



HUDSON'S BAY COMPANY

HUDSON'S BAY • LORD & TAYLOR • HOME OUTFITTERS

2012 CORPORATE SOCIAL RESPONSIBILITY REPORT



A MESSAGE FROM OUR GOVERNOR & CEO



2012 was a year of significant change at Hudson's Bay Company. We accomplished some remarkable things over the course of the year, of which I am incredibly proud. Our strategic partnerships continue to differentiate and deliver exclusive, relevant merchandise to a growing consumer base. Our store renovations have enhanced the HBC shopping experience and our investment in omni-channel has extended that experience online. Perhaps our biggest undertaking of the year was HBC's return to the stock market, becoming a publicly traded company at the end of 2012. Subsequently, HBC Associates have now all become owners of our company. These achievements are driving our vision for Hudson's Bay and Lord & Taylor to be North America's leading department stores.

What has not changed, however, is our firm commitment to social responsibility. We strive to integrate socially responsible practices into what we do — every day. We believe that in order to succeed as a business, we must give back to communities, adhere to strict ethical sourcing and compliance guidelines, treat our Associates well and have a minimal impact on the environment. This report will highlight many of our achievements in these areas, from our “zero waste” recognition for our Simpson Tower location, our inspiring Red Mitten campaign in support of Canadian athletes, to the continual improvements made through our factory auditing process.

This year, I am particularly proud of HBC's response to the Hurricane Sandy crisis. We made a total donation of more than \$360,000 in cash and product to support those impacted by this disaster. In addition, our Associates contributed more than \$200,000 in cash to a special fund for impacted colleagues, including Associates at Lord & Taylor who lost their homes and cherished possessions. This generous show of support exemplified the culture of our organization and character of the people who work at Hudson's Bay Company.

I know there is more work to do and ways we can continue to grow and improve. I assure you that HBC remains committed to our CSR efforts. I encourage you to read the full 2012 CSR Report and hope you find it demonstrates our commitment to environmental and social responsibility. We will continue to work diligently toward achieving our CSR goals for 2013, and creating positive change in our stores, the communities in which we operate, and the world we live in.

Sincerely,

A handwritten signature in blue ink that reads "Richard". The signature is fluid and cursive, written in a professional style.

Richard Baker Governor & CEO, Hudson's Bay Company

CORPORATE OVERVIEW

Hudson's Bay Company (HBC) is immersed in a rich history of adventure and innovation. Founded in 1670 as the Governor and Company of Adventurers of England trading into Hudson's Bay, Hudson's Bay Company is the longest continually operating company in North America.

In Canada, HBC operates Hudson's Bay, Canada's largest department store with 90 store locations and thebay.com, unsurpassed in its fashion, beauty, home and accessory designers and brands. HBC also operates Home Outfitters, Canada's largest home specialty superstore with 69 locations across the country. In the United States, HBC operates Lord & Taylor (L&T), a department store with 48 full-line locations throughout the northeastern United States and in two major cities in the Midwest, and lordandtaylor.com. With approximately 29,000 Associates in North America, Hudson's Bay Company banners provide stylish, quality merchandise at great value, with a dedicated focus on service excellence.

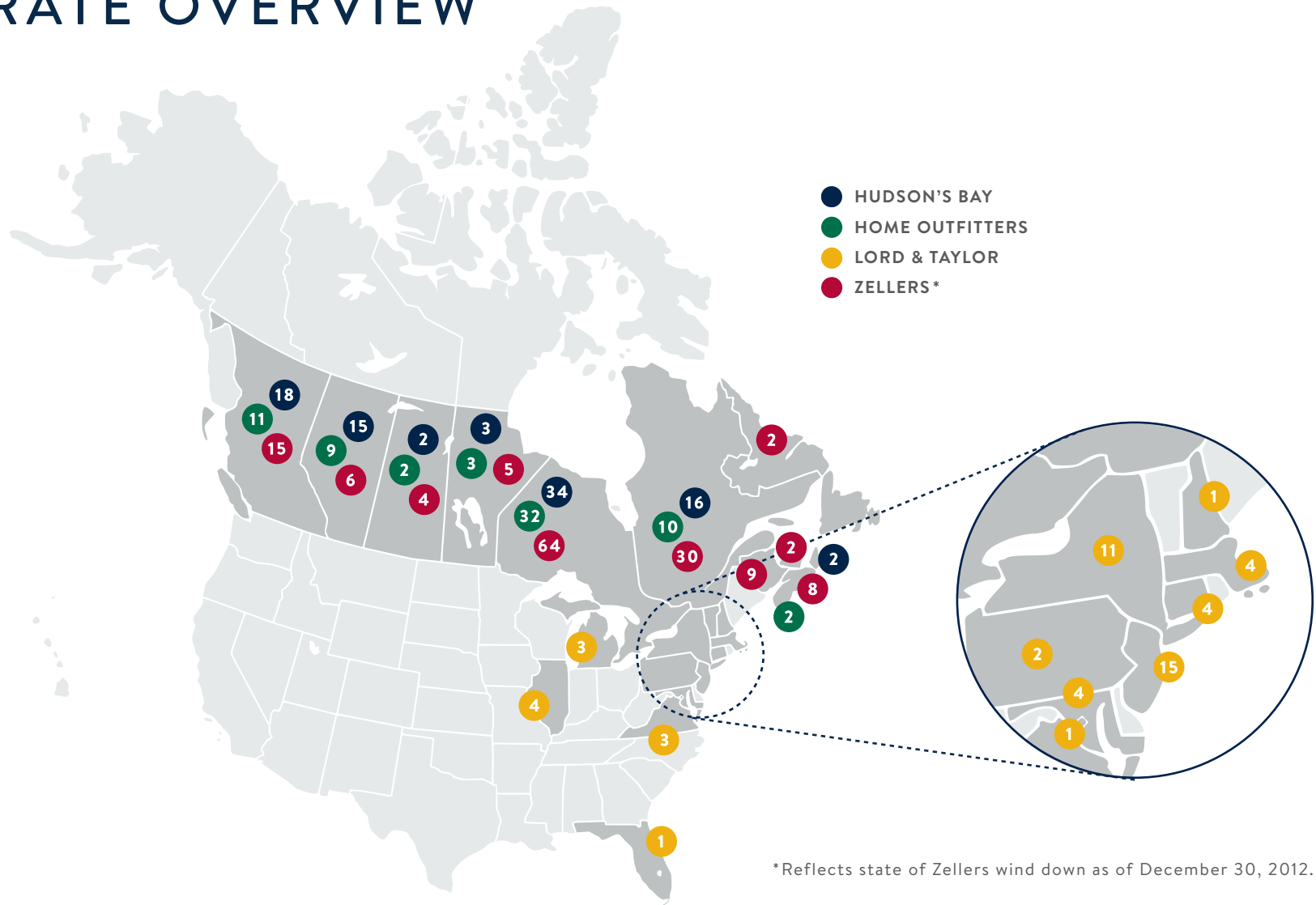
On November 26, 2012, the Company began trading on the Toronto Stock Exchange (TSX: "HBC"). HBC is governed by a Board of Directors led by Richard Baker, CEO and 39th Governor of Hudson's Bay Company.



