



HUDSON'S BAY COMPANY

2014 CORPORATE SOCIAL  
RESPONSIBILITY REPORT

# OUR JOURNEY TO SUSTAINABLE GROWTH



Richard Baker



Jerry Storch

Hudson's Bay Company's success and remarkable longevity is a story of sustainability. As the oldest company in North America, we know that what we do today matters well beyond tomorrow. We are proud of our 344-year heritage and what it stands for, our legacy of giving, and the exciting culture of innovation we have established at HBC. As we continue to innovate and evolve, we strive to be bold in our ambitions and transparent in our actions in order to be a better corporate citizen.

Supporting communities where we operate has been a cornerstone of our business and is at the heart of our social responsibility efforts. In 2014, HBC and its various banners made significant contributions to charitable organizations across North America. Whether helping athletes realize their dreams of reaching the Olympic podium, supporting local fund-raisers, or contributing to emergency response efforts overseas, HBC remains committed to supporting the people and places that support us, and to stepping up in times of need.

Notably this year, our red mittens – a now iconic symbol of Canada – generated an impressive \$3.9 million benefitting the Canadian Olympic Foundation in support of our Canadian athletes. Additionally, the Hudson's Bay Company Foundation donated more than a half million dollars to the Canadian Olympic Foundation and Canadian Paralympic Committee. In

the U.S., Lord & Taylor and the LT Foundation donated more than \$1.2 million in cash and in-kind donations to more than 150 organizations. In 2014, Saks Fifth Avenue donated more than \$2.1 million to non-profit groups and charitable organizations across the U.S. both corporately and through local store donations.

The year also saw the deadly Ebola virus outbreak in West Africa. The HBC Foundation partnered with the Canadian Red Cross and committed \$50,000 to help fight the spread of Ebola with a campaign that matched public donations dollar for dollar.

We're proud of the steps we've taken but we also recognize the need to continue to support, grow, and innovate, both as a company and as a corporate citizen. As we do so, sustainability becomes more important than ever. Through our passion, pride and integrity, we will continue to give back, and to create a brighter future for our associates, partners, shoppers, and the planet we all share.

Sincerely,

Richard Baker  
Governor and Executive Chairman  
Hudson's Bay Company

Jerry Storch  
Chief Executive Officer  
Hudson's Bay Company

# CORPORATE OVERVIEW

Hudson's Bay Company, founded in 1670, is North America's oldest company. Today, HBC offers customers a range of retailing categories and shopping experiences primarily in the United States and Canada. Our leading banners – Hudson's Bay, Lord & Taylor, Saks Fifth Avenue, Saks Fifth Avenue OFF 5TH, and Home Outfitters – offer a compelling assortment of apparel, accessories, shoes, beauty, and home merchandise. Hudson's Bay is Canada's most prominent department store with 90 full-line locations, two outlet stores and [thebay.com](http://thebay.com). Lord & Taylor operates 50 full-line locations primarily in the northeastern and mid-Atlantic U.S., four Lord & Taylor outlet locations and [lordandtaylor.com](http://lordandtaylor.com). Saks Fifth Avenue, one of the world's pre-eminent luxury specialty retailers, comprises 38 U.S. stores, five international licensed stores and [saks.com](http://saks.com). OFF 5TH offers value-oriented merchandise through 77 U.S. stores and [saksoff5th.com](http://saksoff5th.com). Home Outfitters is Canada's largest kitchen, bed and bath specialty superstore with 67 locations. Hudson's Bay Company trades on the Toronto Stock Exchange under the symbol "HBC".

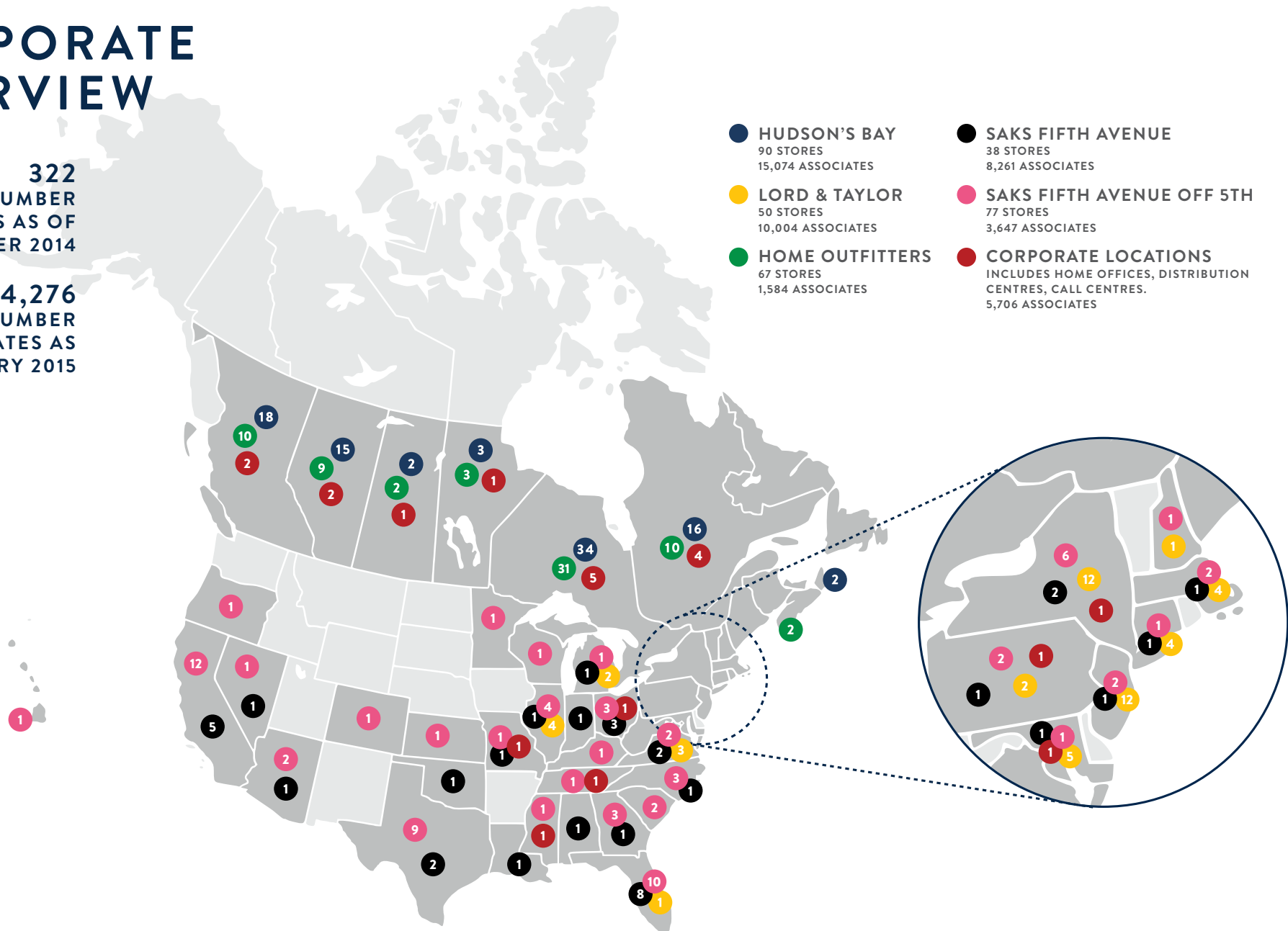
HBC is led by Richard Baker, 39<sup>th</sup> Governor of Hudson's Bay Company, and Gerald Storch, Chief Executive Officer, Hudson's Bay Company.



# CORPORATE OVERVIEW

**322**  
TOTAL NUMBER  
OF STORES AS OF  
DECEMBER 2014

**44,276**  
TOTAL NUMBER  
OF ASSOCIATES AS  
OF FEBRUARY 2015



# INVESTING IN OUR COMMUNITY

*From grassroots movements to national charities, HBC, its banners and various Foundations are dedicated to creating healthy and vibrant communities that positively impact the lives of North Americans.*

# INVESTING IN OUR COMMUNITY

Since 2005, the HBC Foundation has donated more than \$84 million in cash and in-kind donations to charitable organizations across Canada. In the U.S., Lord & Taylor has donated more than \$8.6 million in cash and in-kind donations since being acquired by HBC in 2008. Saks Fifth Avenue has donated more than \$3.4 million to non-profit groups and charitable organizations across the U.S. through corporate charitable giving and local store donations since November 2013, when HBC acquired Saks.



# INVESTING IN OUR COMMUNITY

## HBC FOUNDATION HUDSON'S BAY COMPANY FOUNDATION

The Hudson's Bay Company Foundation was established in 2005 and supports organizations and initiatives that contribute to healthy families, strong communities, and excellence in sports. In 2014, the HBC Foundation donated nearly \$6 million in cash and in-kind to charitable organizations across the country.

In 2014, the HBC Foundation donated nearly \$6 million in cash and in-kind to charitable organizations across the country.

### FOCUSING CANADIAN DONATIONS ON THREE KEY AREAS

KEY AREAS	AMOUNT DONATED
Healthy Families	\$873,115.69
Strong Communities	\$342,534.92
Sport Excellence	\$4,511,317.96
Total	\$5,726,968.57 <sup>1</sup>

<sup>1</sup>Total reflects donations made by the HBC Foundation plus corporate donations made by HBC.

The HBC Foundation's 2014 official charitable partners:



# INVESTING IN OUR COMMUNITY

## HBC FOUNDATION **BEAUTY GIVES BACK**

Since partnering in 1992, the HBC Foundation has donated more than \$2.75 million to Beauty Gives Back, an organization dedicated to helping women face the emotional fallout from cancer.

