies such as deep lake water cooling. Emissions are also influenced by each year's heating and cooling demands.

Summit Energy, our third party energy consultants, prepared [HBC's 2011 GHG Emissions, Water Consumption and Fuel Efficiency Report.](#) HBC uses this report to ensure we are moving in the right direction to reduce the environmental footprint of our physical operations.



COMMUNITY INVESTMENT

Nearly \$9 million was raised for local charities in Canada and the United States through the efforts of the HBC Foundation, and Lord & Taylor's Charitable Giving.

HUDSON'S BAY COMPANY FOUNDATION

The Hudson's Bay Company Foundation is one of Canada's leading charitable organizations, dedicated to improving the lives of Canadians through programs that reflect our distinct Canadian values. The HBC Foundation focuses its donations on three key areas:

KEY AREAS	AMOUNT RAISED
HEALTHY FAMILIES	\$784,942
STRONG COMMUNITIES	\$930,164
INSPIRING CANADIANS	\$5,475,031
TOTAL	\$7,190,137

\$5,347,742



CANADIAN ATHLETES – RED MITTEN SALES & CAMOSUN COLLEGE SPONSORSHIP

The Red Mittens have become an iconic staple for Canadians, with the second annual design of the warm winter accessory sold in all Canadian HBC banner stores in 2011. Net proceeds from each pair of mittens sold are directed to the Canadian Olympic Foundation. As well, 2011 was our sixth year of commitment to Camosun College in Victoria, BC. We donated \$300,000 to this training facility that helps Canadian athletes be the best they can be in their respective sport.

\$600,000



10TH ANNUAL GOLF TOURNAMENT & SPA

Our annual corporate charity Golf Tournament & Spa took place on June 1st, west of Toronto, Ontario, at five different golf courses.

Dollars Raised:

\$400,000 was directed to the HBC Foundation.

\$25,000 was donated to our Bay partner Look Good Feel Better.

\$25,000 was donated to our new Home Outfitters partner Habitat for Humanity Canada.

\$25,000 was donated to our new Fields partner the Canadian Women's Foundation and is used to help fund programs for women and girls in rural and remote communities where Fields stores are located.

\$25,000 was donated to the Zellers Community Project in Winnipeg, Manitoba. Funds went toward purchasing a vehicle and implementing a program in the downtown core dedicated to taking families in need to important appointments.

\$100,000 was donated to the Canadian Red Cross' ongoing relief efforts in Japan following the devastating tsunami and earthquake.

\$299,693



LOOK GOOD FEEL BETTER

The Bay's support of its charitable partner Look Good Feel Better was dialed up in 2011 with the introduction of a fashionable Spring tote that sold for \$10 in all cosmetic departments. The totes alone raised \$73,205. Additional funds totaling \$68,530 were raised during 'Face Time', The Bay stores' annual cosmetics ticketed event, where \$2 of each ticket sold is donated to Look Good Feel Better. The Bay and its vendors also provided product donations and HBC gift cards valued at over \$87,000 to Look Good Feel Better's annual Mirror Ball and Golf Tournament.

\$212,576



CANADIAN RED CROSS

In March 2011, Japan was hit by a devastating Tsunami and Earthquake. During this crisis, HBC's customers and Associates supported the Canadian Red Cross' efforts by donating their HBC Rewards points at point-of-sale at all Zellers, Bay and Home Outfitters locations across Canada. The program raised \$136,598. Other HBC Rewards 'donate your points' programs throughout the year raised \$60,978 in support of the Horn of Africa Drought, Quebec and Manitoba floods and the Alberta forest fires. The HBC Foundation also helped support these emergency efforts with additional donations totaling \$15,000.

\$40,125



HABITAT FOR HUMANITY CANADA

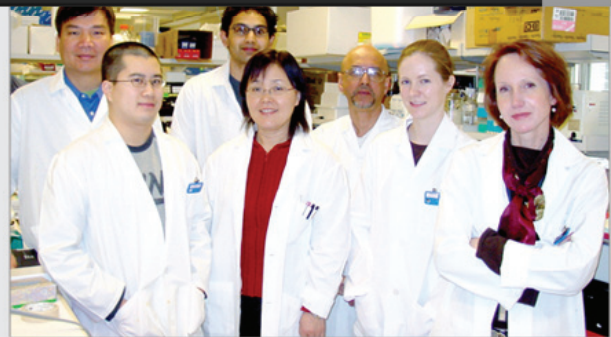
2011 marked the beginning of Home Outfitters' partnership with Habitat for Humanity Canada. Customers purchased \$1 cut-outs that were displayed at point of sale, and \$25,000 was donated from funds raised at our corporate golf tournament.

\$140,879**CHRISTMAS DADDIES**

Christmas Daddies provides less fortunate children with gifts at Christmas distributed through The Salvation Army in the Maritimes. Zellers stores raised funds by selling Christmas Daddies calendars and \$1 cut-outs during the holiday season.