CORPORATE OVERVIEW

357
TOTAL NUMBER
OF STORES

HBC's Canadian corporate offices are located in Toronto and Brampton, Ontario, and are supported by regional offices throughout Canada. HBC's L&T head office is located in New York City, New York.



*Reflects state of Zellers wind down as of December 30, 2012.

CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT

GHG EMISSIONS REPORTING

Tracking our greenhouse gas (GHG) emissions, water consumption and fuel efficiency allows us to understand and manage our environmental footprint. GHGs constitute atmospheric gas that contributes to the greenhouse effect by absorbing infrared radiation produced by solar warming of the Earth's surface. They include carbon dioxide (CO²), methane (CH⁴), nitrous oxide (NO²), and water vapour. We report our GHG emissions in tonnes of CO² equivalent (tCO²e), based on the amount of GHGs (primarily CO² and NO²) we emit as a result of our direct operations.

We track the following seven sources of GHG emissions:

- | | |
|---------------|------------------|
| 1 Natural Gas | 5 Steam |
| 2 Propane | 6 Chilled Water |
| 3 Oil | 7 Transportation |
| 4 Electricity | |

HBC's emissions are reported as direct (Scope 1), energy indirect (Scope 2) and biogenic carbon dioxide in accordance with the GHG Protocol and ISO14064. Direct emissions 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.

Our third-party energy consultants, Schneider Electric, prepared our **2012 GHG Emissions, Water Consumption and Fuel Efficiency Report**. HBC uses this report to ensure we are always evaluating opportunities to reduce the environmental footprint of our physical operations.



CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT

WASTE DIVERSION

Waste diversion has always been a key focus for Hudson's Bay Company. In September 2011, HBC moved to a single-source waste business partner, which now allows us to report waste diversion numbers for three of our banner stores—Hudson's Bay, Home Outfitters and Zellers—in a single report, ensuring consistency across all banners.

In 2012, we sourced a third-party recycling partner and will roll out a new and improved nationwide recycling program in 2013 in all stores, distribution centres and home offices. We've made a significant capital investment in equipment for this program to operate effectively, and believe this investment will be returned quickly, both financially and through the reduction of our environmental footprint.

In addition to Associate feedback, the program's success will be measured using 2012 as a base line for each year, beginning in 2013. Based on our vendor partner reporting, HBC's diversion rate for 2012 was 56 per cent. We aim to improve this number going forward.



HBC COMPOSITION AND DIVERSION RATE

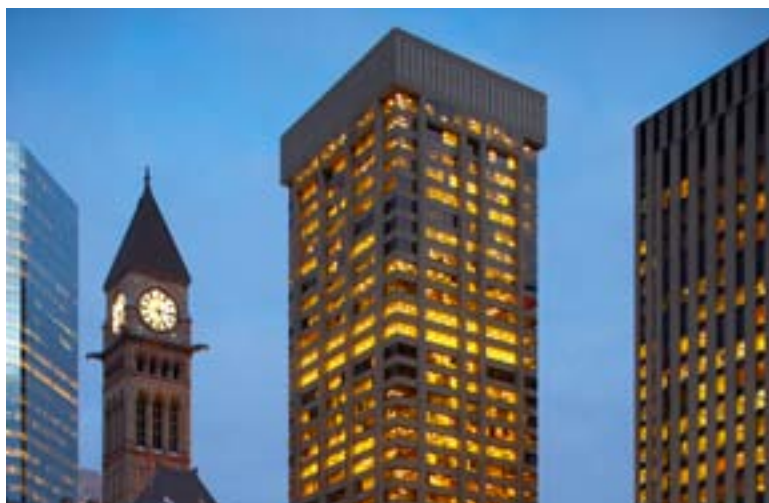
WASTE STREAM	METRIC TONNES (MT)
Organics	147
Plastic	630
Cardboard (OCC)	15,960
Multi-Stream Recycling	1,246
Total Recycled	17,983
Waste (landfilled)	13,979
Total	31,961
DIVERSION RATE	56.3%

CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT

ZERO WASTE

In 2012, HBC maintained focus on waste reduction and recycling.

In June 2007, HBC's head office located in the Simpson Tower in downtown Toronto became the first office tower in Canada to be certified "zero waste" by Zero Waste International Alliance standards after a third-party audit performed by C.D. Sonter Environmental Consultants. We are proud to announce that with the help of our partner Ivanhoe Cambridge, who facilitates the tower on our behalf, we have been able to keep this designation in 2012 with a waste diversion rate of 97.26 per cent. This marks six straight years of audited zero waste.



