



HUDSON'S BAY COMPANY

**2013 CORPORATE  
SOCIAL RESPONSIBILITY REPORT**

# A MESSAGE FROM OUR GOVERNOR & CEO



This has been an exciting year for Hudson's Bay Company. Our first full year as a public company was capped off with the acquisition of Saks Fifth Avenue in November 2013, and we have made tremendous headway in executing our growth strategies outlined last year. We are developing our digital platforms and investing in our stores to ensure we deliver an exceptional shopping experience for our customers every time they shop with us. As we look forward, we are excited to grow our off-price offering with the planned opening of 70 OFF 5TH locations in Canada and the U.S., and the entry of Saks Fifth Avenue into Canada, with the first of seven full-line stores opening in 2016.

As we continue to grow and innovate, we remain steadfast in our commitment to operate in a responsible and sustainable manner. CSR is an integral part of the HBC culture. I am extremely proud that we foster a culture of giving back, whether it be responding to natural disasters around the world to community programs that support people in towns and cities where we operate. We participate in initiatives that reduce energy consumption, waste, and our overall environmental footprint. Our social compliance team works diligently to ensure we are holding ourselves, and our suppliers, to high social compliance standards throughout our business. And we invest in our people – through professional development, health and

wellness, and recognition programs.

This year, Hudson's Bay Company celebrates its 344th birthday. We are a company that understands the importance of sustainability. Innovation is not possible without it. As we look to do things more efficiently, with less environmental impact, and with sustainable results, we will continue to drive forward our goals for continued growth and innovation.

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

Richard Baker  
Governor & CEO  
Hudson's Bay Company

# CORPORATE OVERVIEW

Hudson's Bay Company (HBC), founded in 1670, is North America's longest continually operated company. Today, HBC offers customers an unparalleled range of retailing categories and international shopping experiences. In Canada, HBC operates Hudson's Bay, Canada's most prominent department store, with 90 full-line locations and one outlet store, as well as thebay.com, and is 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 Saks Fifth Avenue, one of the world's pre-eminent specialty retailers, renowned for its superlative designer collections and first-rate fashion expertise. Saks Fifth Avenue comprises 39 full-line stores in 22 states, five international licensed stores, saks.com, 73 Saks Fifth Avenue OFF 5TH stores and saksoff5th.com. HBC also operates Lord & Taylor, a leading department store chain with 49 full-line store locations throughout the northeastern United States, in two major cities in the Midwest and in Boca Raton, Florida, four outlet locations and lordandtaylor.com. Hudson's Bay Company banners provide stylish, quality merchandise with a dedicated focus on service excellence.

Hudson's Bay Company trades on the Toronto Stock Exchange under the symbol "HBC". HBC is led by Richard Baker, CEO and 39th Governor of Hudson's Bay Company.

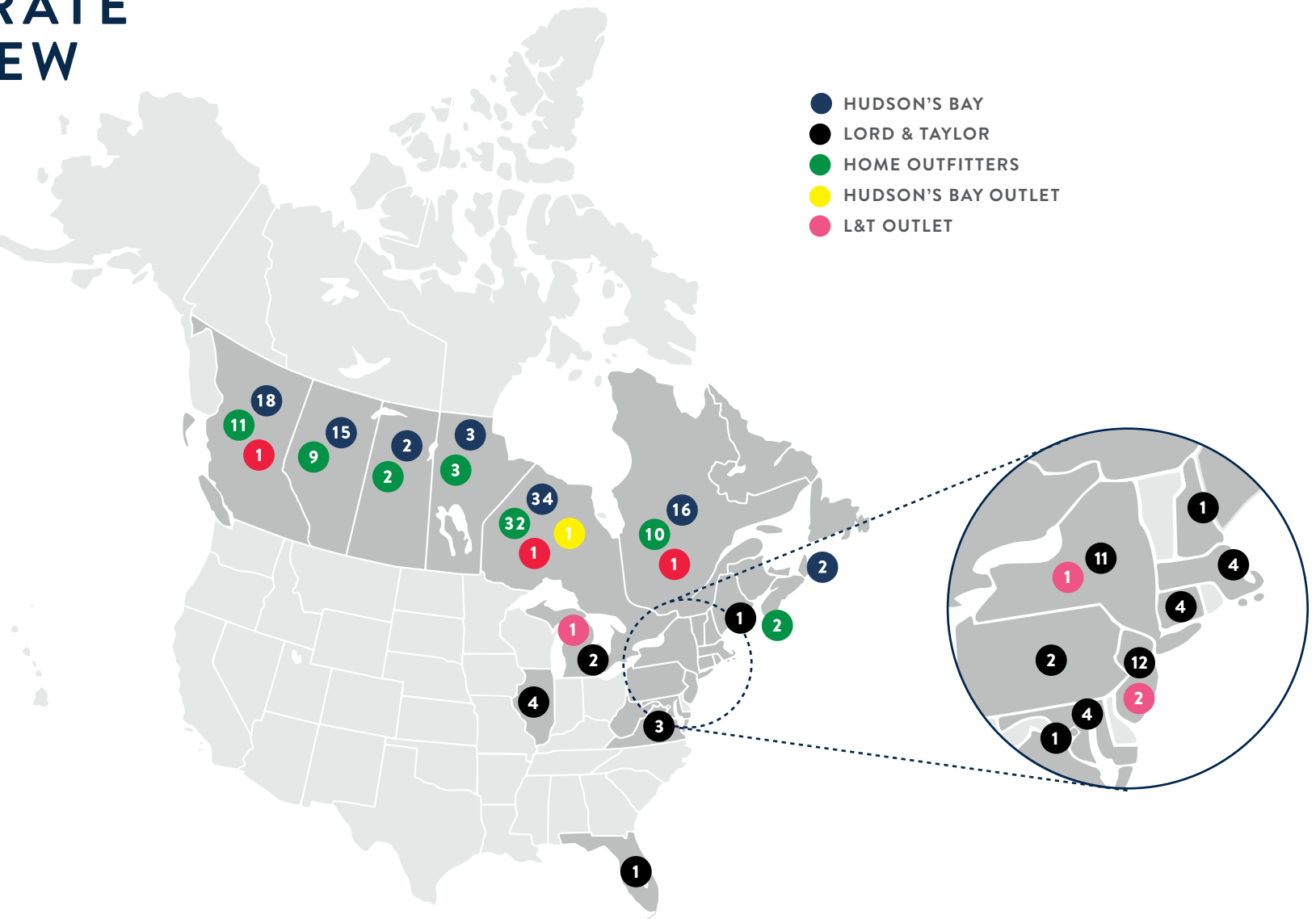
HBC completed the acquisition of Saks Incorporated in November 2013. As such, Saks Fifth Avenue and Saks Fifth Avenue OFF 5TH data has been excluded from this report.