**\$65,864****CYSTIC FIBROSIS CANADA**

Zellers Associates and customers in British Columbia stores and select Southern Ontario stores raised over \$65,000 to support their local chapters by selling cut-outs and hosting various fundraising initiatives throughout the year.

**\$28,856****TOY MOUNTAIN**

Toy Mountain is Calgary's largest Christmas toy drive in support of the Salvation Army's Family Assistance Christmas Program. 2011 marked the 17th annual Toy Mountain campaign and our seven Calgary Zellers stores participated by selling cut-outs at point of sale for \$1. The campaign provided the Salvation Army with a donation of more than \$28,000 to purchase toys for many families in need.

**\$4,200****SEND'EM OFF SMILING**

Send'em Off Smiling is a registered charity that provides school supplies and clothing to children in need in the Kitchener-Waterloo, Ontario Region. Zellers stores in Kitchener, Waterloo and Cambridge sold \$1 cut-outs and provided over \$4,200 in product to this great cause.



COMMUNITY INVESTMENT

Lord & Taylor supports causes that are important to our customers, Associates and the communities we serve. These causes include children's health, education and civic organizations. In 2011, we donated nearly \$1,300,000 to charitable organizations in the United States.



LORD & TAYLOR'S CHARITABLE GIVING

\$59,555



AMERICAN RED CROSS

All Lord & Taylor locations donated a portion of all regular-priced denim proceeds to the American Red Cross for the month of March. In addition, L&T ran a fall program where customers made a \$5 donation and received a 25 per cent savings pass at our Wilkes-Barre Clearance Center.

\$25,000



AUTISM SPEAKS CHICAGOLAND

Our Associates joined Team Lord & Taylor to participate in Chicago Walk Now at Soldier Field. Shop Smart, Do Good! tickets were also sold, raising \$15,000. A \$25,000 donation was made to the Chicago chapter of Autism Speaks.

\$9,775



AUTISM SPEAKS

During Autism Awareness Month, our Fifth Avenue location and Chicago stores sold puzzle-piece bracelets to benefit Autism Speaks. A puzzle-piece pin was also given to all Lord & Taylor Associates to increase awareness of this important cause.

\$3,400



OBSESSIVE COMPULSIVE DISORDER FOUNDATION

In February, L&T's New York flagship store hosted a meet and greet, autograph signing and photo-taking session with Jennette McCurdy who plays Sam on Nickelodeon's hit TV series *iCarly*. Tickets were sold for \$25 and included a \$25 L&T gift card. One hundred per cent of the proceeds benefited The James E. Marshall OCD Foundation.

\$44,400



BREAST CANCER RESEARCH FOUNDATION

A Mother's Day purchase-with-purchase was held in all stores, with 10 per cent of the proceeds going to the Breast Cancer Research Foundation (BCRF). L&T held a Project Pink for Breast Cancer Awareness Month one-day online event, with five per cent of sales donated to BCRF. Customers were also treated to an exclusive public appearance by Oscar de la Renta, for his latest fragrance Live In Love with five per cent of sales donated to BCRF.

\$2,500



GARDEN CONSERVANCY

Five per cent of proceeds from the sale of a limited edition Kate Kill t-shirt in every L&T store was donated to benefit Garden Conservancy, an organization dedicated to preserving America's exceptional gardens for the education and enjoyment of the public.

\$2,000

**SUSAN G. KOMEN**

A fashion show was held prior to Mother's Day in support of the Susan G. Komen New York branch, a foundation dedicated to education and research about causes, treatment, and the search for a cure to breast cancer.

\$110,959

**KIDS IN DISTRESSED SITUATIONS**

In 2011, L&T's distribution center donated surplus inventory to Kids In Distressed Situations, valuing approximately \$88,000. With students preparing to head back to the classroom, all L&T stores held a School-la-la fashion show event in August, donating one per cent of regular-priced denim proceeds.

\$12,088

**CLOTHES 4 SOULS**

In the fall, all L&T stores donated one per cent of regular-priced denim proceeds to Clothes 4 Souls, a charity that collects gently worn clothing and monies to provide clothing to those in need.

\$5,625

**LIBBY ROSS BREAST CANCER FOUNDATION**

In recognition of Breast Cancer Awareness Month, L&T's Fifth Avenue store donated 10 per cent of proceeds from the sale of 10 designer dresses, totaling \$4,100. The original designer's sketches were also auctioned off, generating an additional \$1,525 to benefit the Libby Ross Breast Cancer Foundation.

\$12,344

**AMERICAN CANCER SOCIETY**

Select cosmetic vendors donated \$2 from every lipstick sold in L&T's Fifth Avenue store during the month of October, which L&T matched, for a total donation of \$12,344 to Making Strides Against Breast Cancer, More Pink for your Green.

\$828,335

**NOT-FOR-PROFIT INDUSTRY ORGANIZATIONS**

Monetary and gift donations to support local charitable events are made throughout the year to not-for-profit industry organizations, including the American Jewish Committee, Council of Fashion Designers of America (CFDA), Fashion Group International, Lincoln Center Performing Arts and Metropolitan Museum of Art.