SIMPSON TOWER COMPOSITION AND DIVERSION RATE

COMPOSITION OF WASTE	MT	%
Cardboard	4.579	4.806
Mixed Paper	41.508	43.569
Metal/Plastic/Glass	13.218	13.874
Organics	32.195	33.793
Electronic Waste	0.98	1.029
Ink Cartridges	0.1782	0.187
Total Recyclables	92.6582	97.258
Total Landfill	2.612	2.742
Total MT	95.2702	100%
TOTAL DIVERSION RATE		97.26%

Simpson Tower was also recognized in 2012 by the Recycling Council of Ontario for this effort, receiving a Gold award at the Ontario Waste Minimization Awards and a letter of congratulations from the Honourable Jim Bradley, Ontario's Minister of Environment.

CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT

LIGHTING RETRO-FITS

HBC implemented a number of lighting projects in 2012 to update building infrastructure, improve cost savings and drastically reduce energy consumption. The following chart includes two examples of the lighting projects completed and their subsequent results.

The annual kWh saved results in an amount equal to the total kWh consumption at 1,570 homes annually and 6,600 trees offset annually.

HBC plans to complete similar high-bay LED lighting retro-fits at two additional distribution centres in 2013 and expects similar savings and environmental benefits.

PROJECT	RESULT
High-bay LED lighting retro-fits at main distribution centre	14,700 new lamps, resulting in 2,500,000 kWhs and \$250,000 saved per year
LED lighting retro-fits at 64 stores	90,000 new lamps, resulting in 15,270,000 kWhs and \$1,527,000 saved per year



INVESTING IN OUR COMMUNITY

HUDSON'S BAY COMPANY FOUNDATION

The Hudson's Bay Company Foundation is a charitable organization 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: healthy families, strong communities and inspiring Canadians. The following chart summarizes the amounts raised in these three areas for 2012.

KEY AREAS	AMOUNT RAISED
Healthy Families	\$957,307.54
Strong Communities	\$620,642.59
Inspiring Canadians	\$2,629,105.90
GRAND TOTAL	\$4,207,056.03



INVESTING IN OUR COMMUNITY

\$515,000

HBC GOLF
TOURNAMENT
& SPA

HBC’s annual Golf Tournament & Spa was held June 6, 2012, at four ClubLink golf courses in the Greater Toronto Area. A fundraising goal of \$400,000 was set for the event, and senior executives, Associates and vendors alike came together to help us surpass our target. The following chart outlines how monies raised were donated.

DONATION AMOUNT	CHARITABLE PARTNER
\$130,000	Look Good Feel Better, a long-standing Hudson’s Bay charitable partner for 20 years
\$100,000	The Breast Cancer Research Foundation, a new Hudson’s Bay charitable partner as of 2012
\$50,000	Canadian Olympic Foundation, to support athlete development programs, coaching and equipment
\$25,000	Habitat for Humanity through the Home Outfitters Partnership
\$25,000	Canadian Women’s Foundation Girls’ Fund
\$185,000	Various other national charitable organizations that help improve the lives of Canadian children, women and families



INVESTING IN OUR COMMUNITY

\$56,583.79

**HABITAT FOR
HUMANITY
CANADA**

Home Outfitters has supported Habitat for Humanity Canada since 2011, and its fundraising goal was to exceed \$40,000 for 2012. Funds were raised through:

- point-of-sale HBC Rewards points donations from customers;
- the Habitat ReStore event, where HBC Associates donated funds and brought in household items that were then resold in the ReStore;
- an HBC home office raffle and silent auction, which raised more than \$2,500;
- a Home Outfitters partnership with Signature Authentics to hold weekly in-store silent auctions for sports memorabilia. A portion of funds raised were donated to a local Habitat for Humanity Canada affiliate; and
- a donation from the HBC Golf Tournament & Spa made to Habitat for Humanity Canada.

\$2,417,937.56

**CANADIAN
ATHLETES**

Since 2010, the Red Olympic Mittens continue to be a popular item among Canadians. The 2012 mittens were redesigned using stripes and were sold in Hudson's Bay stores and online at thebay.com. Net proceeds from the sale of Red Mittens will support our athletes through the Canadian Olympic Foundation for athlete development programs, coaching and equipment. Since 2006, we have proudly donated more than \$35 million to support Canadian athletes through the Canadian Olympic Foundation and other national sports organizations and initiatives.

Hudson's Bay Company also donated \$200,000 to Camosun College in Victoria, British Columbia, a training facility that helps Canadian athletes be the best they can be in their respective sport. This is the seventh consecutive year HBC has donated funds to Camosun College.



INVESTING IN OUR COMMUNITY

\$201,683.49

**THE BREAST
CANCER
RESEARCH
FOUNDATION**

With a goal of \$250,000, Hudson's Bay partnered with The Breast Cancer Research Foundation in 2012 to raise funds and awareness during October's Breast Cancer Awareness Month. BCRF is dedicated to preventing breast cancer and finding a cure in our lifetime by funding clinical and translational research worldwide. Funds raised through this partnership were directed to Dr. Pamela J. Goodwin from Mount Sinai Hospital in Toronto and Professor of Medicine at the University of Toronto.

Throughout October, an exclusively designed, one-of-a-kind fashion tote bag was sold in all Hudson's Bay stores across Canada. Five dollars from each bag sold (at \$20) was donated to BCRF, raising a total of \$64,435. Elizabeth Hurley, spokesperson and model for BCRF, was on hand to launch the tote program at Hudson's Bay and meet with customers.

Customers were asked to donate their HBC Rewards points to the cause at point of sale, resulting in an additional \$19,248.49 raised. A donation of \$18,000 was made in memory of Evelyn H. Lauder, founder of BCRF, and a \$100,000 donation from the HBC Golf Tournament & Spa was also made to the foundation.