*“For a woman diagnosed with cancer, fear and uncertainty become constant companions. But the ravages of cancer treatment bring unexpected visitors — the pity of friends, the anxiety of loved ones, and the shock of passersby. The Cancer Blues — a term for the emotional distress caused by cancer and its treatment — is an often ignored consequence of the disease that can affect a woman’s ability to fight and endure through this difficult ordeal. HBC has been a cherished partner of the Look Good Feel Better program, a cosmetics and hair workshop for women with cancer. In 2014 alone, support in excess of \$324,000 provided workshop experiences for 800 women with cancer, empowering them to beat the Cancer Blues and face their illness with confidence, hope and optimism.”*

— Dee Diaz, Vice President and Chief Operating Officer, Beauty Gives Back



# INVESTING IN OUR COMMUNITY

## HBC FOUNDATION CANADIAN OLYMPIC FOUNDATION & CANADIAN PARALYMPIC COMMITTEE

The HBC Foundation donated \$4.4 million to the Canadian Olympic Foundation and \$100,000 to the Canadian Paralympic Committee to fund athletic training and coaching and help Canadian athletes realize their dream of winning an Olympic medal. These funds include proceeds from the sale of HBC's iconic red mittens, Olympic sunglasses, and funds raised from HBC's charity Golf Tournament & Spa.

*"Hudson's Bay has a long history of supporting athletes on their journey to the Games, and the three of us have had the honour of representing Canada at the Olympic Games in Sochi. We know how crucial it is for athletes to receive the funding they need to perform at their best and reach their full potential. Thank you to HBC for your ongoing support of Canada's athletes and the Olympic Movement."*

– The Dufour-Lapointe Sisters: Justine, 2014 Olympic Gold medalist, moguls;  
Chloé, 2014 Olympic Silver medalist, moguls; and Maxime 2014 Olympian, moguls



# INVESTING IN OUR COMMUNITY

## HBC FOUNDATION BREAST CANCER RESEARCH FOUNDATION

The HBC Foundation donated \$250,000 to the Breast Cancer Research Foundation (BCRF) in 2014, raised through the sale of a limited-edition tote sold in Hudson's Bay stores and on [thebay.com](http://thebay.com), as well as through Hudson's Bay Rewards points donated by consumers. These contributions were used to support the work of one of Canada's top breast cancer researchers, Dr. Pamela Goodwin of the University of Toronto/Mount Sinai Hospital, for one year.



Dr. Pamela Goodwin

*“Since 2012, Hudson's Bay has been critical to helping fulfill the promise of funding lifesaving research. By harnessing the power of their customers and employees, Hudson's Bay helps us engage new supporters and raise funds to support innovative breast cancer research across the world. Over the course of three years, HBC's support has grown remarkably — a testament to the company's dedication not only to the critical work that BCRF funds, but also to the hundreds of thousands of women and men who are affected by this disease.”*

— Myra Biblowit, President & CEO, the Breast Cancer Research Foundation



# INVESTING IN OUR COMMUNITY

## HBC FOUNDATION HABITAT FOR HUMANITY

In 2014, the HBC Foundation raised \$70,000 for Habitat for Humanity Canada and, since partnering in 2011, has donating more than \$160,000 in cash and in-kind. Programs run in Home Outfitters stores across the country raise these funds, including our 'Build A House' program where customers and associates purchase components of a cardboard house and work together to build the home 'brick-by-brick'. The funds raised from these initiatives help to build affordable housing and empower Canadian families to build a better life for a brighter future.

## SICKKIDS FOUNDATION

For the fourth year in a row, the HBC Foundation supported a prom-inspired after-hours event for teenaged patients, their hospital peers, and friends at SickKids. With the help of their vendor partners, the HBC Foundation has donated jewellery, designer clutches, dress socks, ties, and hats, valued at more than \$13,000 to date.

On December 17<sup>th</sup>, the HBC Foundation was a 'Gift of Giving' sponsor during one hour of SickKids Hospital's annual live Radiothon broadcast. During the hour, more than \$30,000 in pledges were received, and matched dollar for dollar by the HBC Foundation. The resulting \$60,256 raised represented nearly 25 per cent of the total proceeds from the four-hour initiative.

For the second consecutive year, the HBC Foundation worked with the Hudson's Bay Home team to bring the comforts of home to children and their families staying in the hospital during the month of December. A woodland-themed window, Christmas trees, cozy

couches, and accent tables created a comfortable and festive environment in a part of the hospital atrium now known as the 'HBC Foundation Winter Lounge'.



# INVESTING IN OUR COMMUNITY

**HBC FOUNDATION** *“We often take for granted being able to celebrate the festive season in the comfort of our homes. The HBC Foundation Winter Lounge helped staff at the hospital bring even more cheer to so many children and their families. In addition to the Winter Lounge, HBC Foundation’s sponsorship of Newstalk1010’s Gift of Giving for SickKids Radiothon rallied the community to support SickKids by providing HBC’s iconic mittens to children in hospital for every donation made. Through the support of these important programs HBC continues to make a generous investment in the future of child health.”*

– Seanna Dempsey, Vice President, Corporate Partnerships, SickKids Foundation



## CANADIAN RED CROSS

HBC partners with the Canadian Red Cross (CRC) for emergency response efforts. When the Ebola virus outbreak hit in 2014, the HBC Foundation launched a donation matching campaign in conjunction with the CRC to raise much

**When the Ebola virus outbreak hit in 2014, the HBC Foundation launched a donation matching campaign in conjunction with the CRC to raise much needed funds to combat the spread of the deadly virus in West Africa.**

needed funds to combat the spread of the deadly virus in West Africa. The HBC Foundation matched all donations made to the CRC between October 14<sup>th</sup> and October 31<sup>st</sup>, 2014, up to \$50,000. The campaign was a tremendous success, raising a grand total of \$509,000.



# INVESTING IN OUR COMMUNITY

## HBC FOUNDATION ASSOCIATE GIVING

Established in 2014, the HBC Foundation's Associate Giving Program allows Canadian associates to make contributions to the HBC Foundation through monthly payroll deductions. The generosity of HBC associates has generated nearly \$19,000 in support of the Foundation in just over one year.

The HBC Foundation would like to thank participating associates for their ongoing support through the Associate Giving Program.

## HBC FOUNDATION

### A

Abou-Hasan, Lina  
Ahmed, Diana  
Ahmed, Shahnaz  
Alexandre, Judith  
Ali, Imran  
Appiah, Jennifer  
Ashcroft, Brandon  
Askeland, Cynthia  
Ayres, Elizabeth  
Bajwa, Musarrat  
Bakogiannis, Alexia  
Ballentine, Bev  
Baltzer, Shannon  
Banipal, Javjeet  
Banyard, Samantha  
Baxter, Tuula  
Beaumier, Chantal  
Beckford, Phyllis  
Bennett, Carmen  
Bezzina, Celine  
Blackmore, Desiree  
Blanchard, Susan  
Bofill, Emm-Jay  
Boland, Joanne  
Bolek, Laila  
Bondy, Annette  
Bourré, Tiffany  
Bousquet, Guillaume  
Brar, Rupinder  
Brassington, Sandra  
Bridgens, Shelly Ann  
Brown, Jane  
Brownrigg, Kevin

### B

### C

Bucci, Theresa  
Campbell, Tessa  
Caringi, Monica  
Chagnon, Claude  
Chambers, Elizabeth  
Chan, Amy  
Chan, Pauline  
Charette, Amy  
Charpentier, Hilda  
Chelli, Maurice  
Chong, Allan  
Clarke, Rob  
Costa, Eulalia Da  
Cotton-Boulais, Sarah  
Cuillerier, Louise  
Dacasin, Maria Luisa  
Dail, Meera  
Dasilva, Maria  
Davison, Kim  
Dawes, Carol  
Dekic, Sanda  
Delano, Diane  
Dell, Patti  
Dilena, Julia  
Ditomaso, Stefanie  
Dubreuil, Roch  
Duplessis, Michael  
Ellarby, Colleen  
Elmazini, Ossama  
Erdogan, Elif  
Farkic, Nikola  
Fennema, Melanie  
Fernandez, Crisostomo

### D

### E

### F

### G

Figenshaw, David  
Fisher, Darren  
Fontana, Ida  
Forte, Lucie  
Frost, Wendy  
Fukala, Shane  
Gallagher, Sonja  
Gervais, Meghan  
Ghazala, Mohamed  
Gibbins, Meaghan  
Gill, Tejinder  
Godor-Evangelista, Timea  
Golic, Tamara  
Gordon, Zachary  
Gougeon, Johanne  
Grant, Susan  
Green, Sheila  
Guenther, Lily Wong  
Gunn, Rita  
Gustafson, Michael  
Gyalpo, Tsewang  
Haidari, Shakeeba  
Hammond, Carol  
Harim, Zineb  
Hazel, Sabrina  
Hemmerling, Georgina  
Hendry, Jill  
Higham, Emily  
Hluchaniuk, Julie  
Hundal, Parmjit  
Husain, Asif  
Jankovic, Sara  
Jardine, Laurie

### H

### J

### K

Jasniak, Zofia  
Jensen, Heather  
Johnston, Christine  
Johnston, Jennifer  
Jones-O'Neill, Janice  
Joseph, Alice  
Joshi, Jayshree  
Kamdar, Hemani  
Kanwar, Chanpreet  
Karpowicz, Stephanie  
Kennedy, Michelle  
Kervin, Suzette  
Khan, Suleman  
Khatun, Rahena  
Khemiri, Najoua  
King, Gail  
King, Jasett  
Klett, Leslie  
Knight, William  
Kosteft, Galyna  
Kumar, Swastika  
Labbe, Nathalie  
Labrie, Levis Daniel  
Lambert, Martin  
Landon, Megan Smith  
Laporte, Marie  
Larbi, Kamelia  
Law, Mai Chun  
Leblond, Marie-Josée  
Ledoux, Stéphane  
Lee, Glen  
Leigh, Janis  
Leoni, Marie-Jeanne