# CORPORATE OVERVIEW

**213**  
TOTAL NUMBER  
OF STORES AS OF  
DECEMBER 2013

- HUDSON'S BAY
- LORD & TAYLOR
- HOME OUTFITTERS
- HUDSON'S BAY OUTLET
- L&T OUTLET



## INVESTING IN OUR COMMUNITY

*Woven throughout HBC culture is a commitment to give back, both to the communities in which we operate and to organizations, local and global, that are improving people's lives and the world in which we live. Since 2005, more than \$77.7 million in monetary and in-kind donations have been made by both Hudson's Bay Company and the HBC Foundation. Since 2008, the year we acquired Lord & Taylor, more than \$7.4 million has been donated by both Lord & Taylor and the LT Foundation.*



# INVESTING IN OUR COMMUNITY

**HBC FOUNDATION** Hudson's Bay Company is proud to celebrate its long-standing connection with Canadians beyond the walls of our stores and into the cities, schools and streets of communities across the country. Established in 2005, the HBC Foundation is one of Canada's leading charitable organizations dedicated to improving the lives of Canadians through programs that reflect our distinct Canadian values. In 2013, the HBC Foundation contributed \$2.64 million to 20 charitable organizations.



## FOCUSING CANADIAN DONATIONS ON THREE KEY AREAS

KEY AREAS	AMOUNT DONATED
Healthy Families	\$728,298
Strong Communities	\$207,370
Inspiring Canadians	\$2,614,813
Total	\$3,550,481 <sup>1</sup>

<sup>1</sup>total reflects donations made by HBC Foundation and corporate donations made by Hudson's Bay Company

HBC and the HBC Foundation made significant monetary and in-kind donations to the following charitable organizations in 2013:



# INVESTING IN OUR COMMUNITY

**RED MITTENS** Launched in 2009, the Red Mitten Campaign began as Canada geared up for the 2010 Olympic Winter Games in Vancouver. The mittens were introduced as a unifying symbol of patriotism that Canadians could wear as they cheered for our nation's athletes, and served as a fundraiser to support Olympians in their quest to reach the podium. When the Winter Olympics finally took place in Vancouver in February 2010, the mittens had become one of the most recognized, and coveted, items of the Games. Subsequently, HBC has introduced a new 'red mitten' design each year, raising more than \$22 million for Canadian athletes since launch. With more than 5 million pairs sold, the mittens have become a staple in winter wardrobes and an iconic symbol of Canadian pride.



*"Hudson's Bay's continued support of the Canadian Olympic Team has afforded Olympians, like me, the opportunity to realize their dreams. In addition to the work, determination and demanding schedule, the journey to the Olympics obviously requires resources and funding. The \$22 million raised for Canadian athletes through Hudson's Bay's Red Mitten Program gave me that much-needed helping hand to reach the podium in Vancouver and Sochi." – Alex Bilodeau, 2-time Olympic Gold Medalist, Freestyle Skiing – Mogul*

# INVESTING IN OUR COMMUNITY

## HABITAT FOR HUMANITY CANADA

*"We are grateful for Home Outfitters and HBC Foundation's continued support of Habitat through programs like 'Build a Dream Home'," said Kevin Marshman, President & CEO of Habitat for Humanity Canada. "It's because of donors like Home Outfitters that we're able to continue reaching new highs in the number of low-income families we serve each year."*



## DRESS FOR SUCCESS

*"Our clients require professional attire to help them transition from unemployment to economic independence," said Paige Souter, Executive Director, Dress for Success Toronto. "Through the HBC Foundation's donation of quality, professional accessories, we are able to directly help prepare and empower 400 individuals who are working to transform their lives. Their support truly makes a difference."*





# INVESTING IN OUR COMMUNITY

## SICKKIDS FOUNDATION

*"We often take for granted being able to celebrate this festive season in the comfort of our homes, but for many patients being treated at SickKids, the holidays will be spent in hospital," said Adrian Horwood, Vice-President, Corporate Partnerships, SickKids Foundation. "The generous support of our friends at the HBC Foundation in creating this cozy winter lounge helped staff at the hospital bring even more cheer to so many children and their families this holiday season." ~speaking about the HBC Foundation Winter Lounge at SickKids Hospital*



*"We wanted to bring together the warmth and sparkle of the holidays and create a space where families can feel that they're relaxing in a home away from home," said Arren Williams, Hudson's Bay Creative Director of Home.*

# INVESTING IN OUR COMMUNITY

## HUDSON'S BAY COMPANY HISTORY FOUNDATION

In 1994 HBC donated its archives to the Manitoba Archives and the Hudson's Bay Company Museum Collection to the Manitoba Museum. Together, the two collections were valued at approximately \$68 million. The Hudson's Bay Company History Foundation (HBCHF), a private charitable foundation controlled by Hudson's Bay Company, was established at that time to provide funds for the continued preservation, promotion, and public access to both collections in perpetuity.

HBCHF is also committed to advancing knowledge of, and interest in, HBC's role in Canadian history. This is accomplished through support of specific projects related to HBC history, such as the HBC Education Program, which provides free educational resources for teachers and their students, and Canada's National History Society, a not-for-profit organization whose objective is the promotion of greater interest in Canadian history

In 2013 HBCHF donated approximately \$1.5 million in financial support to these and other recipients.



## HBC HISTORY FOUNDATION

# INVESTING IN OUR COMMUNITY

**LT FOUNDATION** Lord & Taylor supports causes that are important to its customers, Associates and the communities we serve. In 2013 more than \$1.3 million was donated to 141 non-profit groups and charitable organizations in the U.S. through customer-facing programs.

Lord & Taylor hosts “Shop Smart Do Good” fundraising events bi-annually, partnering with local charities to help them raise funds for their cause. Customers purchase tickets to receive special discounts and bonus coupons to be used on event day, and partner charities then receive 100 per cent of the proceeds from ticket sales.

In spring 2013, Lord & Taylor partnered with 523 charitable causes to help raise \$268,120, and 577 local causes in the fall raising a total of \$316,280.