INVESTING IN OUR COMMUNITY

\$84,000
**ZELLERS
LOCALIZED
HOLIDAY
PROGRAM**

The Zellers Holiday Program came to a close in 2012. Zeddy Bears and Zellers gift cards were given to five non-profit organizations across Canada where Zellers stores were still in operation during the holiday season. Through the distribution of toys and gift cards, 22 affiliate non-profit organizations received much-needed gifts and funds for their holiday programming, including:

CHARITY	LOCATION
YWCA & Durham Children’s Aid Society	Oshawa, ON
The Salvation Army’s Christmas Daddies Program	Halifax, NS
Children’s Hospital of Eastern Ontario	Ottawa, ON
Santa’s Anonymous	Prince Albert, SK
Rotary International	Toronto Chapter, ON
Cystic Fibrosis, Grand River Hospital Children’s Program, Soroptimist Chapter and Salvation Army	Kitchener– Waterloo, ON
Cystic Fibrosis	London, ON
Magnus Eliason Recreation Centre	Winnipeg, MB
Autism Society of Newfoundland & Labrador	Newfoundland and Labrador
Women’s Shelters	New Brunswick & British Columbia

Zellers also ran a Facebook contest in the fall of 2012 offering a charity or non-profit group in Canada the opportunity to “adopt” Zellers’ mascot Zeddy and receive \$5,000. The top three organizations competed for votes on Facebook, and Camp Trillium came out on top. The two runners-up—the Canadian Cystic Fibrosis Foundation and Autism Society of Ontario Toronto Chapter—each received \$500.



INVESTING IN OUR COMMUNITY

LORD & TAYLOR'S CHARITABLE GIVING

Lord & Taylor supports causes that are important to its customers, Associates and the communities in which it operates. These causes include children's health, education and civic organizations. In 2012, more than \$1,000,000 was donated to charitable organizations in the United States through our customer-facing and internal "Do Good" charitable fundraising programs. The following chart illustrates the organizations that benefited through our customer-facing initiatives.

American Red Cross	\$27,310
Girl Up	\$2,500
Autism Speaks	\$10,304
The Breast Cancer Research Foundation	\$28,105
Kids in Distressed Situations	\$20,350
Young People's Chorus of NYC	\$50,000
Covenant House	\$9,200
Breezy Point Disaster Relief	\$39,912
Malverne Volunteer Ambulance Corps Inc.	\$39,778
Raine Organization	\$38,386
Food Bank of Mom & Ocean City	\$36,912
Various other charitable organizations	\$676,120
GRAND TOTAL	\$978,877



INVESTING IN OUR COMMUNITY

\$70,597 “DO GOOD” PROGRAM

Lord & Taylor’s “Do Good” Program is driven by L&T Associates, who come together to make a difference in the communities in which they work. Whether it’s office denim days, sample sales, donating merchandise or giving a pledge, the program provides everyone an opportunity to give back, feel connected and contribute to a greater good.

Through the “Do Good” Program, L&T contributed a total of \$118,697 to various charitable organizations in 2012: \$70,597 in monetary funds and \$48,100 in in-kind donations. A monetary donation summary is provided below.

“DO GOOD” PROGRAM DONATIONS 2012

ORGANIZATION	DONATION AMOUNT
Leukemia & Lymphoma Society (Light The Night Walk)	\$38,700
Hurricane Sandy Disaster Relief Program	\$15,897
Mother’s & More	\$15,000
Autism Speaks	\$1,000
TOTAL	\$70,597



INVESTING IN OUR COMMUNITY

\$38,700

LEUKEMIA &
LYMPHOMA
SOCIETY

LLS is the beneficiary of Lord & Taylor's only internal fundraising campaign. Activities and events throughout the year raise money for the annual Light The Night Walk, which takes places in lower Manhattan. As money is raised throughout the year, it is announced internally to build excitement and encourage participation. Since joining the cause, Lord & Taylor has been the Top Corporate Fundraising Team three years in a row!

\$12,000

NEW YORK
NEEDS YOU
(NYNY)

NYNY supports low-income, highly motivated first-generation college students with professional attire for the working world, enabling them to realize their college and career potential. Lord & Taylor's largest in-kind donation program supports NYNY through the donation of ladies suits, men's ties and assorted men's dress shirts. L&T also provided Lord & Taylor shopping bags for their clothing drive.

“Light The Night is a spectacular cause and a wonderful organization. The walk itself has been a terrific experience with my family as well as my Lord & Taylor family. We look forward to it all year and can't wait for the upcoming walk this fall.”

Barbara Zinn-Moore, Group Vice President,
Cosmetics & Fragrances

INVESTING IN OUR COMMUNITY

HURRICANE SANDY

When Hurricane Sandy struck in October 2012, the majority of our stores in the eastern United States were affected in a big way. Several of our Associates personally experienced flooding, power outages and some lost their homes and possessions. Upon hearing about and witnessing the devastation brought upon by the super storm, Associates north and south of the border immediately rallied to raise funds. Associates in stores and head office locations came together to hold bake sales, raffles, garage sales, office denim days and sample sales to help raise funds for Lord & Taylor Associates and the communities impacted.

A “Donate your HBC Rewards points” program was set up for customers to donate their HBC Rewards points in stores, by phone and online. In addition, many customers made cash donations in Hudson’s Bay and Home Outfitters stores across Canada and Lord & Taylor stores in the United States. A cash donation of more than \$200,000 from Associates and an \$8,500 cash donation from customers was made to the Canadian Red Cross to help with relief efforts. We also provided two trailers full of Home Studio merchandise totalling \$155,000 to help communities recovering from Hurricane Sandy.

“One of my proudest moments at HBC was to see the swift and generous actions of HBC Associates in response to Hurricane Sandy. Not only the support of the relief efforts in general, but seeing Associates across both countries support their colleagues was truly inspiring. It brought to life what we mean when we reference ‘the HBC family.’”

Sheila Rider, Senior Vice President,
Human Resources



ETHICAL SOURCING STANDARDS

With a long tradition of operating in a sustainable manner, HBC continues to uphold our ethical standards through our ethical sourcing program. The foundation of the program is the Supplier Code of Conduct, based upon the principles of the United Nations Declaration of Human Rights, the United Nations Convention on the Rights of the Child, the International Labour Organization (ILO) Declaration on

Fundamental Principles and Rights, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption. Framing our Supplier Code of Conduct on these universal principles means everyone in our supply chain should also uphold these principles.