\$8,240



LUNG CANCER RESEARCH FOUNDATION

To help increase awareness of Lung Cancer Month, L&T's Fifth Avenue location hosted a pre-Thanksgiving shopping event for donors, supporters and friends, featuring a light cocktail reception and a 25 per cent in-store savings pass. Five per cent of sales were donated to the Lung Cancer Research Foundation.

\$50,000



YOUNG PEOPLE'S CHORUS OF NEW YORK CITY

L&T's Fifth Avenue location held a holiday window unveiling and Shop Smart. Do Good! event, where \$5 tickets with a savings offer were sold, raising a total of \$20,000. A \$50,000 donation was made to the Young People's Chorus of New York City.

\$10,000



THE V FOUNDATION FOR CANCER RESEARCH

L&T's flagship store in New York raised \$8,400 in proceeds from their Guys Night Out event. A total donation of \$10,000 was made to The V Foundation for Cancer Research.

\$42,000

SHOP SMART. *do good!*
A FUNDRAISING SHOPPING EVENT



SHOP SMART. DO GOOD!

Twelve local non-profit organizations hosted seasonal charity shopping events held in L&T stores, where they received 100 per cent of the proceeds raised from \$5 ticket sales to these exciting in-store events. L&T provided each store with \$3,500 in prize money, with a total donation of \$42,000 made to the participating non-profit organizations.

LORD & TAYLOR DO GOOD PROGRAM

The Do Good Program at Lord & Taylor enables Associates to give back and make a difference in the communities in which they work. Activities include a combination of giving programs, charity involvement and team building events.

TOTAL EVENTS HELD	26 INTERNAL / 12 EXTERNAL
TOTAL ORGANIZATIONS	10
TOTAL DOLLARS RAISED	\$66,000



ETHICAL SOURCING

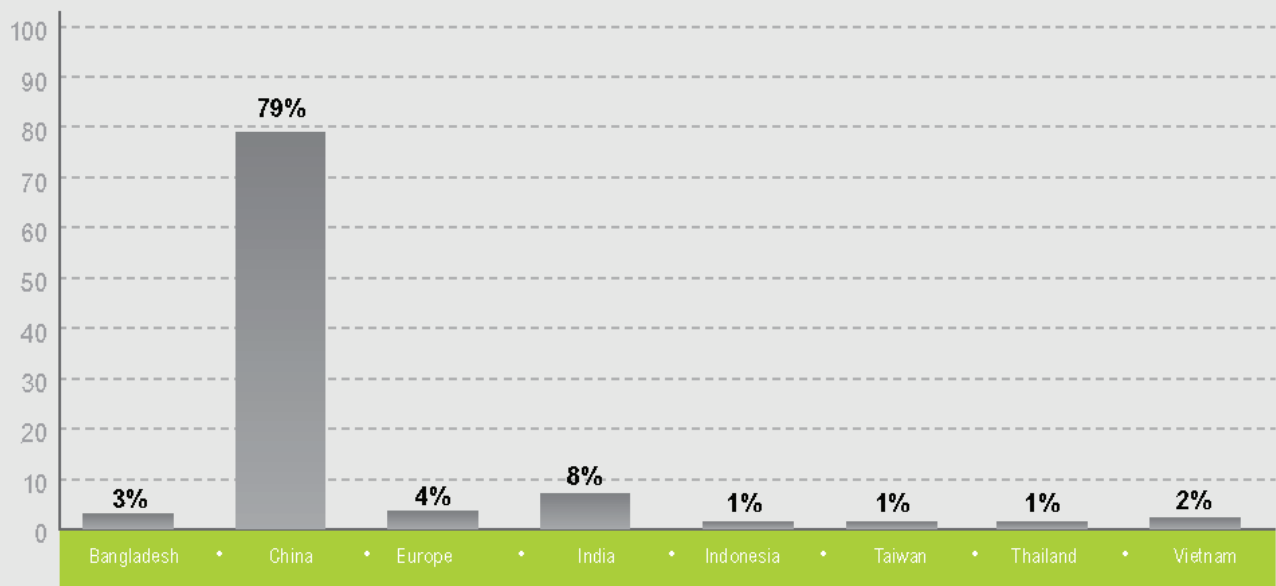
Hudson's Bay Company is committed to ethically sourcing product for its private and captive branded merchandise, and conducts business according to the principles outlined in the Company's [Supplier Code of Conduct](#).

SUPPLIER CODE OF CONDUCT

Each year we review our Supplier Code of Conduct to ensure our standards are relevant, meaningful and up-to-date with the United Nation's Declaration of Human Rights, the United Nations Convention on the Rights of the Child, the International Labour Organization (ILO) Declaration on Fundamental Principle and Rights, and The Rio Declaration on Environment and Development.

2011 signified an important year for managing suppliers and their factory information. With increased reporting and tracking for our sourcing and buying teams, HBC's supplier base consists of dedicated suppliers who understand our core principles of respect for human rights, just labour conditions and respect for the environment.