### L

### M

Lepiane, Amanda  
Lesway, Gail  
Li, Elsa  
Li, Zhu  
Lovsin, Janine  
Lubin, Ricard  
Luo, Yuchen  
Mackinnon, Margaret  
Macneil, Dave  
Marsaoui, Asma  
Mathews, Terry  
Mayea, Carolyn  
Mayer, Ida  
McDowall, Karyn  
Mitchell, Louis  
Molnar, Allison  
Moon, Jeongeom  
Morelli, Paula  
Mullin, Marilyn  
Munden, Katie  
Ng, Anna  
Nguyen, Diamond  
Nguyen, Mai  
Niles, Suzanne  
Paragas, Veronica  
Patel, Ajay  
Patterson, Theresa  
Pelayo, Emma  
Penn, Christy  
Perri, Roberta  
Petrova, Elena  
Pomminville, Bella  
Potvin, Nicole

### N

### P

### R

Preeper, Angelina  
Price, Susan  
Pusateri, Jo-Anne  
Rabindranauth, Christina  
Rae, Jennifer  
Rayment, Shelley  
Renaud, Sean  
Reyes, Kristina  
Riebel, Nicole  
Riemenschneider, Kyle  
Rowan, Angela  
Rozenwald, Shelley  
Russo, Cora  
Saadati, Cherie-Ann  
Saju, Kurbanali  
Sampson, Laura  
Sandhu, Baljinder  
Sandhu, Kulbir  
Sang, Paul Yun  
Santos, Edilyn  
Savory, Suzanne  
Sawyer, Joann  
Senekovic, Mary  
Seneriches, Vanessa  
Seto-Fung, Eva  
Sewak, Matthew  
Shafer, Thomas  
Shane, Debbie  
Sharkey, Stella  
Shaw, Mary Ellen  
Shergill, Sarbpreet  
Shi, Junxiao  
Shipon, Kamrun Nahar

### S

### T

Sit, Brian  
Smith, Stephanie  
Sousa, Fatima  
Stewart, Maria  
Szabo, Lucian-Andrei  
Szeto, Peggy  
Tamayo, Ruby  
Telford, Delores  
Thibault, Suzie  
Thomas, Mary  
Thornbury, Stephanie  
Tomlinson, Debi  
Tran, Chuan-Jia  
Turgeon, Gilbert  
Turner, Mary  
Uzelac, Hannah  
Vallée, Jean-Jacques  
Vallis, Tammy  
Waldmann-Farinha, Sabine  
Wheatcroft, Rodney  
Whicher, Ashley  
White, Dylan  
Wiebe, Sylvia  
Williams, Natalie  
Wingrove, Mark  
Witt, Janet  
Wood-Gittoes, Alison  
Yu, Chunli  
Zhang, Wenlian  
Zhao, Wujun  
Zheng, Fumin

### U

### V

### W

### Y

### Z

Active associates as of December 2014.

# INVESTING IN OUR COMMUNITY

## HUDSON'S BAY COMPANY HISTORY FOUNDATION

### HUDSON'S BAY COMPANY HISTORY FOUNDATION

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

In September 2014, HBCHF took part in celebrations at the Hudson's Bay Company Archives in Winnipeg to mark the 20<sup>th</sup> anniversary of these "Gifts to the Nation". At that event, HBCHF announced an additional donation of two beloved mural paintings, which previously hung in the downtown Winnipeg Hudson's Bay store, to The Manitoba Museum. These historical murals depict the

Company's first trading post at Charles Fort on the Rupert River in Quebec and the HBC steamer, The Pioneer, at The Forks of the Red and Assiniboine Rivers in Winnipeg.

HBCHF is also committed to advancing knowledge of, and interest in, the Company's role in Canadian history. This is accomplished through support of the HBC Education Program, in particular the HBC Heritage website, [www.hbcheritage.ca](http://www.hbcheritage.ca). A three-year long program to enhance educational resources on the site concluded in 2014. HBCHF also provides support to Canada's National History Society, a not-for-profit organization whose objective is the promotion of greater interest in Canadian history.

In 2014, HBCHF donated approximately \$1.5 million in financial support to these recipients.

## HUDSON'S BAY COMPANY HISTORY FOUNDATION



# INVESTING IN OUR COMMUNITY

## LORD & TAYLOR GIVING

### LORD & TAYLOR GIVING

In 2014, Lord & Taylor contributed more than \$1.1 million in cash and in-kind donations to more than 150 charitable and non-profit organizations, including Dress for Success, New York Cares, and Forgotten Children's Ministry. Additionally, more than 400 home office associates donated their time outside of work to volunteer at local shelters, children's homes, and non-profit organizations. Since its inception in 2010, Lord & Taylor's Human Resources 'Do Good' program has partnered with more than 40 organizations, fundraising for important causes such as the Leukemia & Lymphoma Society's Annual Light The Night Cancer Walk, and donating merchandise and products to various Foundations and disaster relief programs.

### LEUKEMIA & LYMPHOMA SOCIETY

Lord & Taylor hosts events throughout the year to raise money for the Leukemia & Lymphoma Society's (LLS) Annual Light the Night walk, held in lower Manhattan. The walk brings home office associates together for a night to raise awareness and funds for LLS. For five consecutive years, Lord & Taylor has been recognized as the Top Corporate Fundraising Team. The event allows associates to contribute to the cause and make a difference with their time, whether by attending the walk or participating in the events leading up to it.

## FOCUSING DONATIONS ON THREE KEY AREAS

KEY AREAS	AMOUNT RAISED
Education	\$196,235
Wellness	\$613,881
Civic and Cultural Events	\$407,750
Total	\$1,217,866 <sup>1</sup>

<sup>1</sup>Total reflects donations made by the LT Foundation plus corporate donations made by Lord & Taylor.



# INVESTING IN OUR COMMUNITY

## LORD & TAYLOR GIVING

### WOMEN IN NEED

Since 1983, Women In Need (WIN) has provided New York City's homeless women and their families with safe, clean housing, support, and the skills to become self-reliant. In 2014, Lord & Taylor donated \$34,250 in merchandise and holiday gift donations to the deserving families and children of WIN, and has been named Corporate Partner by the organization for the past four years.

*"Thank you to Lord & Taylor and HBC for their continued contributions to WIN. The constant flow of goods and assistance from HBC helps us transform and improve the lives of our families. WIN families face many challenges. For our job-seeking adults, having access to new shoes and clothing can go a long way towards improving confidence and easing the stress of job interviews or that first day at a new job. Thank you for the years of compassion and generosity!"*

— Alyssa Montoya, Director of Volunteer Services, Women In Need



### TWO TEN FOOTWEAR FOUNDATION

The Two Ten Footwear Foundation provides tailored programs and caring services for those in the footwear industry facing difficult challenges. Services include: financial assistance, scholarships, crisis counseling, community resources, and financial coaching. As part of the Foundation's 75<sup>th</sup> Anniversary celebration, Lord & Taylor associates in New York contributed their time on one of six off-site volunteer days, working at a Women In Need shelter location and by delivering meals to the hungry through City Meals on Wheels.

# INVESTING IN OUR COMMUNITY

## SAKS GIVING SAKS GIVING

Saks Fifth Avenue supports its communities with the same dedication it provides its customers, through philanthropic giving and active outreach, both locally and nationally. In 2014, more than \$2.1 million was donated to more than 400 charitable and non-profit organizations in the U.S. These donations reflect both corporate giving and local store donations.

In 2014, Saks donated nearly \$1.1 million corporately to charitable organizations by supporting national initiatives, including the annual Key To The Cure campaign, Father's Day campaign, and major charitable event sponsorships.

Saks Fifth Avenue stores support charitable groups that are relevant and connected within their local markets. In 2014, these donations totaled \$729,238. Saks stores also support their local communities by donating a percentage of sales to charity from outreach shopping events. In 2014, these donations totaled \$298,227, benefitting the areas of arts and culture, civic organizations, education, health, minority groups, and children's charities.