We communicate our Supplier Code of Conduct to our buyers, sourcing managers, suppliers and customers. The Code may be accessed via our [website](#). Due to our commitment to a sustainable supply chain, our Associates who purchase, develop or manage private brand merchandise receive education and training about the ethical sourcing policy and process. We do not own any factories to produce our private brand merchandise. Instead we look for suppliers to function as strategic business partners. In 2012, we purchased from approximately 750 suppliers, located all over the world, including factories in Canada and the United States. Our suppliers have the skills and expertise to manufacture fashionable and quality products that our customers expect from our private brand assortment. In 2012, we audited 80 per cent of our supplier base, with the majority taking place in the Asia Pacific region. As the global economy continues to evolve, our sourcing teams continue to seek out and work with suppliers that meet our requirements.



● 80% OF SUPPLIER BASE AUDITED (APPROX. 750)



AUDITS BY REGION

● 2% AMERICAS ● 92% ASIA ● 6% EUROPE & AFRICA

ETHICAL SOURCING STANDARDS

Our suppliers are required to participate in our ethical sourcing program by fully disclosing their factories and by having their factories audited by a third-party auditing agency. For the past 10 years we have seen progress in our program, such as a decrease in non-approved factories. To ensure we work with factories that operate according to the universal principles of human rights and labour rights, HBC has a Zero-Tolerance Policy. This includes no:

- | | |
|-----------------|----------------------------|
| 1 Child Labour | 5 Physical or Verbal Abuse |
| 2 Slave Labour | 6 Restricted Liberties |
| 3 Prison Labour | 7 Illegal Transshipment |
| 4 Forced Labour | |

A zero-tolerance violation may lead to cancelled purchase orders or in some cases termination of business by HBC.

All factories that supply us participate in factory audits every year, conducted by third-party auditing agencies.

Over the past four years, continuous improvement has been observed in most areas reviewed in the audit process. In 2012, 68 per cent of these factories received the grade Subject to Improvement, a significant improvement since 2008. A Subject to Improvement grade is typically given to factories that have issues to work on such as first-aid training, issuing local benefits and improving time management and recordkeeping.



ETHICAL SOURCING STANDARDS

Upon completion of each social compliance audit, the auditors meet with factory managers to review areas requiring improvements and advise of necessary steps. HBC continues to work closely with factory management, both directly and via third parties, providing consultation and support to achieve timely and appropriate remediation of factory issues.

The majority of issues discovered in factories during an audit can be grouped into three categories: Health and Safety; Wages, Work Hours and Benefits; and Environmental Practices. In 2012, we worked with these factories to improve the requirements listed below.

HEALTH AND SAFETY

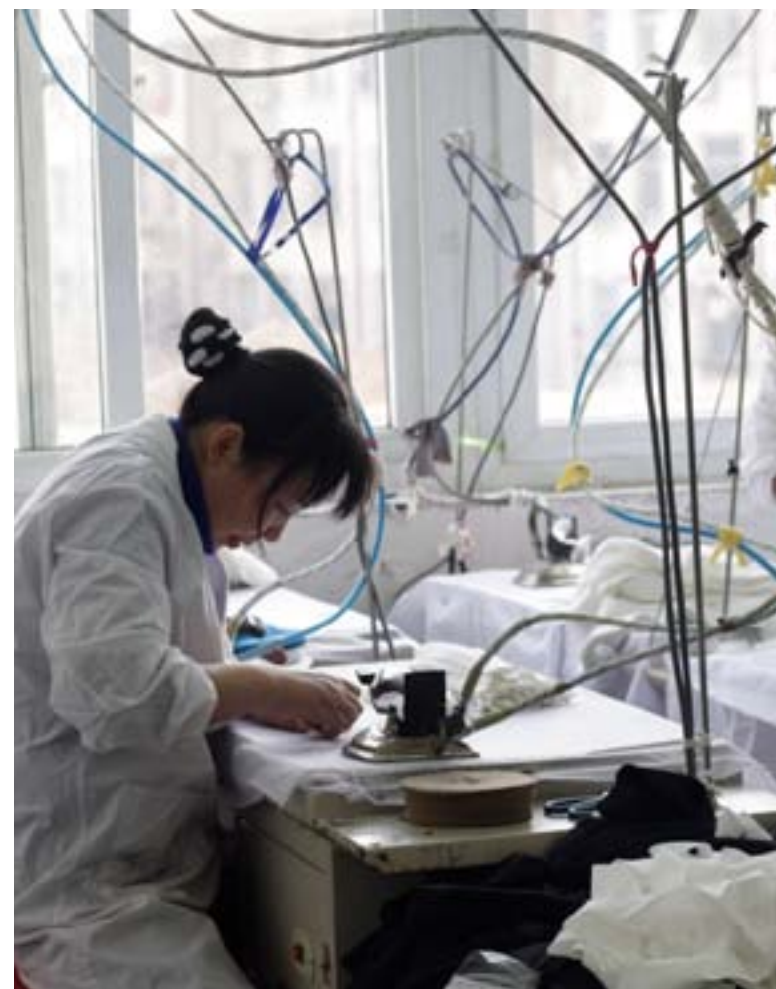
- Emergency lighting
- Emergency evacuation plans
- Personal protective equipment

WAGES, WORK HOURS AND BENEFITS

- Social benefits
- Managing break times and overtime hours
- Accurate time recordkeeping of personnel files

ENVIRONMENTAL PRACTICES

- Waste water management
- Routine environmental impact assessment
- Communicate environmental policy in factory



ETHICAL SOURCING STANDARDS

BANGLADESH

In 2012, HBC sourced from factories in Bangladesh. Overall the factories had an audit grade of Approved for Production—Subject to Improvement. Our audits cover areas such as payment of wages, number of working hours, payment of benefits and health and safety. Our auditors check various criteria during audits, such as:

- 1 emergency evacuation plans, including regularly scheduled fire drills, and posted evacuation plans throughout the factory;
- 2 checking for blocked exits/aisles;
- 3 building structural integrity;
- 4 only licensed electrical contractors should be authorized to inspect, install, repair electrical wiring, equipment and machinery; regular inspection and maintenance is required; and
- 5 access to clean drinking water.