SOURCING COUNTRIES 2011



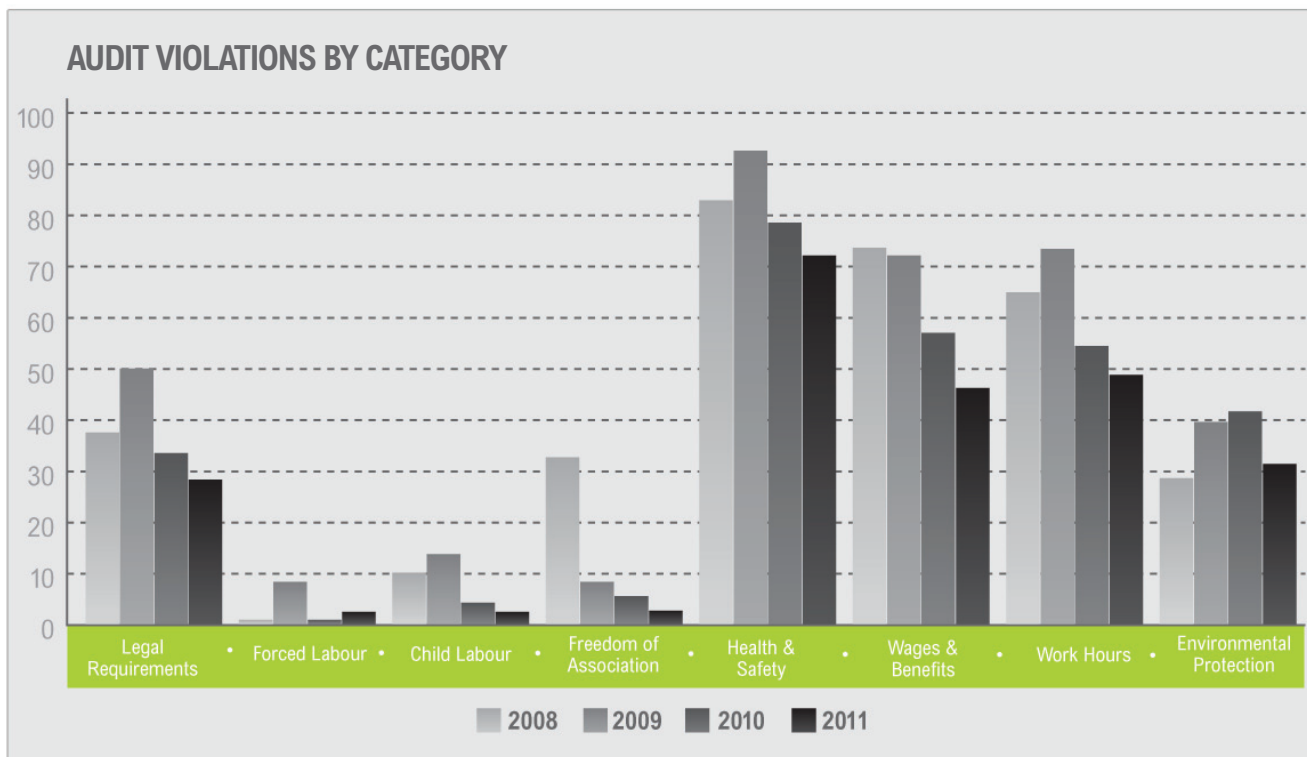
AUDIT GRADES 2011

Number of Factories Audited: 1156
Number of Vendors Audited: 1092



IMPROVING FACTORY CONDITIONS

The chart below summarizes the number of violations encountered in our factories over the span of four years. Since 2009 we continue to see a decrease in almost all areas of concern, with significant improvements in the areas of wages, benefits, work hours, and environmental protection. These improvements can be attributed to our efforts in sustaining an excellent working relationship with our suppliers and their respective factories through our education and reporting mechanisms. By doing so, we ensure they are equipped with the knowledge and tools to improve factory conditions and to promote the well-being of factory workers.



BEYOND MONITORING

Our social compliance commitments go beyond monitoring factories' participation in social compliance audits. We are working to create permanent change at the factory level through the implementation of comprehensive remediation programs. Looking forward, our goal is to work directly with our agent and factory management to tackle the root causes of factory issues. This will be done through factory visits, developing training manuals and increasing two-way communication between HBC and factory management.

In 2011, we took steps in this direction by strategically sourcing more goods from factories that participate in fair labour programs. An example of this type of program includes the ILO and IFC's (International Finance Corporation of the World Bank) partnership, 'Better Work'. This program was designed to help factories improve their working conditions while increasing productivity. We will continue to work with Better Work and similar organizations to ensure that all members of our supply chain benefit from working with us.

UNITED NATIONS GLOBAL COMPACT

The Hudson's Bay Company has been a member of the United Nations Global Compact since 2002. We uphold the principles of the compact by way of our social compliance program.

The United Nations established eight international development goals for addressing extreme poverty. The targets represent commitments by all UN countries to alleviate issues of hunger, gender inequality, ill-health, lack of education, lack of access to clean water and environmental degradation by 2015. These are called the Millennium Development Goals (MDGs).