## FOCUSING U.S. DONATIONS ON THREE KEY AREAS

KEY AREAS	AMOUNT RAISED
Education	\$171,310
Wellness	\$682,577
Civic and Cultural Events	\$473,570
<b>Total</b>	<b>\$1,327,457</b>

Lord & Taylor launched its internal “Do Good” Program in 2010 based on feedback from home office Associates who wanted to support charitable programs and Lord & Taylor sponsored events. Over the past few years this program has supported local fundraising efforts and charities that home office Associates are personally involved with or connected to. Since its inception, “Do Good” has partnered with

more than 40 organizations, fundraising and donating thousands of dollars worth of merchandise to support their efforts. In addition, more than 400 Lord & Taylor home office Associates donated their time to local shelters, children’s homes and non-profit organizations in their local communities. In 2013, 19 charitable organizations received \$109,693 in monetary and in-kind donations supported through this Program.

Established in 2006, the LT Foundation makes annual monetary contributions in support of local scholarships. In 2013, \$50,238 was donated through the LT Foundation to fund these scholarships, as well as support Career Gear, Dress for Success New York and The Breast Cancer Research Foundation.

Lord & Taylor made significant monetary and in-kind donations to the following charitable organizations in 2013:



# INVESTING IN OUR COMMUNITY

## WOMEN IN NEED

*"Thank you again for your compassion. Together we can help the homeless families who courageously face their situation and, with our combined efforts, are able to transform their lives and their future. By supporting WIN you help us to enhance the day to day lives of our clients" said Bonnie Stone, President & CEO, Women In Need (WIN) "On behalf of the staff and families of WIN, we thank you for the difference you make!"*



## NEW YORK NEEDS YOU

*"Thank you so much for supporting our fall 2013 Clothing Drive! The event was such a success!" said Anita Fee Willis, Director of Strategic Partnerships, New York Needs You. "We are truly grateful for your generosity and we look forward to working with you again in the future."*



## CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT

*Ensuring Hudson's Bay Company's operations contribute to a sustainable environment is at the forefront of our business practices. HBC is committed to reducing the Company's footprint on the environment through reducing our waste and water consumption, fuel efficiency and GHG emissions in an eco-efficient manner. We also provide our Associates with information and tools to contribute to the reduction of our overall impact.*



# CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT

## WASTE DIVERSION

Waste diversion is a key operational focus for HBC, and in 2013 we implemented a new and improved Canada-wide recycling program in our Hudson's Bay and Home Outfitters stores, distribution centres and home offices. Improvements to the program meant we saved 3,807<sup>m</sup><sup>3</sup> of landfill space through plastic diversion, and saved 124,111 trees by recycling our paper products.

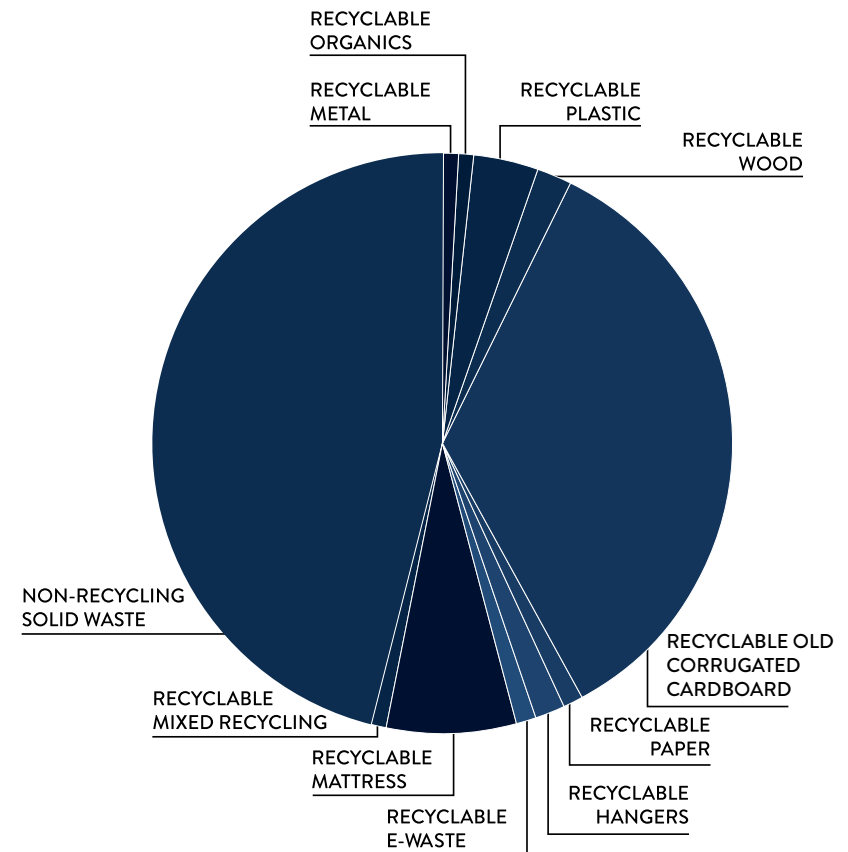
We also looked to our service providers and Associates for process improvement suggestions. We were provided with a wealth of innovative ideas, some of which we've already begun to implement, including: rightsizing collection bins, optimizing service frequency, adding commingled recycling bins where services exist, and introducing pallet and metal recycling programs at distribution centres.

**“Improvements to the program meant we saved 3,807<sup>m</sup><sup>3</sup> of landfill space through plastic diversion, and saved 124,111 trees by recycling our paper products.”**

HBC's diversion rate for 2013 was 51 per cent, reported by our third-party vendor partner Greenspace Waste Solutions. This was also the first year we incorporated Lord & Taylor waste data into our results.

While this is a good number, our goal is to learn from our past successes, and misses, to improve future efforts.

## WASTE WEIGHT DISTRIBUTION



# CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT

## GHG EMISSIONS REPORTING

The closing of our remaining Zellers stores in 2013 and the addition of Lord & Taylor data in 2012 had a positive effect on our greenhouse gas (GHG) emissions, water consumption and intensity (m3/1000sq. ft.) levels over the last two years. This was due not only to the change in the number of locations, but also the fact that the Zellers store portfolio was made up of stores with a lower square footage, which tends to produce a higher GHG ratio per square foot.

Schneider Electric, our third-party energy consultants, prepared our **2013 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.

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 (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (NO<sub>2</sub>), and water vapor.

We report our GHG emissions in tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e), based on the amount of GHGs (primarily CO<sub>2</sub> and NO<sub>2</sub>) we emit as a result of our direct operations.