ETHICAL SOURCING STANDARDS

BANGLADESH

While our audits are thorough, we encourage all these factories to participate in fire safety training and education to prevent tragic incidents. In 2012, our key suppliers in Bangladesh participated in such fire safety training and continue to do so today. As part of our Company's social

responsibility, we will continue to support training efforts and provide assistance where appropriate to ensure factory workers are healthy and safe and have the capability to prevent any accidents.



ETHICAL SOURCING STANDARDS

BETTER FACTORIES CAMBODIA

In some cases these challenges cannot be addressed by a single party, and thus HBC supports multi-stakeholder efforts. One such example is Better Factories Cambodia. This program aims to improve working conditions in Cambodia's export garment industry. In 2012, we continued to encourage our suppliers in Cambodia to participate in the International Labour Organization's Better Work "Better Factories" program. This program is now established in a number of countries, including Cambodia, Vietnam and Indonesia, to support capacity-building, monitoring, remediation and worker education programs. The majority of our suppliers in Cambodia currently participate in the Better Factories—One Change Campaign. Created in 2012, the program helps Cambodia's garment factories reduce the likelihood of fainting in the workplace. Factory management are encouraged to make at least one of the suggested changes in order to improve the working environment, address worker health and nutrition issues and prevent incidents of workers fainting while working in the factory. By working with other organizations and groups, we can help work on solutions affecting factories in an effective manner.



ETHICAL SOURCING STANDARDS

UN GLOBAL IMPACT

HBC is proud to be part of the UN Global Compact. Since 2002 we have supported the UN Global Compact principles through the mandate of our ethical sourcing program and the caveats of our Supplier Code of Conduct. The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Supported by many companies, the Global Compact is a practical framework for the development, implementation and disclosure of sustainability policies and practices.



The 10 principles of the UN Global Compact are:

HUMAN RIGHTS

Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and **Principle 2** make sure that they are not complicit in human rights abuses.

LABOUR

Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4 the elimination of all forms of forced and compulsory labour;

Principle 5 the effective abolition of child labour; and

Principle 6 the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

Principle 7 Businesses should support a precautionary approach to environmental challenges;

Principle 8 undertake initiatives to promote greater environmental responsibility; and

Principle 9 encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

ETHICAL SOURCING STANDARDS

For meeting the United Nation's Millennium Development Goals (MDGs), we focused on helping factories improve issues related to health and safety by meeting with factory managers overseas and reviewing their health and safety policies and processes. Access to clean drinking water, working in a safe environment and the opportunity for breaks and meals are essential in sustaining a healthy workplace environment and also support the health and welfare of factory workers. We also focused on helping factories better understand how to implement proper hiring practices, such as checking personal identification documents to confirm age and communicating age requirements on job postings. This enabled factories to better streamline their hiring practices. This also supports MDG#2 Achieve Universal Primary Education. Our Supplier Code of Conduct stipulates that no child labour is allowed, and factory workers must be above the compulsory school age upon hiring. In 2013, we will review our current practices and determine areas of improvement to continue supporting the MDGs.

MILLENIUM DEVELOPMENT GOALS

Eradicate extreme poverty and hunger.

Achieve universal primary education.

Promote gender equality and empower women.

Reduce child mortality.

Improve maternal health.

Combat HIV/AIDS, malaria and other diseases.

Ensure environmental sustainability.

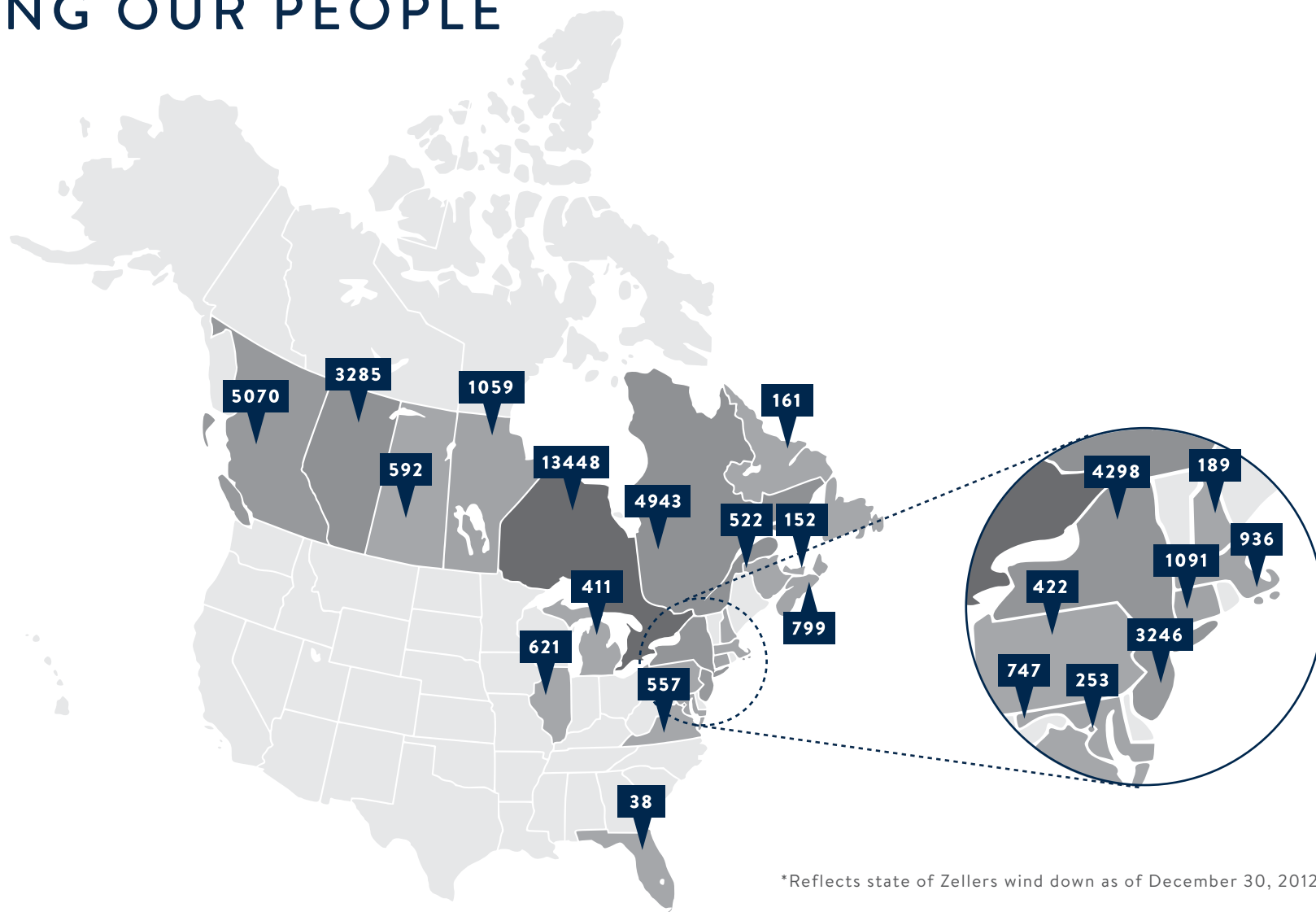
Develop a global partnership for development.