# INVESTING IN OUR COMMUNITY

## SAKS GIVING THE ENTERTAINMENT INDUSTRY FOUNDATION

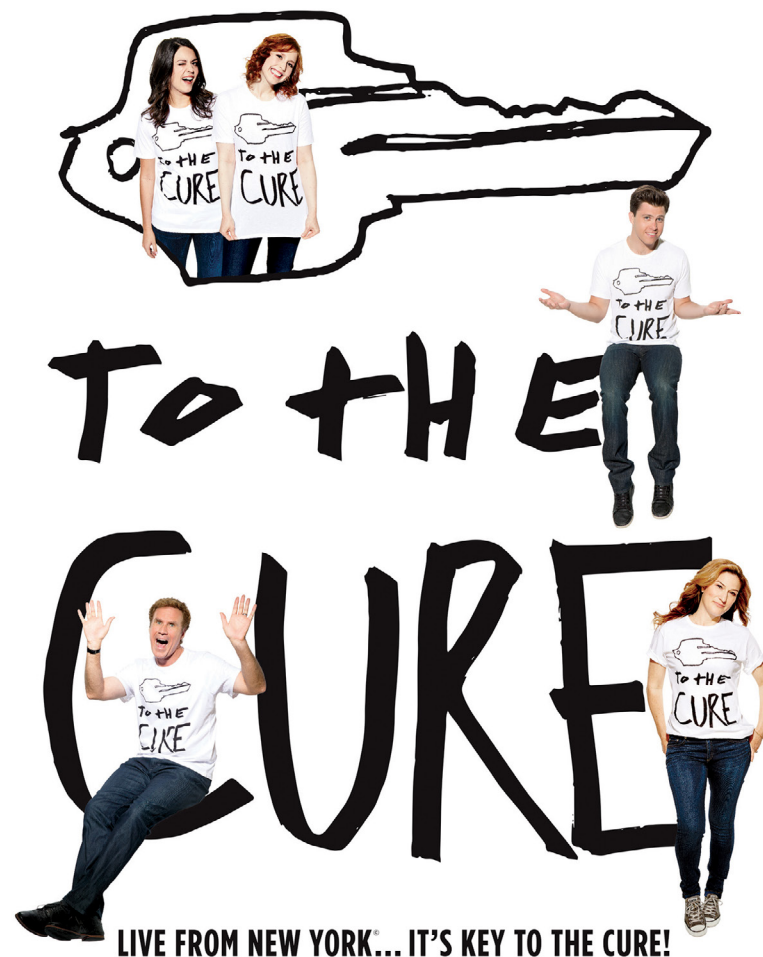
Saks Fifth Avenue's Key To The Cure (KTTC) initiative is an annual nationwide charity shopping weekend, with a percentage of charity shopping weekend sales and 100 per cent of KTTC t-shirt sales donated to local and national women's cancer organizations through The Entertainment Industry Foundation (EIF). 2014 marked Saks Fifth Avenue's 16<sup>th</sup> annual Key To The Cure campaign, which raised more than \$36 million since 1999 for women's cancer research and treatment organizations throughout the U.S. The shopping weekend took place from October 16<sup>th</sup> - 19<sup>th</sup>, 2014 at all Saks stores, Saks Fifth Avenue OFF 5TH stores and [saks.com](http://saks.com).

*"The Entertainment Industry Foundation is thrilled that it has been able to celebrate the Key To The Cure campaign with our friends at Saks Fifth Avenue. The incredible donation that Saks makes to the Entertainment Industry Foundation's Women's Cancer Research Fund goes directly to support innovative research, education, and outreach for women's cancers."*

– Lisa Paulsen, President and CEO, Entertainment Industry Foundation

## ST. JUDE'S CHILDREN'S RESEARCH HOSPITAL

For the past two years Saks Fifth Avenue has partnered with St. Jude's Children's Research Hospital for its annual Father's Day campaign. In 2014, five per cent of all Saks Men's Collection purchases from June 8<sup>th</sup> - 15<sup>th</sup>, up to \$25,000, benefitted St. Jude's.



## CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT

*Hudson's Bay Company is committed to continuously improving our environmental stewardship. By utilizing our resources responsibly to minimize our environmental footprint, reducing our contribution to climate change, and empowering our customers and associates to adopt greener practices, we can reduce our overall impact on the environment.*

# CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT

## WASTE DIVERSION

Sustainability is at the core of our business practices and we continue to expand our initiatives in the areas of waste and water consumption,

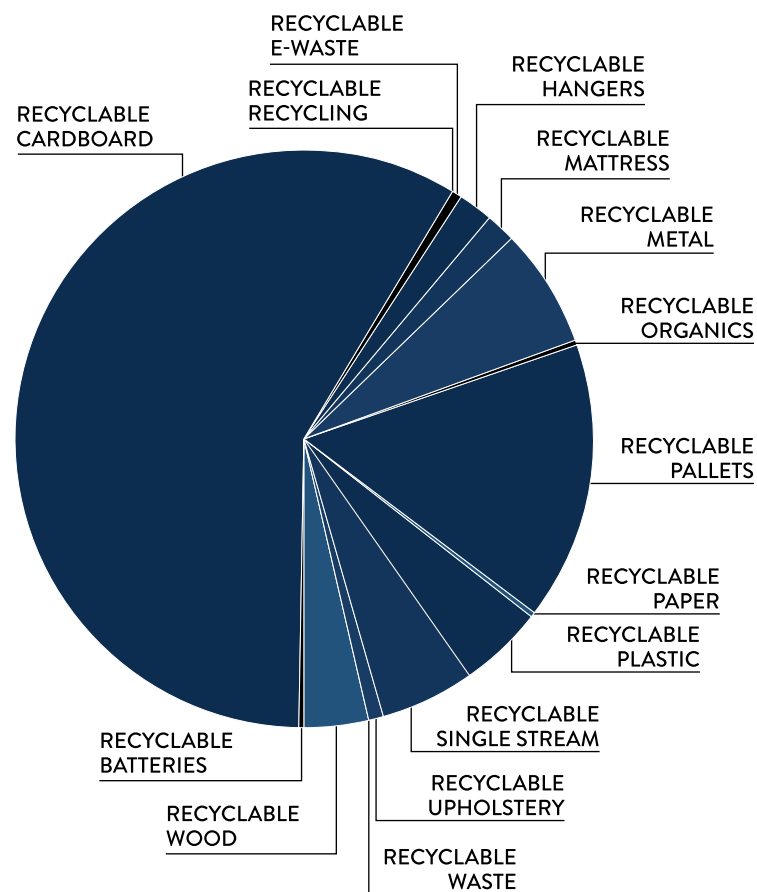
energy efficiency and greenhouse gas (GHG) emissions, in an effort to maintain the health of our communities. Waste diversion continues to be a key operational focus for HBC. In 2014, our diversion rate was 52 per cent as reported by our third-party vendor partner, Greenspace Waste Solutions.

This figure was based on combined data from Hudson's Bay, Lord & Taylor, Home Outfitters and, for the first time, Saks Fifth Avenue and Saks Fifth Avenue OFF 5TH. This is a one per cent improvement over our 2013 diversion rate of 51 per cent.

- ❶ Plastics recycling equivalent to a savings of 2,689 m<sup>3</sup> of landfill space as well as 2,587,236 kWh of energy.
- ❷ Cardboard recycling equivalent to saving 95,692 trees and 1,486,035 litres of water.

In 2014, HBC tendered for all waste and recycling services for all banners, and has now partnered with a single vendor for both waste and recycling for our Canadian operations and a single vendor for our U.S. operations. We believe that having single vendor contracts by operating country will allow us to improve diversion rates through better analytics and improved best practices. As a result, our goal for 2015 is to better our diversion rate by five per cent. Single vendor contracts will also allow us the opportunity to optimize lift frequencies.

## TOTAL WASTE BY MATERIAL STREAM



# CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT

## WASTE DIVERSION CONT.

Lifting fuller loads less often will mean a reduction of the GHG emissions produced by haulers when moving waste, as well as monetary savings for HBC.

## NESPRESSO RETURN TO RETAIL PROGRAM

HBC partnered with TerraCycle and Nespresso in 2014 to initiate a return to retail program for Nespresso coffee pods at select HBC locations. Through this program, customers can return their used coffee pods to public drop-off boxes located in Nespresso boutiques at seven Hudson Bay and 19 Home Outfitters stores. TerraCycle is an international upcycling and recycling company that collects difficult-to-recycle packaging and products, and repurposes the material into affordable, innovative products. The results of this initiative are illustrated in the chart below.



## NESPRESSO RETURN TO RETAIL PROGRAM ACCOMPLISHMENTS TO-DATE

	TOTAL	WEIGHTS DIVERTED FROM LANDFILL EQUIVALENTS	
		AFRICAN ELEPHANTS (5,500KG)	MID. SIZED CAR (1,623KG)
Weight diverted from landfill 2014 (kg)	65,519	12	40
Weight diverted from landfill to date (kg)	132,034	24	81
Number of pods recycled 2014	4,817,587		
Number of pods recycled to date	9,708,359		

# CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT

## GHG EMISSIONS REPORTING

Greenhouse gases are atmospheric gases that contribute to the greenhouse effect by absorbing infrared radiation produced by the solar warming of the earth's surface. These gases are produced during the use of energy in our day-to-day operations and include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (NO<sub>2</sub>), and water vapour.

To understand and manage our environmental footprint, we have been tracking our greenhouse gas emissions, water consumption, and fuel efficiency since 2000. Previously, HBC used 2000 as our baseline year in order to track year-over-year progress. Due to the changes in our portfolio over the years, including the closing of our Zellers banner in 2013, our newly integrated Saks Fifth Avenue and Saks Fifth Avenue OFF 5TH banners in 2013, and updates to our reporting methodology, we will be using 2014 as our baseline year moving forward.

Using this 2014 baseline, HBC has set a goal of achieving a corporate-wide absolute emissions reduction of 10 per cent by 2020. 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 sources of GHG emissions:

- |               |                  |               |
|---------------|------------------|---------------|
| ① Natural Gas | ④ Chilled Water  | ⑦ Electricity |
| ② Steam       | ⑤ Fuel Oil       | ⑧ Waste       |
| ③ Propane     | ⑥ Transportation | ⑨ Recycling   |

HBC reports its emissions from direct (Scope 1) energy use, indirect (Scope 2) energy use, 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. In 2014, we have also included energy indirect (Scope 3) emissions based on waste sent to landfill as well as emissions avoided as a result of our recycling efforts.

Our third-party energy consultants, Schneider Electric, prepared our [2014 GHG Emissions Report](#), for water consumption and fuel efficiency. HBC uses this report to ensure that we are continually evaluating opportunities to reduce the environmental footprint of our physical operations.



# CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT

## ASSOCIATE PROGRAMS

While we take steps corporately to contribute to a sustainable environment, we also look for ways to help our associates do the same. In Canada HBC offers two programs that help our associates commute to and from work more sustainably: our Smart Commute carpooling program and TTC Metro Pass discount program.

## CARPOOLING PROGRAM

Smart Commute Brampton-Caledon provides an online trip planning and a ride-matching tool to encourage carpooling, transit use, cycling, and walking to work. HBC has been an enthusiastic member of Smart Commute since 2008, participating in annual events such as Carpool Week and Smart Commute Week, and implementing reserved carpool parking for associates.