We track the following seven sources of GHG emissions:

- |                 |                  |
|-----------------|------------------|
| ➊ Natural Gas   | ➋ Oil            |
| ➌ Gas Steam     | ➍ Transportation |
| ➎ Propane       | ➏ Electricity    |
| ➐ Chilled Water |                  |

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. Indirect energy emissions are associated with power that HBC has purchased and consumed, such as electricity, steam and chilled water.



# CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT

## CARBON DISCLOSURE PROJECT

The Carbon Disclosure (CDP) Project is an environmental data and reporting organization that works on behalf of investors to facilitate an annual request for environmental information. Beginning in 2014, Hudson's Bay Company will report into the CDP using 2013 data. In this initial year we will not include Saks data due to timelines, however our plan is to report on Saks in subsequent years. The data will demonstrate how HBC addresses issues concerning climate change and GHG emissions and will help to identify business risks and opportunities. Through CDP, Hudson's Bay Company will establish a benchmark for our results, measured against a standardized global system for peer performance comparison. The data will also be used for GRI (Global Reporting Initiative) and DJSI (Dow Jones Sustainability Indices) reporting.

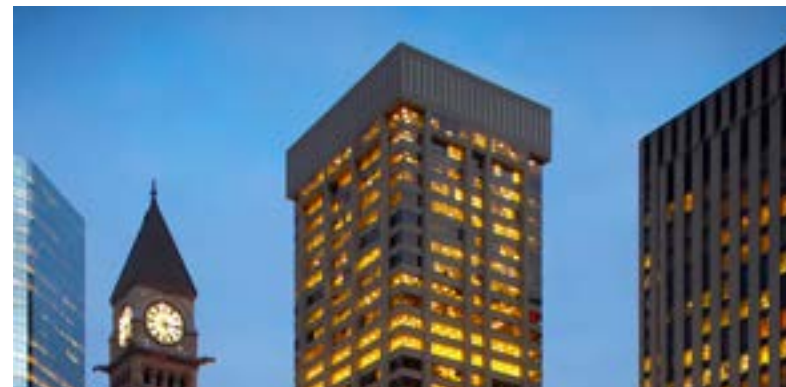
## CANADIAN HEAD OFFICE OPERATIONS

We are proud to say that for the seventh year in a row, our Simpson Tower home office location in Toronto, Ontario was certified as "zero waste" by a third-party audit. Because of this accomplishment, the Simpson Tower received a Recycling Council of Ontario Gold level Waste Minimization Award for the second year in a row. HBC was awarded the "Corporate Award" in the inaugural "Live Green Toronto Awards 2013", which included a \$2,500 prize that we donated to Cycle Toronto in support of their efforts to create secure indoor parking for bicycles in the area.

Our waste diversion rate for 2013 was 93.48 per cent. We reduced the total waste generated in this building by eight per cent over 2012 through our continued work with facility maintenance partner Ivanhoe Cambridge.

## SIMPSON TOWER WASTE AUDIT SUMMARY

	COMPOSITION OF WASTE	WEIGHT (METRIC TONNES)	% OF TOTAL WASTE
Recycled waste	Cardboard	11.686	13.39
	Mixed Paper	34.33	39.32
	Organics	10.828	12.40
	Paper Towels	6.313	7.23
	Electronics Scrap	1.35	1.55
	Multi Recycling	17.104	19.59
	Waste that went to Landfill	5.695	6.52
	Total Waste Generated	87.306	100.00
	<b>Total Waste Recycled/Diverted</b>	<b>81.611</b>	<b>93.48</b>



## ETHICAL SOURCING STANDARDS

*In today's retail environment we believe in ethical sourcing. Sourcing ethically means not only ensuring factories we do business with adhere to human rights and labour standards, but ensuring that what they produce is designed and made in a responsible manner. We believe it is our responsibility to make products with factories that also share our values.*

# ETHICAL SOURCING STANDARDS

## SOCIAL COMPLIANCE PROCESS

This is a summary of the HBC social compliance program in 2013 with information on our process, audit results, locations of factories, and issues found in factories.

The 15 factories that were not approved for social compliance did not receive orders if they were a new factory, or additional orders were not placed until the corrective actions were completed and verified by a third-party auditing agency.

### THE SOCIAL COMPLIANCE PROCESS

#### THE SOCIAL COMPLIANCE AUDIT

Factories are audited on an annual, or bi-annual basis depending on number of issues found and severity of issues.

#### THE AUDIT REPORT

The audit report contains the following categories:

- Legal Expectations
- Health & Safety
- Management Systems
- Wages & Benefits
- Environment

#### FACTORY TRAINING

Factories are required to participate in training and education programs to help them address issues found in audits and/or sustain their management practices. The factory training program encourages factory managers to take ownership for their sustainability and success of their business.

### STATUS OF FACTORIES

## AUDITED 456

118 Approved for Production  
323 Approved for Production - Subject to Improvement  
15 Not Approved

#### TRAINING AREAS

1. Fire Prevention and Safety
2. Building Safety
3. Capacity Planning
4. Documentation of working hours and payment wages

As a result of training in 2013, 42 factories showed improvement after participating in training and education programs. We have focused training efforts in China, India, and Bangladesh. Factories in Bangladesh received training in Fire Prevention and Safety, and Building Safety. In 2014 we will continue our efforts to provide training and education programs, with particular focus on factories that may be 'high risk', either due to issues found or locations of factories.

### LOCATION OF FACTORIES

Austria  
Bangladesh  
Cambodia  
Canada  
China  
Czech Republic  
Dominican Republic  
El Salvador  
Germany  
India  
Indonesia  
Italy  
Pakistan  
Poland  
Portugal  
Taiwan  
Thailand  
Tunisia  
Turkey  
Turkmenistan  
USA  
Vietnam

### ISSUES IN 2013

#### HEALTH & SAFETY

Inadequate or malfunctioning fire-fighting equipment  
Inadequate or malfunctioning emergency exits  
Inadequate electrical safety  
Inadequate Personal Protective Equipment for hazardous and high risk work

#### WAGES & BENEFITS

Paying below minimum wage  
Social benefits violate local laws  
Missing employees on payroll

#### WORK HOURS

Over 60 hours a week  
Lack of rest day 1 out of 7 work days  
Inadequate time keeping system

#### ETHICAL CONDUCT

Factory does not have a written ethical policy in place, for example no written policies on discrimination, harassment, verbal abuse, etc.