HBC is actively working toward realizing the second MDG - to achieve universal primary education - through investigating hiring practices in factories where we do business. Our suppliers must enforce strict hiring policies to ensure that all factory workers are above the compulsory school age upon hiring.

HBC promotes gender equality and the empowerment of women by ensuring factory management teams are informed to use non-discriminatory hiring practices to eliminate gender disparity within factories. In support of the fifth Millennium Development Goal - to improve maternal health - HBC's Social Compliance program ensures that factory workers are provided adequate mealtime breaks and vacation days. Factories used for HBC production must abide by health and safety standards set forth by the law of their country.

ENGAGING OUR ASSOCIATES

In 2011, we increased internal engagement in HBC's social compliance program by hosting social compliance overview workshops, and creating a bi-annual internal compliance report. To help our teams make informed decisions when purchasing and managing supplier relationships, the report provides relevant information for buyers to sustain an ethical supply chain. For instance, the newsletter contains information about countries that have the highest labour standards, and those sustaining workplace improvement initiatives such as the Better Work program.

The newsletter also includes up-to-date information on global issues by including documentaries and articles that highlight first-hand accounts of working in a clothing factory. We believe that education provides our Associates with ethical principles that can be applied in decision-making processes across all areas of the Company.





**ASSOCIATE
DEVELOPMENT
AND WELLNESS**

OUR ASSOCIATES

HBC supports and encourages our Associates by providing them with the tools and resources to grow and excel. We are unwavering in our commitment to fair treatment, a safe and healthy work environment and recognition for a job well done.



SAFE AND HEALTHY WORKPLACE

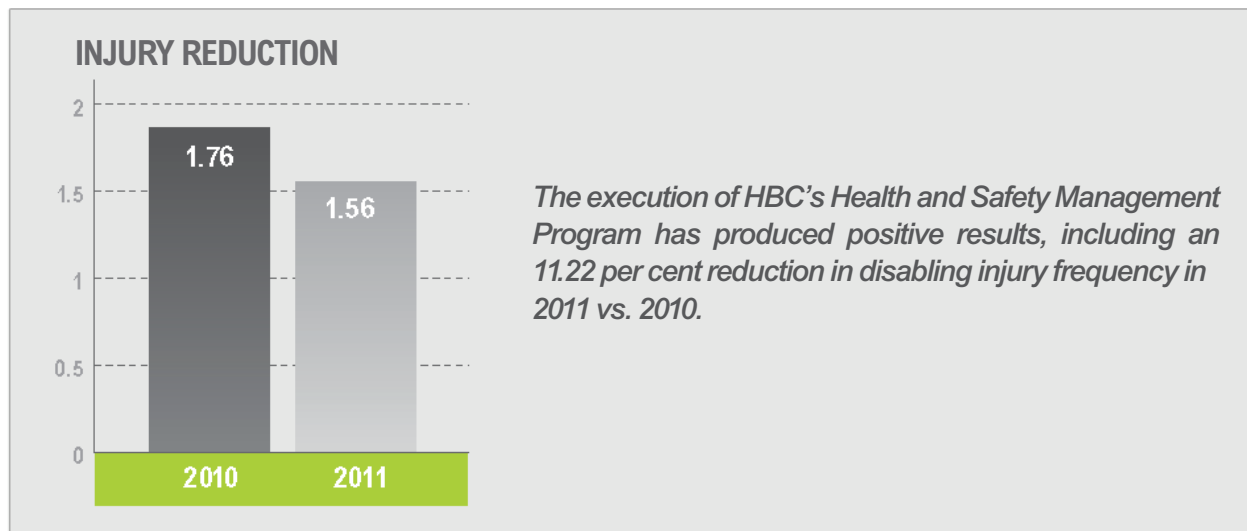
Providing a safe and healthy workplace is the cornerstone of HBC's commitment to its Associates. We support the principle that all injuries are preventable, through regular communication, active Associate involvement, continuous improvement of systems, procedures and training, and immediate reaction to incidents.



HBC's health and safety strategy is two-fold:

Injury prevention: Maintaining zero injuries in the workplace is our goal. We take all reasonable care to prevent incidents through recognition, evaluation, training, control and removal of hazards. We investigate all incidents so that we can learn from them and identify ways to prevent future incidents and conduct periodic audits of our programs to ensure compliance.

Extensive return to work program: This program is intended to benefit injured Associates by promoting recovery while allowing them to keep their income and work routine consistent.



BENEFITS AND WELLNESS

Associate Discount

From their first day of work with the Company, Associates are eligible to receive a discount at HBC's family of stores — The Bay, Home Outfitters, Zellers and Fields — as well as online at TheBay.com. An additional Associate-only discount is offered on various products and services throughout the year and eligible retirees also receive discount privileges in-store, which is extended to their spouse and immediate family members dependent on the retiree for chief financial support. Each year, HBC gives back over \$20 million in savings to its Associates and retirees.