ENGAGING OUR PEOPLE

42,840

**TOTAL NUMBER
OF ASSOCIATES***

Our Associates are the cornerstone of Hudson's Bay Company. HBC's culture is dedicated to people, and we believe in recognizing Associates for great work. We also ensure our Associates work in a safe and healthy environment and are provided the necessary resources and opportunities to grow and reach their full potential.



*Reflects state of Zellers wind down as of December 30, 2012.

ENGAGING OUR PEOPLE

PREVENTING INJURIES AT WORK

Hudson's Bay Company believes that health and safety is part and parcel of every aspect of our business. We support the principle that all injuries are preventable. Our mandate is to operate in full compliance with health and safety laws and regulations.

We have a comprehensive health and safety management system; its purpose is to ensure that all of our Associates return home safely every day. Through regular communications, active Associate involvement, continuous improvement plans, procedures, training and immediate reaction to incidents, we will continue to provide a safe working and shopping environment.

DISABLING INJURY FREQUENCY

The execution of HBC's Safety Management Program has produced positive results, including a 15 per cent reduction in Lost Time Injury Rate in 2012 versus 2011.



PERCENTAGE OF LOST TIME INJURIES FOR EVERY 100 FTES
(FULL-TIME EQUIVALENCY)

The focus of our health and safety strategy is:

Injury prevention 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. We conduct yearly audits of our programs as part of our continual improvement plan.

Extensive return to work program The program is intended to benefit injured Associates by promoting recovery while allowing them to keep their work routine and income consistent. Associates also retain work skills and serve customers directly or indirectly, thus contributing to the overall productivity of our business.

Contribute to a healthy balance sheet One of the many benefits of good safety performance is reduced costs related to workplace injuries. We strive to achieve the lower workers' compensation insurance premiums that come with fewer injuries. We also continue to pursue incentive programs such as Alberta WCB's Partners in Injury Reduction and Ontario WSIB's Safety Group program.

We strive to provide a safe environment for our Associates and achieve zero injuries in the workplace.

ENGAGING OUR PEOPLE

LEARNING AND
GROWTH

Professional development ensures HBC Associates learn, grow and thrive in their roles. HBC offers an Online Personal Approach to Learning (OPAL) portal to Associates, which includes courses and tutorials to enhance their abilities in areas such as product knowledge, system training, personal development and business strategy. Courses are either instructor-led in-class training sessions or virtual classroom settings.

WELLNESS

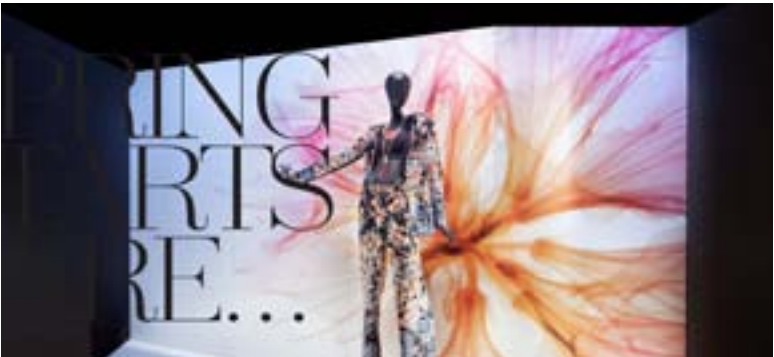
Associates and retirees have online or phone access (24 hours a day, seven days a week) to LifeWorks, a confidential referral program to help face everyday challenges and stay up to date on the latest health and wellness information. The LifeWorks program is web-based and covers topics such as financing, parenting, elder care, relationships, addictions and recovery, work–life balance and stress.

OPAL COURSE	NUMBER OF ASSOCIATES WHO COMPLETED
Instructor-Led Courses	778
Online Courses	154,271



REPORTING PARAMETERS

The framework used to measure and report our results has been adopted from the Global Reporting Initiative (GRI) G3.1 guidelines. Our corporate social responsibility efforts focus on four key areas: Contributing to a Sustainable Environment, Investing in Our Community, Sourcing Ethically and Engaging Our People. This year’s report includes the Hudson’s Bay Company’s four North American banners: Hudson’s Bay, Lord & Taylor, Home Outfitters and Zellers.