#### VOLUNTARY LABOUR

Lack of free access to toilets/water after shift

#### FREEDOM OF ASSOCIATION

Refusal to negotiate collective bargaining agreement with union



# ETHICAL SOURCING STANDARDS

## PRODUCT RESPONSIBILITY

One of HBC's top priorities is to provide safe, quality products for our customers. Our products and packaging are designed to meet HBC's high quality standards, as well as applicable federal, provincial and state legislation in the both Canada and the U.S.

We regularly host international Vendor Information Sessions to update our vendors on HBC's Quality Program requirements. We have also developed comprehensive vendor manuals that outline the quality requirements for home and apparel products. It is our expectation that our vendors understand and follow all of the requirements outlined in these manuals.

HBC mandates third-party laboratory testing on all private-branded products and has nominated a global independent service provider, Intertek Labtest, to deliver local testing services through an extensive network of laboratories and offices around the world. Products are tested against HBC-approved protocols for performance, construction, and health and safety consumer product regulations. We have more than 200 approved products, conduct over 4,000 tests annually, and have specific protocols that incorporate HBC's required quality parameters and applicable Canadian and U.S. legislative product and labeling requirements.

Technical product specialists conduct in-house technical product reviews to complement independent laboratory testing during the product development process to ensure that product meets our quality and product performance standards.

To assist consumers to make informed purchasing decisions, we have a quality assurance program that ensures all products include accurate and meaningful content labeling information, caution and/or warning messages and care instructions. We also ensure that all

labels comply with strict Canadian and American labeling requirements.

Before product is shipped to stores, it must go through pre-shipment inspection as part of our quality assurance program. These inspections ensure product meets our design, packaging and quality requirements.

In 2013 HBC successfully completed a 'Good Importing Practices' (GIP) inspection conducted by the Canadian Food Inspection Agency (CFIA). The inspection assessed our facility's compliance with the Food and Drugs Act and Regulations, and evaluated our ability to import, on a consistent basis, safe and wholesome food products under sanitary conditions that aligned with the CFIA's GIPs for Food.

We are also happy to report that we did not have any major recalls on private branded products in 2013.



# ETHICAL SOURCING STANDARDS

## FACTORY RESPONSIBILITY

HBC's ethical sourcing program was established in 1997 with the objective of ensuring that the factories we do business with share our ethical values and manage their production and factory workers with dignity and respect. Our ethical sourcing program was also designed to provide a window into how our factories manage their day-to-day operations. Since manufacturing has become a global process, it is vitally important that we know our suppliers, see how their workers are treated and understand any issues that may have a positive or negative impact on our vendors. We strive for a sustainable, lasting impact so these factories and factory workers can benefit from our partnership.



# ETHICAL SOURCING STANDARDS

## GLOBAL SOURCING PROCESS

①

**What: New Supplier Meeting**  
**Who: Sourcing Team**  
Review business needs and  
distribute information to  
Social Compliance.

②

**What: Social Compliance**  
**Who: Social Compliance Team**  
Supplier's factory audited for Social  
Compliance.

③

**What: Factory Evaluation**  
**Who: Quality Control Team**  
Supplier's factory audited for  
capability/capacity.

⑥

**What: QC & Logistics**  
**Who: Quality Control  
& Import Control**  
Final Inspections take place  
(Quality Control) & Shipment Release.

⑤

**What: Production Stage & Third Party  
Laboratory Testing**  
**Who: Technical Design Team**  
Third party testing and in-line  
inspections take place (Quality Control).

④

**What: Sample Stage**  
**Who: Technical Design Team**  
Supplier sends sample to HBC  
for review and approval.

⑦

**What: Post Production stage**  
**Who: Quality Assurance Team**  
Customer inquiry analysis as well as  
randomly selected SKUs/styles for  
quality control checks. Store audits  
are also conducted on a regular basis.

# ETHICAL SOURCING STANDARDS

## CODE OF CONDUCT

HBC expects its vendors and factories to uphold our ethical sourcing standards by adhering to requirements set forth in its **Supplier Code of Conduct**. The Supplier Code of Conduct is distributed to vendors and their respective factories at the time of vendor set-up and is detailed in our Social Compliance Manual. By observing the elements in our Code, HBC and its vendors can work collectively to protect the human rights of workers in our Global Supply Chain. HBC's Supplier Code of Conduct commitments include:

1. Compliance with Legal Requirements and Industry Standards
2. No use of Child Labour
3. No use of Forced Labour
4. No Harassment or Abuse
5. Freedom of Association and Collective Bargaining
6. No Discrimination
7. Provision of a Healthy and Safe Workplace
8. Provision of Fair Wages and Social Benefits
9. Compliance with Hours of Work and Overtime Laws
10. Process for Resolution of Disputes
11. Compliance with Environmental Requirements
12. No use of Transshipment

HBC's Corporate Social Compliance team is responsible for ensuring that HBC and its business partners operate with integrity and respect toward the human rights of workers supporting our supply chain. To ensure that factories are embracing ethical practices, HBC hires accredited third-party auditing agencies to conduct

social compliance audits of its vendors' factories.

During a factory audit, building structure and operational processes are evaluated by completing checklists, questionnaires, conducting management and factory worker interviews, and reviewing time-keeping and accounting records. Following an audit, violations are discussed, a corrective action plan is reviewed with management, and timelines are set for remediation. Follow-up audits are conducted at regular intervals depending on audit findings and the time required to address any issues, which ranges from two weeks to three months.



# ETHICAL SOURCING STANDARDS

## BEYOND MONITORING

While auditing factories facilitates awareness, we believe that frequent auditing without training does not contribute to sustained remediation in factories. The primary purpose of our Social Compliance program is to help factories sustain compliance. Through root cause analysis in 2012, we discovered that certain factories were operating according to local and international standards, but required assistance to improve their fire safety practices. Issues discovered included inadequate emergency exits, missing electrical panel covers, inadequate sprinkler systems and limited numbers of fire extinguishers. Training is executed by analyzing the issues found in the audit, identifying priorities and then establishing the right materials/curriculum.

In 2013 we worked with partners to conduct fire safety training workshops, and saw immediate improvements in these factories. Through a shared commitment to remediation by retailers, vendors and factories, we have sustained progress in reducing the number of violations in these areas, thereby contributing to a safer work environment.

Seventy-one per cent of HBC's factories received an "Approved for Production - Subject to Improvement" grade in 2013, up from 68 per cent the year prior. This grade is given to factories where more than one issue has been identified and require immediate attention from both the factory and HBC to work together to resolve. Factories receiving this grade work toward full remediation by following guidelines put forth in their Corrective Action Plan and by participating in recommended training programs. The increase in the number of factories receiving a "Subject to Improvement" grade is the result of a revised audit methodology implemented in early 2013.