HBC has also undertaken a number of commuter surveys to track associate commuting and measure the impact of the Smart Commute program. HBC frequently hosts information sessions to promote

initiatives, and alternative commuting solutions. The Smart Commute program is open to all HBC associates at our Brampton home office. In 2014, the Smart Commute program helped HBC associates avoid approximately 45,000kg of GHG emissions, and saved commuters over \$50,000 in commuting costs.

**In 2014, the Smart Commute program helped HBC associates avoid approximately 45,000kg of GHG emissions, and saved commuters over \$50,000 in commuting costs.**



# CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT

## TTC METRO PASS DISCOUNT PROGRAM

Through the program, associates save 10-12 per cent off the regular-priced Metro Pass, which equates to one month of free travel for every ten months.

HBC offers a discounted rate with the Toronto Transit Commission (TTC) for its monthly Metro Pass. This program is offered at one of our distribution centres, two home offices, and five store locations in the Greater Toronto Area (GTA). Through the program, associates save 10-12 per cent off the regular-priced Metro Pass, which equates to one month of free travel for every ten months. In 2014, nearly 1,000 associates purchased metro passes each month through the program.



## EARTH HOUR

Earth Hour is a worldwide movement organized by the World Wildlife Fund (WWF) which started as a lights-off event in Sydney, Australia in 2007. Now held annually around the world, the event encourages individuals, communities, households, and businesses to turn off their non-essential lighting for an hour on the last Saturday in March as a symbol of their commitment to the planet. HBC has been a proud participant of Earth Hour since 2008, when all of our GTA locations participated. In 2009, and each year following, all of HBC's Canadian locations participated in Earth Hour. HBC's goal for 2015 and beyond is to have all of its North American locations participate.



## SOURCING ETHICALLY

*HBC's commitment to ethical and socially responsible sourcing practices drives the way our social compliance program evolves each year. We face localized and systemic challenges that make us re-evaluate the way we interact with various business partners – suppliers, factories and buyers – to ensure everyone understands the role they play in this symbiotic relationship of global trade.*

## SOURCING ETHICALLY

In 2014, we witnessed an increase in the minimum legal wage after waves of protests and strikes by factory workers in both Bangladesh and Cambodia. In China, the rapid growth of wages is changing the face of the manufacturing industry by moving factories away from the coastal regions. HBC's sourcing strategies were naturally impacted by these geo-political issues that affect the cost of producing merchandise. It is our responsibility to ensure that we remain steadfast in our commitment to source responsibly while we meet our corporate and financial objectives.

To address these challenges, we established one Supplier Code of Conduct for all company banners and developed one standard Social Compliance Policy for all merchandising areas in 2014. HBC's Social Compliance Policy requires all vendors to conduct business in an ethical and socially responsible manner, as stated in our Code and in compliance with local laws. Both the Policy and Code are communicated as terms within our business agreements, and vendors must ensure their suppliers and subcontractors are in compliance with these terms.

Additionally, the HBC Social Compliance Program is applicable to vendors and factories that produce private label merchandise for HBC, as well as overseas import vendors producing national branded merchandise where HBC is the importer of record.



# SOURCING ETHICALLY

## SUMMARY OF HBC'S SOCIAL COMPLIANCE PROGRAM

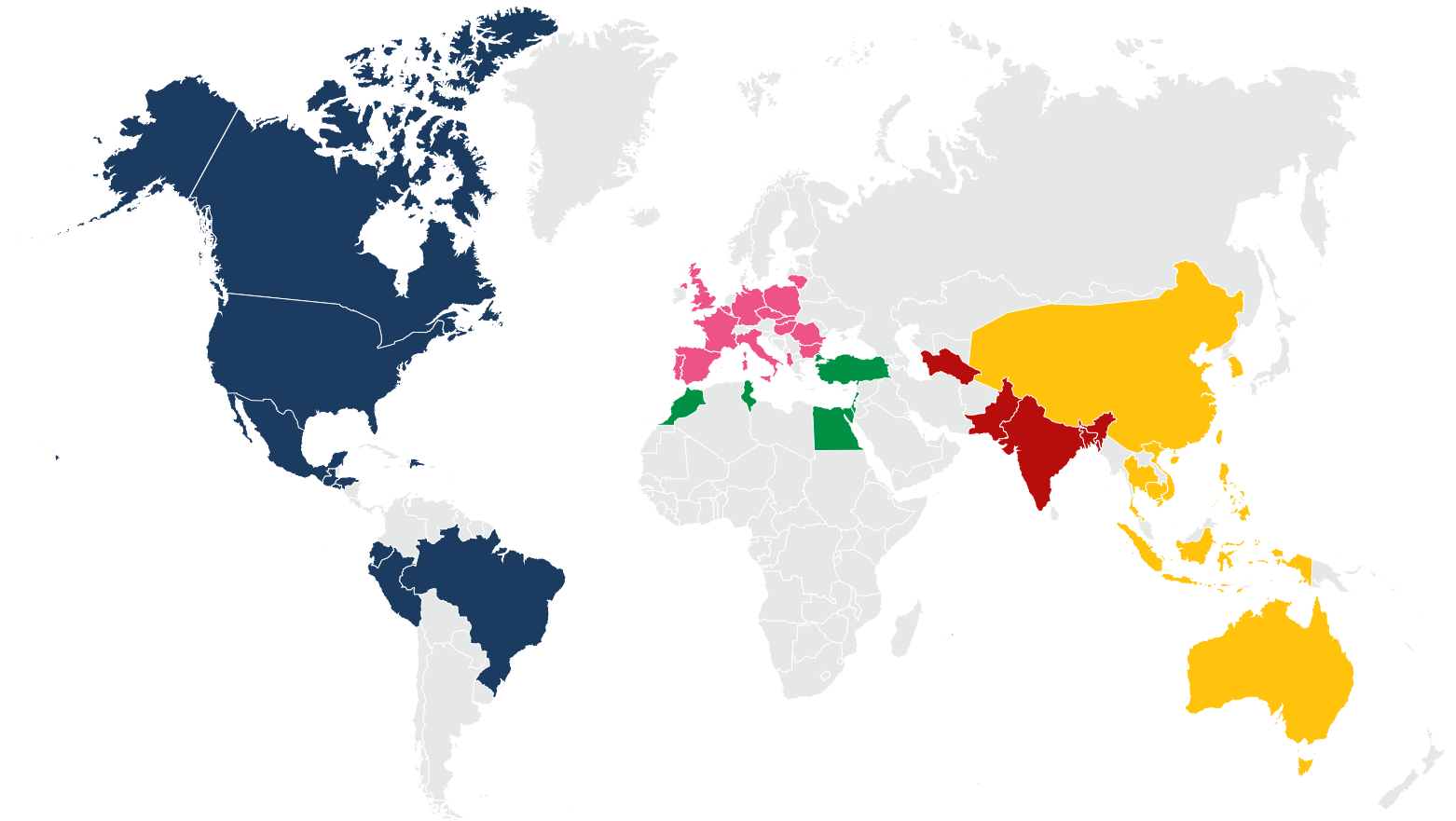
In 2014, we conducted 991 audits in 46 countries around the world with the majority of those factories located in China, India, Italy, and Vietnam. Audits were conducted on all factories that produce private brand merchandise and a select number of factories that produce national branded merchandise, if HBC is the importer of record, and they do not manage their own social compliance program that meets our standards. For factories located in countries considered medium to high risk, based on the working conditions and political state of affairs, we requested a full audit either through our overseas agent, Li & Fung Ltd. or HBC's nominated auditing agency, Intertek Testing Services Ltd. We also accepted third party audit reports with acceptable audit grades if conducted in the past six months by any of the following accredited audit standards:

- ① Social Accountability International (SA8000)
- ② Fair Labor Association (FLA)
- ③ Worldwide Responsible Accredited Production (WRAP)
- ④ International Council of Toy Industries (ICTI)
- ⑤ Business Social Compliance Initiative (BSCI)
- ⑥ Supplier Ethical Data Exchange (Sedex)
- ⑦ Initiative Clause Sociale (ICS)
- ⑧ ITS Workplace Compliance Assessment (WCA)



# SOURCING ETHICALLY

## COUNTRIES WHERE HBC SOURCES



### THE AMERICAS

BRAZIL  
CANADA  
DOMINICAN REPUBLIC  
EL SALVADOR  
ECUADOR  
GUATEMALA  
HONDURAS  
MEXICO  
PERU  
UNITED STATES

### EUROPE

ALBANIA  
BELGIUM  
BULGARIA  
CZECH REPUBLIC  
FRANCE  
GERMANY  
HUNGARY  
ITALY  
LITHUANIA  
POLAND  
PORTUGAL  
ROMANIA  
SLOVAKIA  
SPAIN  
UNITED KINGDOM

### WESTERN ASIA, MIDDLE EAST & AFRICA

EGYPT  
ISRAEL  
LEBANON  
MAURITIUS  
MOROCCO  
TUNISIA  
TURKEY

### SOUTH-CENTRAL ASIA

BANGLADESH  
INDIA  
PAKISTAN  
TURKMENISTAN

### ASIA-PACIFIC

AUSTRALIA  
CAMBODIA  
CHINA  
HONG KONG  
INDONESIA  
PHILIPPINES  
SOUTH KOREA  
TAIWAN  
THAILAND  
VIETNAM

# SOURCING ETHICALLY

## BREAKDOWN OF AUDIT RESULTS BY COMMODITY

Based on 433 full audits conducted by HBC's nominated auditing agency, Intertek Testing Services Ltd., and our agent partner, Li & Fung Ltd., we identified the following key issues: health and safety, and excessive work hours, separated by two product categories: home and apparel.