Associates at Lord & Taylor receive discount privileges in store and online at LordandTaylor.com. Throughout the year, L&T offers 'extra discount days', which entitles Associates to an additional discount on top of their regular Associate discount. L&T also offers a discount to retired Associates who have reached 55 years of age and have 10 or more years of service with the Company, which they receive for the rest of their life.

HBC Associate Perks

Through the HBC Associate Perks program, HBC partners with external companies to provide our Associates with a discount on a wide range of products and services including health, wellness, home, auto, leisure, financial services, technology, travel, entertainment and décor. Providing our Associates with a great place to work with great perks is the foundation of the program.

LifeWorks

Available online or by phone 24 hours a day, seven days a week, Associates and retirees have access to LifeWorks, a confidential, web-based referral program designed to help individuals face everyday challenges and stay up-to-date on the latest health and wellness information. It also provides Associates and retirees with information on healthy living, child care, elder care, senior services, stress management, financial and legal counseling, alcohol and drug addiction treatment, health care, and bereavement counseling.

LEARNING AND GROWTH

HBC recognizes the importance of ensuring Associates have the necessary tools and resources to be successful and improve their skills and abilities. Associates are offered a blended learning approach, which consists of eLearning, instructor-led in-class training sessions, and virtual classrooms, and are supported throughout their HBC career, from onboarding to succession planning to executive development.

Every Associate has access to HBC University (HBCU), an online learning environment that focuses on areas such as beginning a career, moving from good to great, managing performance, and leadership. Associates also have access to HBC's Online Personal Approach to Learning (OPAL) portal, which provides courses and tutorials to enhance abilities in areas such as product knowledge, system training, business development, and health and safety. Offering courses online eliminates paper production and supports the Company's environmental commitment.

OPAL TRAINING COURSES COMPLETED BY HBC ASSOCIATES

YEAR	NO. OF ASSOCIATES
2009	284,001
2010	208,905
2011	151,147

* 2010 and 2011 figures include both HBC and L&T Associates.

Lord & Taylor Associates learn, grow, maximize their potential and reach their career goals through a wide range of training opportunities such as in-class training sessions, eLearning, and on-the-job training activities. Training programs assist teams to work smarter and more efficiently, and help Associates develop more effective partnerships with colleagues and customers. Each year we continue to create and develop programs and opportunities to ensure our Associates have the tools they need to attain their goals.

L&T operates a prestigious Internship Program, which serves as an access point for entry-level talent to build their careers. Interns team up with experienced executives to learn the business and upon completion of the program, can be offered the opportunity to further their career with the Company through the Executive Training Program following college graduation.

L&T's Executive Training Program offers a rigorous, structured learning experience concentrated on sales management, market analysis, financial management, inventory management, merchandise distribution, advertising, marketing, and supplier negotiations for aspiring merchants. Successful graduates are permanently placed within the merchant organization as Buying Assistants or Assistant Planners.

ASSOCIATE ENGAGEMENT

HBC is extremely proud of the engagement level of our Associates. The dedication and loyalty of the HBC team is key to our success, and drives forward our tradition of delivering top-notch service internally and externally to our customers.

The Bay's Beauty Mentor Program/COSA Awards

On our journey from good to great we have been proud to initiate some impressive North American firsts including the launch of The Bay's Beauty Mentor Program in January 2011.

In partnership with Cosmetics Magazine, The Bay's Beauty Mentor Program recognizes our top beauty advisors and provides mentors to our talented teams across the country. Ten of our most experienced beauty Associates were appointed to be Beauty Mentors over the course of the year. Along with being featured in the magazine, these 10 Associates mentored store beauty advisors across Canada.



“This program will strengthen our culture of service excellence by giving our beauty advisors the support, resources and recognition to excel in their careers.”

Shelley Rozenwald
Chief Beauty Adventurer, The Bay

The 10th annual Cosmetics Outstanding Service Awards (COSA) provided even more reason for The Bay to be proud of our beauty Associates. COSA honours the distinguished customer service achievements of Cosmeticians, Beauty Advisors, Fragrance Advisors and Demonstrators. In 2011, 19 finalists and six winners were recognized from The Bay.

Holiday Celebrations

The holiday season is always a festive time at HBC thanks to the efforts of the Community Investment team who coordinate our annual home office and children's holiday parties.

In December, the Brampton home office hosted a traditional holiday event attended by more than 1,200 Associates from HBC's home office locations and included fun and festive activities.

The highly anticipated children's holiday party makes life-long memories every year. The day included lunch, gifts, activity stations and a coveted picture with Santa. As always, the Children's party was an extremely popular and successful event attended by 350 children and 300 adults, and wouldn't be possible without the help of our Associate volunteers.



“This was the first time I attended this event with my son (three years old) and he had a wonderful time! I just want to say thank you for putting together a great children's party and making his day!”

Ashi Bhatia
Chief Adventurer
(aka Associate Buyer) The Bay

ASSOCIATE RECOGNITION

Hudson's Bay Company makes it a priority to recognize Associates who deliver excellent service both in stores and at our home office locations.