This new methodology reclassifies issues previously considered minor as critical, and mandates their correction prior to the facility receiving an "Approved for Production" grade.

Twenty-six per cent of factories received an "Approved for Production" grade, denoting that they have achieved and maintained compliance in all areas reviewed in the audit process. Three per cent of audited factories did not meet HBC's social compliance standards and were therefore not approved to do business with HBC.



# ETHICAL SOURCING STANDARDS

## ASSOCIATE ENGAGEMENT

One of our goals in 2013 was to improve Associate understanding of the scope of our program and to demonstrate how social responsibility is an integral part of doing business at HBC. Our commitment to ethical sourcing stems from a comprehensive understanding of the importance of ethical sourcing practices in all areas of the business, from the sourcing of private-branded merchandise to the selection of our assortment of internationally recognized national brands. Ethical sourcing decisions start with the initial exchange between a buyer and a vendor.

To improve our merchants' understanding of social compliance as it relates to their business, we conduct information sessions, highlighting changes to our program policies and global human rights issues. The increased level of communication between our social compliance teams and merchant teams leads to greater program support and a collective effort to support and sustain an ethical supply chain.



# ETHICAL SOURCING STANDARDS

## A COLLABORATIVE APPROACH TO WORKPLACE IMPROVEMENT

We recognize that capabilities for sustained and meaningful improvements to factory conditions are effectively accomplished through the engagement of stakeholders and participation in workplace improvement initiatives. Following the tragic Rana Plaza factory collapse in Bangladesh in 2013, HBC partnered with 16 other retail industry leaders to form the Global Alliance for Bangladesh Worker Safety. This legally binding and results-oriented initiative is dedicated to driving positive change in Bangladesh's Ready-Made Garment sector. Through collaborative efforts, the Alliance has implemented robust inspection standards, developed worker empowerment committees and embraced a commitment to improve the health and safety conditions in factories supplying Alliance member stores.

The Alliance believes in a shared responsibility between factory owners, factory managers and retailers to create and sustain safe and healthy workplaces. Alliance members have committed to achieve audit inspections for 100 per cent of Alliance factories within the first year of operation. The completion of a factory worker survey provided the Alliance with a deeper understanding of the challenges encountered in managing factories in Bangladesh. This allowed the Alliance to tailor its training and remediation programs to increase competencies in core areas such as building and fire safety and worker empowerment. HBC is committed to working as part of the Global Alliance to prevent future tragedies and promote positive change in Bangladesh's Ready-Made Garment sector. For more information about the Bangladesh Alliance for Worker Safety please visit <http://www.bangladeshworkersafety.org/>.



**ALLIANCE**  
FOR BANGLADESH WORKER SAFETY



# ETHICAL SOURCING STANDARDS

## BETTER FACTORIES CAMBODIA

Better Factories Cambodia (BFC) is a program instituted by the International Labour Organization (ILO) and supported by the Royal Government of Cambodia, the Garment Manufacturers' Association in Cambodia (GMAC) and unions. The program is designed to help improve working conditions and increase productivity in Cambodia's factories. BFC has implemented training tools to support factory remediation plans. Course offerings are extensive and include Workplace Cooperation workshops, Occupational Health and Safety training, and Workers' Rights and Responsibilities training. HBC encourages its factories to participate and engage in these training programs to maximize the potential for improved overall wellbeing of factory workers in Cambodia.





# ETHICAL SOURCING STANDARDS

## PUBLIC DISCLOSURE OF HBC'S FACTORIES

We believe that transparency holds both HBC and its partner factories accountable, and encourages suppliers to uphold safe and healthy working conditions. In an effort to increase transparency in our industry, beginning in 2014, HBC began disclosing a **list** of factories used to produce HBC's private branded merchandise. This **list** is published on HBC's corporate website and includes the names and addresses of these factories. The factory list will be updated regularly as HBC continues to build and support a sustainable vendor base.



# ETHICAL SOURCING STANDARDS

**(HER)PROJECT** Since many factories have a higher ratio of women to men, in 2013 we joined the Health Enables Return (HER)project. HERproject is a leading collaborative effort that empowers low-income women at work by providing them with education and training. It also empowers women working in global supply chains through workplace-based programs, capacity building of local civil society, and advocacy with business and government. To date, the program has reached more than 250,000 low-income women workers, of whom 80 per cent report influencing others, leading to approximately one million beneficiaries.

We partnered with a garment factory in Guangdong, China to participate in an initiative now referred to as HERhealth. HERhealth workplace programs strive to improve awareness and behavior related to general and reproductive health by challenging harmful taboos, promoting preventive care, and increasing access to critical health products and services. The program operates through a peer-to-peer model, whereby a group of women in each factory is selected to be peer health educators who are provided with training. A kick-off meeting to introduce factory workers to the program took place in November 2013. The factory then formed an internal team on January 21, 2014 and participated in training conducted by Business for Social Responsibility (BSR) in China. At time of writing the factory is in the process of developing training materials for its first peer health educators with a projected completion date of summer 2014. Through this partnership with one key vendor factory, we hope HERproject will provide a sustainable impact on women's health and the overall well-being of factory workers. We plan to continue our participation with HERproject in 2014 and work with key factories in other countries.