Following the tragic Rana Plaza factory collapse in Bangladesh in 2013, issues surrounding fire safety management and emergency exits emerged at the forefront of social compliance concerns as they posed immediate health and safety risks to factory workers. As a result, regulations for fire safety management, emergency exits, electrical safety, and emergency preparedness became more stringent. Consequently, we increased the urgency of these issues in our Corrective Action Plans (CAPs) to ensure that the factories rectify all deficiencies immediately to improve the safety of the working conditions and meet HBC's standards.

A consistent violation found by audits of our home suppliers was that of excessive work hours. We recognize that the root causes of excessive working hours are complex, and that we, the retailer, often contribute to the problem. Therefore, we evaluate the severity of the problem by considering other related issues such as: are workers being properly compensated for overtime hours worked? Are workers permitted at least one day off in every seven-day period? Is overtime voluntary and mutually agreed? We also strongly advise our suppliers and factories to be transparent about the number of working hours. We enforce this principle by considering falsification of records as a zero tolerance issue, in contrast to excessive working hours which is a major issue.

On the apparel side, health and safety violations represented the majority of key issues, followed by insufficient participation in all five legally mandated social insurances – pensions, unemployment insurance, medical insurance, work-related injury insurance, and maternity insurance – specifically in China. The prevalence of this endemic problem continues to be a challenge for our factories. Many workers neglect to participate in social insurance programs out of fear that they will not receive the entitled payments due to systemic failure of the government.

## TOP ISSUES BY COMMODITY

### HOME

- Fire Safety Management
  - inadequate equipment and inspection
  - no fire certificate

Emergency Exits and Lighting

Working over 60 hours a week

Electrical Safety

- Emergency Preparedness
  - no fire drill and/or evacuation plan

### APPAREL

- Fire Safety Management
  - inadequate equipment and inspection
  - no fire certificate

Emergency Exits and Lighting

Insufficient social insurance participation (China specific)

Lack of and/or misuse of Personal Protective Equipment

Machine/Operator Safety

# SOURCING ETHICALLY

## BREAKDOWN OF AUDIT RESULTS BY COMMODITY CONT.

As China's aging labour force grows in the future, under-funded social insurance plans will pose great risk to pension and medical insurance funds. In 2015, HBC will continue to research industry best practices to determine how best to proactively address this endemic problem with our Chinese suppliers, who represent almost 60 per cent of our current supplier base.

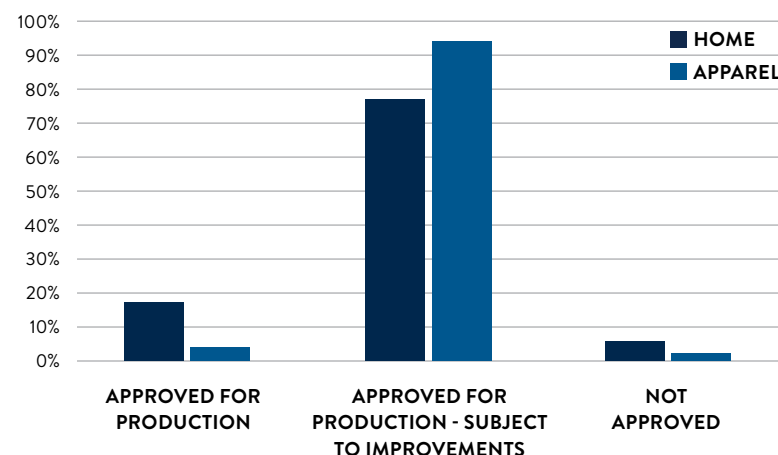
## ENGAGING OUR FACTORIES THROUGH FIRE SAFETY MANAGEMENT TRAINING

The nature and transparency of the manufacturing industry's supply chain has been transformed in recent years. Now more than ever, consumers want the assurance that what they are purchasing and wearing has been produced in a socially and environmentally responsible manner. HBC takes this responsibility seriously and through the auditing process, has identified some key issues.

One of HBC's ethical sourcing goals in 2014 was to place an emphasis on fire safety management and emergency preparedness for factory workers. With the help of Li & Fung, we were able to develop and provide in-depth training sessions for some of our biggest suppliers and factories in China, Cambodia, Indonesia, India, and Pakistan.

This training provided information to factory management about various fire safety issues including: planning and clearing of evacuation routes, training and maintenance of firefighting equipment, electrical and chemical safety, and other emergency response plans. All participants also received access to Li & Fung's Sustainability Resource Portal where factories can download training materials, videos, and other resources focused on improving the health and safety of their employees.

## BREAKDOWN OF AUDIT GRADES BY COMMODITY



# SOURCING ETHICALLY

## ENGAGING OUR FACTORIES THROUGH FIRE SAFETY MANAGEMENT TRAINING CONT.

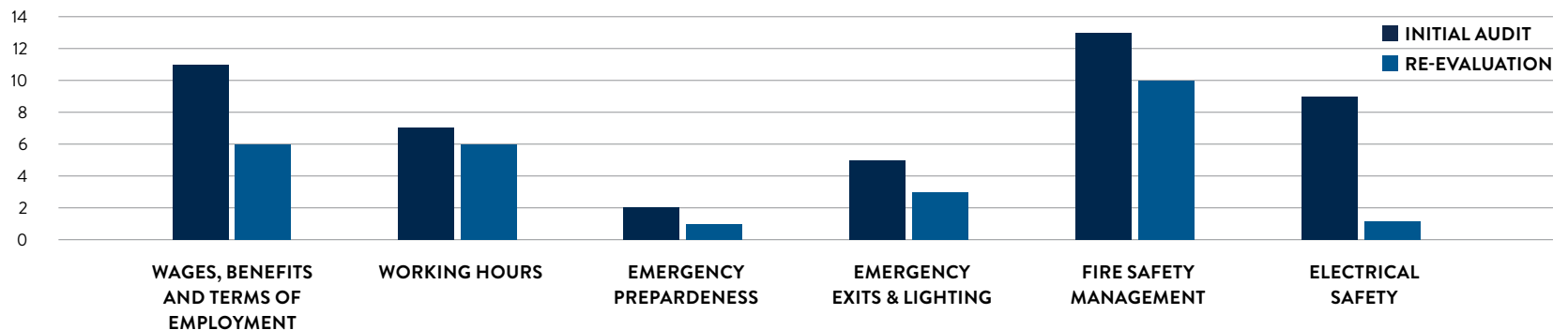
Overall, 61 factories participated in training sessions over the course of the year. In 2015, HBC hopes to continue this success by leveraging our partnerships with other third party providers in order to offer training to our overseas import suppliers.

In 2014, one of HBC's furniture suppliers was identified as having recurring non-compliance issues with specific respect to fire safety management. Despite a Corrective Action Plan (CAP), the supplier's factories continued to experience these issues with little or no sign of improvement through the follow-up and re-evaluation period. In order to continue working with the supplier, and avoid cancelling orders, a remediation strategy was developed in concert with the factories themselves. Following a meeting with a supplier representative, management from its different factories were invited to attend a social compliance training session

in China, hosted by Li & Fung. Following the training session, the factories were re-evaluated to determine if the necessary changes had been implemented.

In less than three months, the factories had made drastic improvements. These include the installation of brand new electrical switch panels, covers and locks; installation of emergency backup lighting; internal investigations to identify and communicate all evacuation routes and emergency preparedness information to employees; as well as implementation of recognized payment and tracking systems with retroactive payment to all employees whose compensation had not previously met legal requirements. The total number of non-compliance issues found in each of the targeted training areas decreased significantly, as illustrated in the graph below. HBC is committed to working with these factories to correct all remaining issues.

NO. OF CRITICAL &  
ZERO TOLERANCE ISSUES



# SOURCING ETHICALLY

## WORKING WITH HBC'S WORLD-CLASS SUPPLIERS

HBC offers customers a wide range of apparel, accessories, shoes, and home merchandise in our brick-and-mortar and digital stores, sourced through our extensive procurement channels. We are constantly seeking new and innovative brands at various price points to meet the demands of our diverse customer base across Canada and the U.S. However, we recognize that we cannot achieve many of our ethical sourcing goals without the collaborative support of our suppliers, collaboration which requires forming meaningful, long term relationships.

Our challenge is to manage our supplier base in a way that enables the relationships that foster responsible sourcing. In 2014 alone, our private branded merchandise was manufactured in more than 800 factories in 43 countries.

In 2015, HBC continues our ongoing strategy of reducing our overall supplier base. In our home sector, we have reduced our supplier

base by almost 50 per cent since 2012, whereas in apparel and accessories, we have consolidated almost 80 per cent of our business with our top 10 vendors. This strategy has helped us develop stronger, closer relationships with our suppliers. In order to achieve this, we critique many different performance indicators of our supplier base including social compliance performance, capacity for on-time delivery, planned business growth, and commitment to environmental performance. We are also working in close partnership with our buyers and sourcing teams to better manage our purchasing practices.

This approach helps factories plan their production according to their capacity, and allows us to anticipate any market changes together so that no one party is at a disadvantage when placing purchase orders to meet demand.

In 2015, we will continue to assess our supplier base to further reduce the number of redundant players that do not meet HBC's sourcing standards, and focus our efforts on building a long-term relationship with those that are willing to work with HBC cooperatively. We will also continue to monitor any changes to our current purchasing patterns to assess any gaps or opportunities in different product categories we offer to become better partners to our suppliers.

An example of building collaborative working relationships with key supply partners is the story of M/S Trident Ltd., a company located in India which produces private branded towels for Hudson's Bay and Home Outfitters. M/S Trident has shown an incredible commitment to operating in a socially and environmentally responsible manner, and has made significant strides in reducing their environmental footprint by obtaining ISO 14001 certification, making large investments, and creating ambitious goals for energy, waste and water reduction.