Going from Good to Great

We recognize home office and store Associates across North America who go above and beyond and demonstrate exceptional service to their peers and/or customers. These Associates are recognized by their manager and department, as well as the organization by being featured on our intranet, extranet, included in our weekly eNewsletter, and posted on the store's bulletin board.

HBC Long Service Program

Important career milestones deserve special recognition, and a revamped long service program rang in the New Year for The Bay, Home Outfitters, Zellers and Fields Associates. Special long-service certificates received an updated look and as customary, were presented to Associates who celebrated a milestone of 10 years or more, in five year increments with the Company. Associates celebrating 25 years with the Company receive a commemorative HBC crest pin with a diamond fleck, and an HBC multi-stripe blanket. Associates celebrating a milestone of 10 years or greater, excluding 25 years, are gifted HBC Rewards points, which translate into dollars to be spent in any of our HBC family of stores.



HBC ASSOCIATES CELEBRATING LONG SERVICE MILESTONES

YEAR	NO. OF ASSOCIATES
2009	5,883
2010	5,923
2011	3,579

Lord & Taylor 25 Year Club

Each year, Lord & Taylor recognizes and celebrates Associates who celebrate their 25th anniversary with the Company. Associates entering the 25 Year Club receive a beautiful watch and a congratulatory letter from a member of the senior executive team. Each recipient's store is also given funding for a store-wide celebration with their peers.

LORD & TAYLOR ASSOCIATES CELEBRATING 25 YEARS OF SERVICE

YEAR	NO. OF ASSOCIATES
2009	27
2010	25
2011	25

Rose Achievement Awards

The Rose Achievement Awards recognize the exceptional contributions and commendable performance of Lord & Taylor executives who have made a noteworthy impact on the Company's results. During the first week of each spring and fall, seasonal winners are announced at a highly anticipated, company-wide ceremony that celebrates the best of the best at Lord & Taylor. Recipients of the Rose Achievement Award receive a crystal desk clock, a letter from the President and CEO, and a certificate for one additional week of vacation. In 2011, 43 executives were recognized.

Above and Beyond Awards

The Above and Beyond Awards recognize a group or team of executives who have collectively gone above and beyond and made a significant impact on Lord & Taylor's results, and are based solely on peer-to-peer nominations, with the winners announced in conjunction with the Rose Achievement Award. Recipients receive a gift and a letter from the President and CEO, and a funded celebration for the entire team. There were four winning teams for 2011, two in the spring and two in the fall, for a total of 150 executives recognized with Above and Beyond Awards.

OPEN LINES OF COMMUNICATION

With approximately 60,000 Associates spanning North America, our communication vehicles deliver messaging to our home office and store Associates on a regular basis to keep them informed, boost engagement and recognize their accomplishments.

Intranet - HBC Net and LT Net

HBC's Intranets, HBC Net and LT Net, contain all of the recent, important, informative and useful information about the Company that our Associates need and want to know. They are updated multiple times a day to ensure Associates are always in the know.

Weekly eNewsletter – HBC News

To ensure our Associates are always kept abreast of current company information, our weekly HBC News eNewsletter is delivered by email, and with a click of a button the highlights of the week are at their fingertips.

Extranet - My HBC/My LT

HBC's extranet portals, My HBC and My LT, are accessible by all Associates in the Company and can be accessed from any computer anywhere in the world 24 hours a day, seven days a week. These portals provide our Associates with up-to-date information about the Company, as well as important personal documents and information; they can access their paperless pay stub, and view health benefits, training information, and much more. In 2011 we introduced a dedicated page on My HBC for Zellers Associates, which houses all of the information they need to know about the Zellers and Target leasehold agreement, as just one way to ensure open and frequent communication.



In addition, HBC conveys information to its Associates through email, home office voicemails, in-store huddles, in-store Associate bulletin boards, and a slideshow presentation that plays on televisions throughout the Brampton home office.