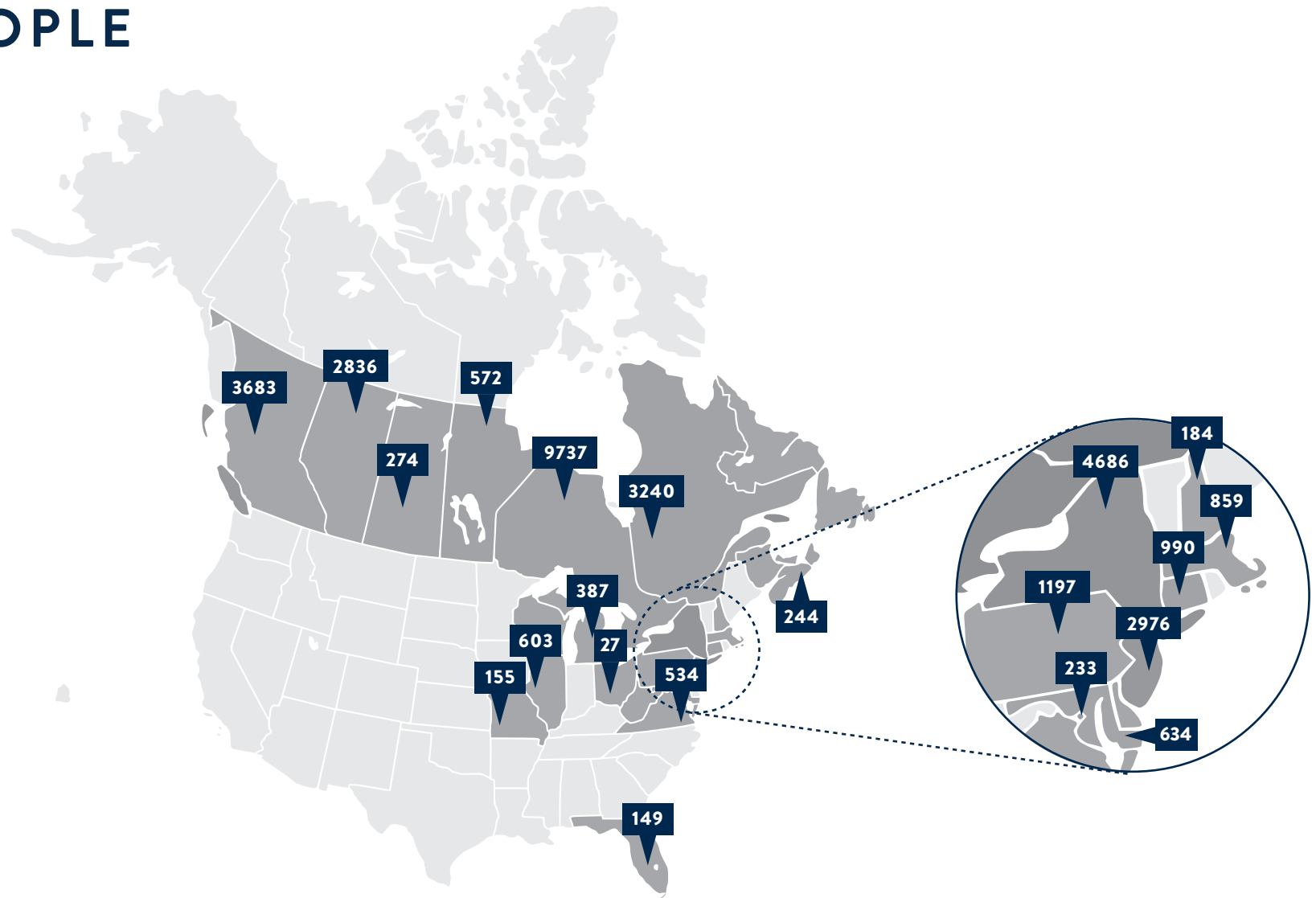


## ENGAGING OUR PEOPLE

*With nearly 35,000 Associates in Canada and the U.S., our people are by far our greatest asset. From shipping and distribution centres to stores and head offices, HBC Associates represent some of the best talent in the retail industry. We are an organization that supports personal growth, champions innovation and believes our Associates drive success. Investment in our Associates is essential to the success of the Company.*

# ENGAGING OUR PEOPLE

**34,200**  
TOTAL NUMBER  
OF ASSOCIATES\*



\*reflects number of HBC Associates prior to Saks acquisition

# ENGAGING OUR PEOPLE

## MAKING EVERYONE AN OWNER

Following HBC's Initial Public Offering in November 2012, HBC launched the "Making Everyone An Owner" campaign. "Making Everyone An Owner" cultivates a culture of ownership and provides every Associate with the opportunity to share in the success of HBC. Associates are encouraged to act like owners, whether by making a decision that impacts profitability or by providing exceptional customer experience in store. The program goal is to recognize and reward Associate contributions to HBC's success, and foster vested engagement in our ongoing prosperity.

## CULTURE SURVEY

A priority of HBC is to establish a company culture that taps into the rich history of each of our banners and drives new ways of thinking to achieve our vision. In 2013, HBC conducted a comprehensive culture survey of all Associates as a way to understand both the current cultures within our banners and the desired culture moving forward. Associate input is integral to our plan to develop a roadmap for shaping and maintaining our culture over time. Through shared values, a sense of personal ownership and commitment to open and ongoing communication, HBC is committed to a culture that will drive Associate engagement and business performance to ensure our future success.



# ENGAGING OUR PEOPLE

## HEALTH AND SAFETY

We believe a safe and healthy workplace is the right of every HBC Associate. Our dedicated Health and Safety team works to implement programs and processes that help to protect Associates, and sustain an environment where they can work safely and comfortably.

HBC supports the principle that all injuries are preventable and is committed to taking all reasonable care to ensure a safe work environment. Our mandate is to operate in full compliance with Canadian and U.S. health and safety laws and regulations.

We have a comprehensive health and safety management system and its purpose is to ensure all of our Associates return home safely each day. Through regular communication, active Associate involvement, continuous improvement planning, procedures, training and immediate reaction to incidents, we continue to provide a safe working environment for our Associates, and shopping environment for our customers.

We are happy to report that we achieved our goal of reducing time lost to injuries in 2013, achieving a reduction of 5.71 per cent over 2012.

**JOINT HEALTH & SAFETY COMMITTEE:** Every HBC location, including stores, logistics centres and head offices, has a functioning Joint Health and Safety Committee (JHSC). We require our committees to hold at least one meeting per month and complete a monthly workplace inspection. In these meetings, the committee is provided with a health and safety kit and provides injury prevention recommendations to the management team.

## OUR HEALTH AND SAFETY STRATEGY FOCUS 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 also conduct yearly audits of our programs to ensure compliance.

**RETURN TO WORK PROGRAM:** This extensive program is intended to benefit injured Associates by promoting recovery while allowing them to keep their work routine and income consistent. Associates are able to retain their work skills and continue to serve customers directly or indirectly, which contributes to the overall productivity of our business.

**COST CONTROL:** A benefit of good safety performance is reduced costs related to workplace injuries. With fewer injuries, we are able to achieve lower workers' compensation insurance premiums. We also partner with the Alberta Worker's Compensation Board's (WCB) Partners in Injury Reduction and the Ontario Workplace Safety and Insurance Board's (WSIB) Safety Group programs.