M/S Trident Ltd. operates two towel manufacturing facilities in India. The brand new Budhni facility has already reached a 100 per cent recovery rate, while the Punjab location is on track to increase its recovery rate from the current level of 25 per cent to 100 per cent by 2017. M/S Trident has also taken steps to improve the lives of their employees and the community. As a member of the Better Cotton Initiative (BCI) since 2011, M/S Trident has helped provide technical guidance to thousands of farmers in India, which has led to larger and more sustainable yields of cotton.

# SOURCING ETHICALLY

## WORKING WITH HBC'S WORLD-CLASS SUPPLIERS CONT.

The result of these dedicated efforts toward a sustainable and socially responsible sourcing process is evident in the quality of their merchandise, which has become one of our best sellers in this product category.

fire safety, electrical safety, and machine safety), wages and benefits, and working hours. The supplier was immediately notified of the issues discovered in the report by the HBC compliance team. We highlighted the most important issues that needed to be addressed to help provide some direction for remediation to both the supplier and the factory. In four months, the factory rectified 90 per cent of the issues that were initially found. The supplier's commitment to improving the working conditions, as well as their willingness to work closely with HBC's social compliance and buying teams enabled very quick remediation for many of the issues.

## INTEGRATION OF SAKS FIFTH AVENUE AND SAKS FIFTH AVENUE OFF 5TH

Beginning in 2014, we transitioned our two new banners, Saks Fifth Avenue and Saks Fifth Avenue OFF 5TH, into HBC's Social Compliance policy and program to align our ethical sourcing expectations, and requirements for all suppliers producing private branded merchandise for HBC. This transition included consolidation of the Supplier Code of Conduct, social compliance policy, and the social compliance team that manages the program. We also reassessed the internal supplier setup process for Saks Fifth Avenue and Saks Fifth Avenue OFF 5TH to ensure social compliance approval is integrated into the workflow process to flag new suppliers to the Company and ensure their participation in the program prior to receiving a supplier number. Since the transition, we have audited 538 factories in 40 countries with the assistance of our buyers and product development teams who understand the importance of working with suppliers that uphold the same commitments to ethical sourcing as HBC. We held two training sessions in March 2014 with Saks buyers and product development teams to iterate our social compliance policy and process as well as share any misconceptions about factories producing high-end merchandise.

One factory success story involved a private label supplier of women's garments to Saks Fifth Avenue OFF 5TH. We audited a factory in Hangzhou, Zhejiang for the supplier, Daniel Rainn. The audit results showed violations in health and safety (including

# SOURCING ETHICALLY

## OUR COMMITMENT TO TRANSPARENCY

Beginning in 2014, HBC began disclosing a list of factories used to produce HBC's private label merchandise on HBC's corporate website. This list includes the names and addresses of these factories. The initial list, comprising suppliers producing private branded apparel merchandise for Hudson's Bay, Home Outfitters and Lord & Taylor, was the first step toward our commitment to transparency and accountability to uphold safe and healthy working conditions. Since the initial list was published, we have added more than 180 factories producing private branded home merchandise with the agreement from our suppliers. HBC will continue to advocate for the importance of transparency.

## PRODUCT RESPONSIBILITY

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

We regularly host international Supplier Information Sessions to update our suppliers on HBC's Quality Program Requirements. We have also developed comprehensive Supplier Manuals that outline the

quality requirements for home and apparel products. It is our expectation that our suppliers 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 Testing Services (ITS), to deliver local testing services through an extensive network of laboratories and offices around the world.

Products are tested against Company-approved protocols for performance, construction, and health and safety consumer product regulations. We conduct more than 4,200 tests annually and have specific protocols that incorporate HBC's required quality parameters.

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

To help consumers 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.

After integrating Saks Fifth Avenue and Saks Fifth Avenue OFF 5TH in 2014, HBC successfully rolled out an integrated softlines lab testing program across all of its banners to leverage its position as a leading premium brand and North American retail company.

We are also happy to report that we did not have any major recalls on private branded products in 2014.

**We are also happy to report that we did not have any major recalls on private branded products in 2014.**

# SOURCING ETHICALLY

## ENGAGING FEMALE FACTORY WORKERS THROUGH HERPROJECT

This past year, HBC continued to work with our partner garment factory in Guangdong, China and the Health Enables Return, HERproject, to help improve the lives and wellbeing of female factory workers abroad. Peer educator training occurred in our partner factory from April to June 2014, which covered topics such as reproductive health and nutrition. Peer educators, who initially had little knowledge prior to training, demonstrated great interest in learning about reproductive health, as evidenced by the quality of discussion and questions asked. In October 2014, peer trainers led a series of three training sessions at the factory for more than 250 female workers. Training sessions included trivia games, pamphlet distribution, and active Q&A discussions. In addition, in November, an outreach initiative coinciding with World AIDS Day took place. Doctors and experts from the local Center for Disease Control (CDC) and local Women's Union came into the factory to discuss HIV prevention with more than 110 female workers. In addition to lectures, games were played to ensure that the women understood the information, and condoms and educational pamphlets were also distributed to the workers. In December, a local NGO went into the factory to interview female workers and analyze the impact of HERproject on worker health.



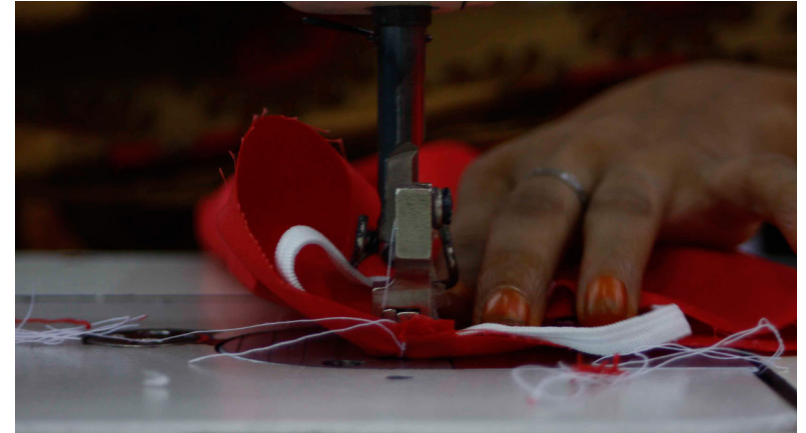
*"I think the project neared our relationship with the line leaders. In the past, we did not talk about private issues or other topics not associated with work, but as the training proceeds, we started to talk about our health and what we do usually in daily life."*

— HERproject participant

# SOURCING ETHICALLY

## ENGAGING FEMALE FACTORY WORKERS THROUGH HERPROJECT CONT.

HBC is currently working to expand HERproject, launching initiatives in other countries including Cambodia, India, and Vietnam, and is looking to take part in the HERfinance initiative in India. The aim of HERfinance is to provide financial education programs to low income female workers so they can learn valuable skills such as financial planning, and be empowered to invest their earnings to improve their livelihoods. We are currently working on selecting an appropriate factory to begin participating in a HERfinance initiative in 2015. In the long term, we hope to increase the number of HERproject initiatives that HBC sponsors by helping factories understand the benefits that health and financial education of female workers bring, such as increases in worker productivity, and reduced absenteeism.



*“I think the health information is very useful. I already shared it with my daughter and my daughter-in-law. Some workers said that people my age did not need to learn these, but I don’t think so. I think it’s very important for everyone.”*

— HERproject participant

# SOURCING ETHICALLY

## ENGAGING INDUSTRY PARTNERS THROUGH THE BANGLADESH ALLIANCE FOR WORKER SAFETY

As a member of the Bangladesh Alliance for Worker Safety, HBC remains committed to improving worker safety in Bangladesh. HBC has six factories registered with the Alliance. All of the factories were audited and approved by the Alliance in 2014. To-date, five of our factories have met with the Alliance team to review their Corrective Action Plan, with the sixth planned for 2015. In 2015, we will be working closely with these factories to remediate any deficiencies from the Corrective Action Plan and verify these corrective actions through the Alliance.

As of 2014, approximately 11,000 workers in six factories completed Phase 1 and 2 of the Fire Safety Training Program through the Alliance's Train-the-Trainer approach. The training equipped workers with knowledge and awareness about fire prevention, fire protection, and emergency evacuation. In 2015, we will continue to engage factories through spot-checks and support programs.

HBC's social compliance team participates in Alliance working groups on factory remediation and worker empowerment. Through monthly and bi-monthly conference calls, the team keeps up-to-date with Alliance progress in Bangladesh. These calls cover the success and expansion of the Bangladesh worker safety anonymous helpline that workers can use to report factory fires, and other health and safety issues. The team also stays current on factory remediation progress and other Alliance initiatives such as the 2014 International Trade Expo for Building and Fire Safety.

This year, HBC donated to Bangladesh Rural Advancement Committee (BRAC) USA to support the Rana Plaza Donors Trust Fund. BRAC USA is an independent grant-issuing affiliate of the Bangladesh-based NGO BRAC. BRAC aims to respond to the

humanitarian needs of Bangladesh which include industrial accidents and long term improvement of working conditions. BRAC USA created a humanitarian fund to respond to the International Labour Organization's call for a trust fund to help support the training and rehabilitation of workers directly affected by the accidents at Rana Plaza in 2013, and Tazreen in 2012.

Our work with the Alliance is also part of our long-term efforts to engage the retail industry and work together to improve the lives and wellbeing of workers abroad. HBC is committed to Bangladesh worker safety for the long term and plans to continue its participation in the Alliance and its initiatives in the future. We will continue to work with our factories and with the Alliance to ensure that our factories achieve full Alliance approval.