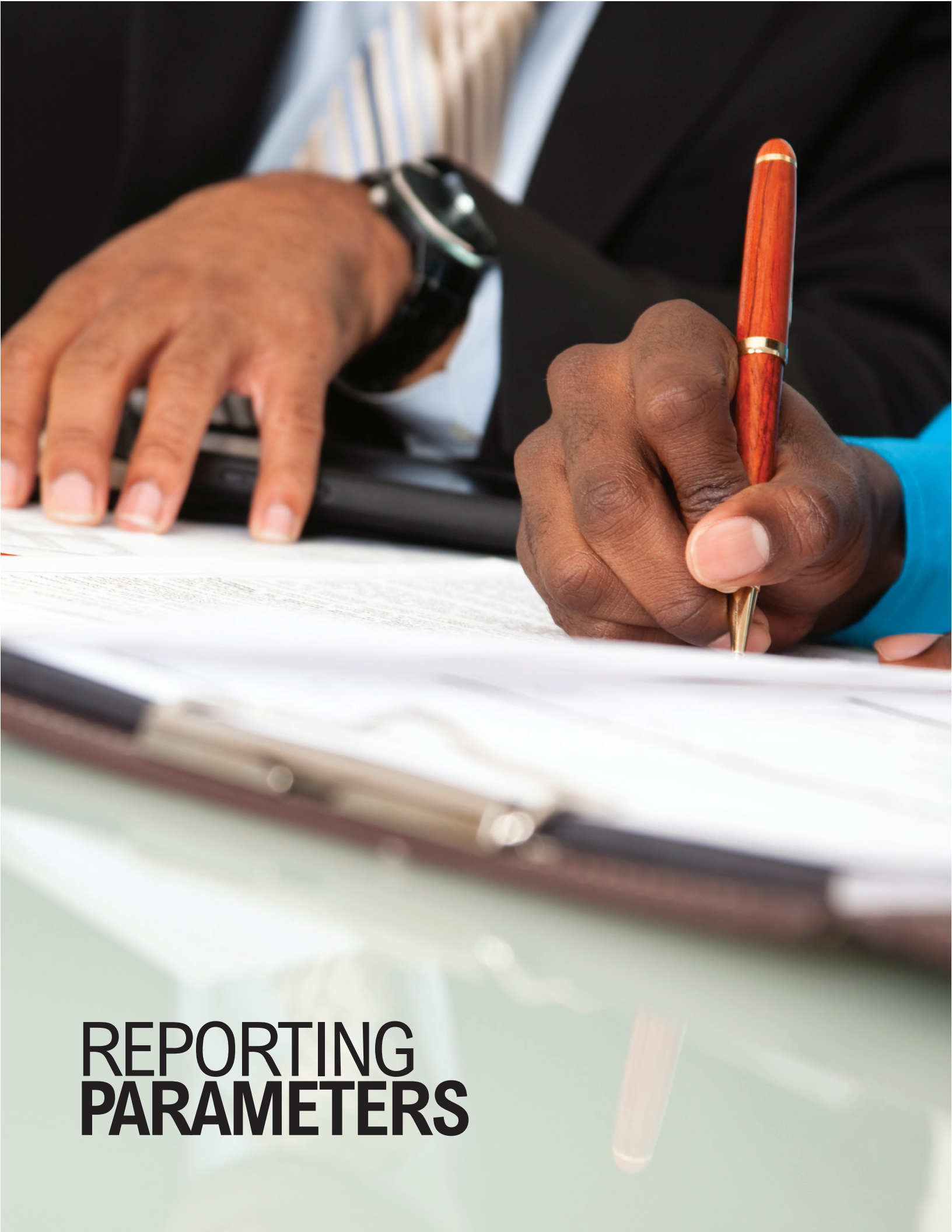
Change Communication

As an organization that is continually evolving, open lines of communication and transparency are fundamental in ensuring our Associates are always the first to know of any change communication before it is announced publicly. This is an important commitment we've made to our Associates.

Managing Your Career

As a result of the Zellers and Target leasehold agreement announcement, HBC's Learning and Development team developed Managing Your Career (MYC), an innovative, state-of-the-art online career transition program that will be launched to the organization in 2012.





REPORTING PARAMETERS

The framework used to measure and report our results has been adopted from the Global Reporting Initiative (GRI) G3 guidelines. Our corporate social responsibility efforts focus on four key areas: Environmental Sustainability, Community Investment, Ethical Sourcing and Associate Development and Wellness. This year's report includes the Hudson's Bay Company's five banners: The Bay, Home Outfitters, Zellers, Fields, and Lord & Taylor.

Reporting Period:	February 1, 2011 to January 31, 2012
Date of previous report:	Fall 2011
Reporting cycle:	Annual
Contact for questions regarding corporate social responsibility:	corporate.communications@hbc.com
Scope of operations:	We operate Canadian banner stores in every province of Canada, US stores in nine states and the District of Columbia, and source our merchandise globally.
Report content: We report on the four areas of our operations that have the greatest impact on our stakeholders:	I. Environmental Sustainability II. Community Investment III. Ethical Sourcing IV. Associate Development and Wellness
Data Measurements:	
Corporate Overview	Pg.5 - Store locations
Environmental Sustainability	Pg.7 - Waste by type for The Bay, Home Outfitters and Zellers (September-December 2011) Pg.8 - Recycling
Community Investment	Pg.12 - Focusing donations on three key areas Pg.21 - Lord & Taylor Do Good funds raised
Ethical Sourcing	Pg.23 - Sourcing countries 2011 Pg.23 - Audit grades 2011 Pg.24 - Audit violations by category
Associate Development and Wellness	Pg.27 - HBC Associates Pg.28 - Injury reduction Pg.29 - OPAL training courses completed by HBC Associates Pg.32 - HBC Associates celebrating long service milestones Pg.32 - Lord & Taylor Associates celebrating 25 years of service

OUR CSR REPORT

No trees were harmed in the production of this report. In line with our commitment to the environment, this CSR Report is available exclusively online on our corporate website: <http://www.hbc.com/hbc/socialresponsibility>.