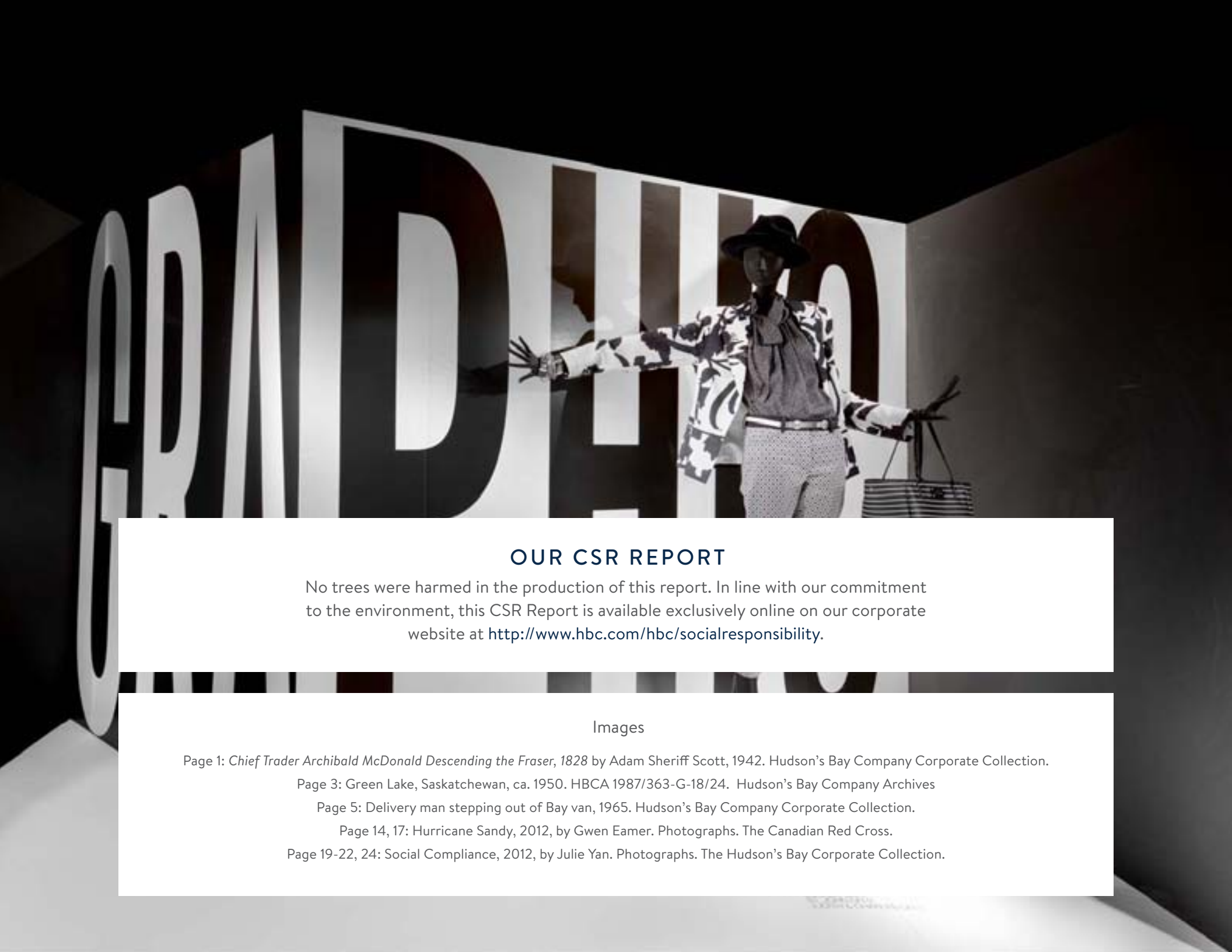


REPORTING PERIOD	FEBRUARY 1, 2012, TO JANUARY 31, 2013
Date of most recent previous report:	Fall 2012
Reporting cycle:	Annual
Contact for questions regarding corporate social responsibility:	corporate.communications@hbc.com
Scope of operations:	<ul style="list-style-type: none">• We operate Canadian banner stores in every province of Canada.• We operate American stores throughout the northeastern U.S. and in two major cities in the Midwest.• We source our merchandise globally.
Report content: We report on the four areas of our operations that have the greatest impact on our stakeholders.	<ul style="list-style-type: none">I. Contributing to a Sustainable EnvironmentII. Investing in Our CommunityIII. Ethical Sourcing StandardsIV. Engaging Our People

REPORTING PARAMETERS

DATA MEASUREMENTS

Corporate Overview	Page 4	Number of HBC Stores in Each Banner by Province/State
Contributing to a Sustainable Environment	Page 6	HBC Waste Composition and Diversion Rate
	Page 7	Simpson Tower Composition and Diversion Rate
	Page 8	Lighting Retro-fit Projects and Results
Investing in Our Community	Page 9	Focusing HBC Donations on Three Key Areas
	Page 10	HBC Golf Tournament & Spa Donations Made to Charitable Partners
	Page 14	Lord & Taylor's Charitable Giving Donations
	Page 15	Lord & Taylor's "Do Good" Program Donations
Ethical Sourcing Standards	Page 18	Audits by Region
	Page 26	Number of HBC Associates by Province/State
Engaging Our People	Page 27	Injury Reduction Percentage
	Page 28	Number of OPAL Training Courses Completed by HBC Associates



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 at <http://www.hbc.com/hbc/socialresponsibility>.

Images

Page 1: *Chief Trader Archibald McDonald Descending the Fraser, 1828* by Adam Sheriff Scott, 1942. Hudson's Bay Company Corporate Collection.

Page 3: Green Lake, Saskatchewan, ca. 1950. HBCA 1987/363-G-18/24. Hudson's Bay Company Archives

Page 5: Delivery man stepping out of Bay van, 1965. Hudson's Bay Company Corporate Collection.

Page 14, 17: Hurricane Sandy, 2012, by Gwen Eamer. Photographs. The Canadian Red Cross.

Page 19-22, 24: Social Compliance, 2012, by Julie Yan. Photographs. The Hudson's Bay Corporate Collection.