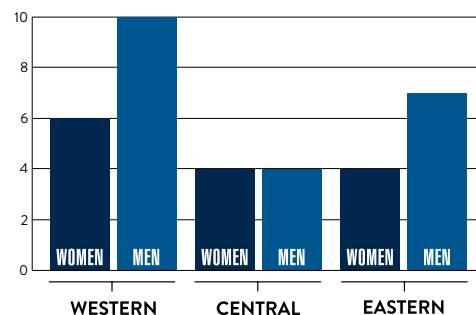
HBC follows rules that apply to the reporting and recording of workplace injuries as regulated by provincial Safety Acts and our internal "duty to report all injuries" policy. Our Associates are required to report all injuries, "near misses" and hazards encountered while working.

# ENGAGING OUR PEOPLE

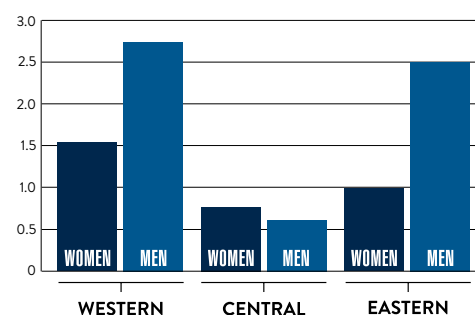
## HEALTH AND SAFETY CONT.

The following charts provide a breakdown to injury rate (IR), lost day rate (LDR), and average lost days per claim by region and gender for 2013

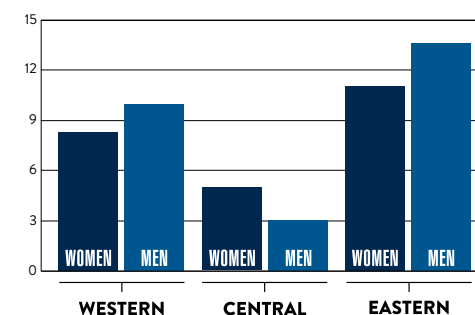
### INJURY RATE



### LOST DAY RATE



### AVERAGE LOST DAYS PER CLAIM



## LEARNING AND GROWTH

Professional development ensures Associates learn, grow and thrive in their roles. HBC offers its Associates instructor-led in-class training sessions or virtual classroom tutorials through the Online Personal Approach to Learning (OPAL) system. Courses and tutorials are designed to enhance abilities in areas such as product knowledge, system training, personal development and business strategy. OPAL was upgraded in 2013 to enable mobile learning through tablets and smart phones, support job specific development plans and improve user adoption through an improved interface.

OPAL COURSE	NUMBER OF ASSOCIATES WHO COMPLETED	
	2012	2013
Instructor-Led Courses	778	1,461
Online Courses	154,271	138,943



# ENGAGING OUR PEOPLE

## **ANNUAL ACHIEVEMENT AWARDS**

HBC recognizes Associates who have demonstrated outstanding dedication and commitment to the company through Annual Achievement Awards. In 2013, 49 individual awards and one team award were presented to recipients in the buying, planning and support functions as well as stores. Associates and teams are nominated by their leaders based on overall performance, and for those in P&L roles, nominations are based on financial performance and top percentage to plan for the previous year. Awards include Buyer of the Year, Planner of the Year, Marketing Manager of the Year, General Manager of the Year, Special Recognition and Team Award, among others. Nominations are evaluated by HR leaders and senior executives and winners are selected.

## **LIFEWORKS**

We provide our Canadian Associates and Retirees with a confidential referral program in partnership with Ceridian LifeWorks. This program puts our Associates and Retirees in touch with resources and information to face everyday challenges such as financing, parenting, elder care, relationships, addictions and recovery, work life balance and stress. It's a great way for Associates and retirees to get confidential wellness information for both themselves and their family.

# ENGAGING OUR PEOPLE

## **HUDSON'S BAY AND LORD & TAYLOR EXECUTIVE TRAINING PROGRAMS**

The Hudson's Bay and Lord & Taylor Executive Training Program has two tracks, merchandising (also referred to as buying/planning) and store operations.

The Store Operations Executive Training Program provides participants working toward becoming a department store General Manager the opportunity to learn the fundamental principles of merchandise planning, assortment, visual presentation and brand stewardship to ensure store profitability. The program is facilitated by instructors who ensure participants have a combination of classroom instruction and on-the-job experience.

The Merchandising Executive Trainee Program is geared toward individuals that have an interest in becoming either a Buyer or Planner. Participants in this program observe and participate in competitive market analysis and competitive shopping, developing category plans, inventory management, merchandise distribution, advertising and marketing, and vendor negotiations.

# CSR REPORTING PARAMETERS

## **REPORTING PARAMETERS**

The framework used to measure and report our corporate social responsibility (CSR) results has been adopted from the Global Reporting Initiative (GRI) G3.1 guidelines. Our CSR efforts focus on four key areas: Investing in Our Community, Contributing to a Sustainable Environment, Ethical Sourcing Standards and Engaging Our People. We have limited the scope of this report to Hudson's Bay Company's three North American banners: Hudson's Bay, Lord & Taylor and Home Outfitters. Saks Fifth Avenue and Saks Fifth Avenue OFF 5TH have been excluded from this report.

# CSR REPORTING PARAMETERS

REPORTING PERIOD	FEB 1, 2013 TO JAN 31, 2014
Date of last report	June 2013
Reporting cycle:	Annual
Contact for questions regarding corporate social responsibility:	HBC.Communications@HBC.com
Scope of operations:	<ul style="list-style-type: none"> <li>• Number of stores: Hudson's Bay (full-line) - 90 Hudson's Bay Outlet - 1 Lord &amp; Taylor (full-line) - 49 Lord &amp; Taylor Outlet - 4 Home Outfitters - 69</li> <li>• We operate Canadian banner stores in Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Quebec and Saskatchewan</li> <li>• We operate American Banner stores in 12 states</li> </ul>
Report content: We report on the four areas of our operations that have a substantial impact on our internal and external stakeholders:	I. Investing in Our Community II. Contributing to a Sustainable Environment III. Ethical Sourcing Standards IV. Engaging Our People

# CSR REPORTING PARAMETERS

## DATA MEASUREMENTS:

Corporate Overview	Pg.4 Number of HBC stores in each banner by province/state
Investing in Our Community	Pg.6 Focusing Canadian donations on three key areas
	Pg.11 Focusing U.S. donation on three key areas
Contributing to a Sustainable Environment	Pg.14 Waste Weight Distribution
	Pg.16 Simpson Tower waste audit summary
Engaging Our People	Pg.30 Number of HBC Associates by province/state
	Pg.33 Injury Rate (IR)
	Pg.33 Lost Day Rate (LDR)
	Pg.33 Average Lost Days per Claim (LDR)
	Pg.33 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 **hbc.com**