# SOURCING ETHICALLY

## MADE IN CANADA: PAN AM

HBC has a long history of supporting Canadian athletes on an international scale. This tradition will continue as Canada prepares its teams for the upcoming 2015 Pan Am and Parapan Am Games in Toronto. Using facilities in the Winnipeg and Toronto areas, HBC will produce 100 per cent of our Canadian athletes' apparel and uniforms at home. Producing domestically with suppliers who we regularly visit and have long-term relationships with will allow us to ensure the highest standards of compliance and quality for our athletes.



## ENGAGING OUR PEOPLE

*As a proud Company of Adventurers, we are passionately committed to creating an environment where our associates feel nurtured, engaged, and inspired to reach new heights. The success of our people is inextricably linked to the success of the business and we want our associates to feel proud of what they can accomplish, and empowered to drive change and innovation. With more than 44,000 associates in Canada and the U.S., our people are at the heart of the Company and represent our greatest competitive advantage.*

# ENGAGING OUR PEOPLE

## LEARNING AND GROWTH

### HBC CULTURAL VALUES

We are dedicated to promoting a culture of collaboration and providing unique development opportunities to encourage our people to grow, both professionally and personally, along with HBC. In 2014, we undertook a review of HBC's culture values. As the Company continues to grow and expand, it is essential that everyone be aligned around a common cultural framework: a set of core beliefs that each HBC associate lives by and supports, regardless of role, responsibility or location. In 2015, the Company will launch a set of cultural values and behaviors that will further unite our associates.

### LEADERSHIP DEVELOPMENT

Leadership development continued to be a key focus for the Company in 2014. HBC provides unique development opportunities that encourage our associates to expand their knowledge and expertise, and our goal is to offer best-in-class leadership development programs. In 2015, HBC will launch a new tiered leadership development program, *Leadership Journey*, to provide our leaders across the organization with opportunities to develop their skill set.

### PROFESSIONAL DEVELOPMENT

Professional development ensures associates learn, grow, and thrive in their roles. HBC offers its associates a variety of ways to develop their skills and grow in their careers. As part of HBC University, associates can access instructor-led in-class training sessions or virtual classroom tutorials through *Cognition*, HBC's Learning Management System. Courses and tutorials are designed to enhance abilities in areas such as product knowledge, system training, personal development, and business strategy.

### INTERNSHIP PROGRAMS

HBC offers a structured, eight to 10 week internship program at each of its banners to provide students with the opportunity to learn more about different functions such as Merchandising, Digital, Store Operations, Supply Chain and Logistics, Finance, Marketing, Human Resources, and more. In 2014, more than 120 students participated in the internship program, with many of them returning for full time opportunities upon graduation.

**In 2014, more than 120 students participated in the internship program, with many of them returning for full time opportunities upon graduation.**

COGNITION COURSE	NUMBER OF ASSOCIATES WHO COMPLETED	
	2013	2014
Instructor-Led Courses	1,461	9,149
Online Courses	138,943	321,317

# ENGAGING OUR PEOPLE

## LEARNING AND GROWTH CONT.

### EXECUTIVE DEVELOPMENT PROGRAMS

Structured *Executive Development Programs* are offered at several of our banners in Canada and the U.S., providing new graduates with an opportunity to start their careers at HBC. With a focus in Merchandising or Store Operations, participants learn about the business while developing critical leadership skills and business acumen.

#### SAKS FIFTH AVENUE

##### EXECUTIVE EXCELLENCE PROGRAM

The Saks Fifth Avenue *Executive Excellence Program* is a 12-week program designed to provide participants with a foundation in Buying and Planning. Over the course of this program, participants partake in classroom training focused on developing their leadership and business skills; learn on the job from a designated coach and mentor, and gain exposure to senior leaders within the organization.

#### 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 the position of 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 interested in the positions of 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.



# ENGAGING OUR PEOPLE

## LEARNING AND GROWTH CONT.

### SAKS FIFTH AVENUE STEP

The *Saks Training Excellence Programs* (STEP) are learning and development initiatives created to enhance our associates' ability to be successful in their current positions and support them in achieving their future career goals. Each level of development is represented by a different "STEP".

### DAILY BREAD FOOD BANK

In December 2014, HR associates in the Greater Toronto Area volunteered at the Daily Bread Food Bank, sorting food donations, palletizing, and repackaging bulk cereal for individual consumption. In total, the HBC team packaged nearly 13,000 pounds of non-perishable food items and more than 1,000 bags of cereal, which in turn benefitted 850 families in need.

In total, the HBC team packaged nearly 13,000 pounds of non-perishable food items and more than 1,000 bags of cereal, which in turn benefitted 850 families in need.

## LEVELS OF DEVELOPMENT

STEP In to Saks	Orientation and introduction to Saks Fifth Avenue.
First STEP	Our onboarding program consisting of position-specific roadmaps to help associates navigate their onboarding period.
Next STEP	Ongoing development designed to help associates continue to grow in their roles.



# ENGAGING OUR PEOPLE

## HEALTH AND SAFETY

**We have reduced lost time injury claims by 38 per cent and total number of days lost by 50 per cent over 2013.**

HBC supports the principle that all injuries are preventable. Through hazard recognition, assessment and control, regular communication, active associate involvement, continuous improvement of systems, procedures and training, and immediate reaction to incidents, we aim to provide a safe working and shopping environment. Our vision of zero injuries is based on the premise that safety in the workplace is the joint responsibility of the Company, management, associates, and business partners.

Our defining objectives are to prevent all injuries, promote the early and safe return to work program, keep up to date on health and safety acts, regulations and standards, and contribute to positive cash flow.

In Canada, we achieved significant reductions in both frequency and severity of claims. Our ongoing efforts to eliminate or control hazards has led to a 14 per cent reduction in claims overall. In addition, we have reduced lost time injury claims by 38 per cent and total number of days lost by 50 per cent over 2013.

## INJURY PREVENTION

We will take all reasonable care to prevent incidents through hazard recognition, risk assessment, and hazard control. All HBC associates are required to report any injuries, near misses and hazards while working.



# ENGAGING OUR PEOPLE

## HEALTH AND SAFETY CONT.

### RETURN TO WORK PROGRAM

This program is intended to help injured associates by promoting recovery while allowing them to keep their work routine and income consistent. Early return to work reduces recovery time and helps maintain associate engagement.

### COMPLIANCE

Through our yearly System Review we continue to improve our programs and practices to comply with regulatory requirements.

### CONTRIBUTE TO POSITIVE CASH FLOW

One of the many benefits that come with good safety performance is reduced costs related to workplace injuries. We strive to achieve lower workers' compensation insurance premiums that come with fewer injuries. Furthermore, in Canada, we continue to pursue incentive programs including Alberta WCB's Partners in Injury Reduction, and Ontario WSIB's Safety Group program.

In the U.S., we continue to see a decline in the frequency of our Workers' Compensation and lost time claims. Our key focus remains on accident prevention and awareness. We have also instituted the consolidated processing of claims by a single Third Party Administrator (TPA) for both Lord & Taylor and Saks Fifth Avenue, a process completed on November 1<sup>st</sup>, 2014. Through this consolidation we now have strategic opportunities to best maximize our return on investment, while offering consistent resources to our associates.

### HEALTH & SAFETY COMMITTEE

Each HBC location has a functioning Health & Safety Committee (HSC). We require our committees to hold at least one official meeting per month as well as complete a monthly inspection of their workplace. Through this forum, the committee provides recommendations to the management team.



# CSR REPORTING PARAMETERS

## **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: Investing in Our Community, Contributing to a Sustainable Environment, Sourcing Ethically and Engaging Our People. This year's report includes Hudson's Bay Company's five North American banners: Hudson's Bay, Lord & Taylor, Saks Fifth Avenue, Saks OFF 5TH and Home Outfitters.

# CSR REPORTING PARAMETERS

REPORTING PERIOD	FEB 1, 2014 TO JAN 31, 2015
Date of most recent previous report	May 2014
Reporting cycle	Annual
Contact for questions regarding corporate social responsibility	<a href="mailto:Corporate.Communications@HBC.com">Corporate.Communications@HBC.com</a>
Scope of operations as of Dec. 31, 2014	<ul style="list-style-type: none"> <li>• Number of stores: Hudson's Bay (full-line) – 90 Hudson's Bay Outlet – 2 Lord &amp; Taylor – 50 Lord &amp; Taylor Outlet – 4 Saks Fifth Avenue – 38 Saks Fifth Avenue OFF 5TH – 77 Home Outfitters – 67</li> <li>• In Canada, we operate stores in 7 provinces</li> <li>• In the United States, we operate stores in 33 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	<ul style="list-style-type: none"> <li>I. Investing in Our Community</li> <li>II. Contributing to a Sustainable Environment</li> <li>III. Ethical Sourcing Standards</li> <li>IV. Engaging Our People</li> </ul>

# CSR REPORTING PARAMETERS

DATA MEASUREMENTS	PAGE	SECTION
Corporate Overview	<a href="#">4</a>	Number of HBC stores and associates in each banner by province/state
Investing in Our Community	<a href="#">7</a>	HBC Foundation: Focusing donations on three key areas
	<a href="#">15</a>	LT Foundation: Focusing donations on three key areas
Contributing to a Sustainable Environment	<a href="#">20</a>	Total Waste by Material Stream
	<a href="#">21</a>	Nespresso Return to Retail Program Accomplishments To Date
Sourcing Ethically	<a href="#">28</a>	Countries where HBC Sources
	<a href="#">29</a>	Top Issues by Commodity
	<a href="#">30</a>	Breakdown of Audit Grades by Commodity
	<a href="#">31</a>	Number of Critical & Zero Tolerance Issues
Engaging Our People	<a href="#">40</a>	Number of 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](http://hbc.com).