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EXECUTIVE MESSAGE

For more than three centuries, Hudson’s Bay Company has been making history by seeing the possibility in tomorrow and bringing it to life. From our first fur trading post, to becoming a leading global all-channel retailer, our rich heritage is matched only by our passion for our future—we are continually energized by what we’ve yet to create.

2016 was a year of immense change in the retail sector and once again HBC was an industry leader, visualizing and creating the department store of the future. While we are laser-focused on taking decisive action to ensure continued performance and strengthening our balance sheet, we are equally committed to growth that is sustainable, ethical, and good for both people and the planet. We believe that the future of retail depends not only on offering innovative online and in-store shopping environments and a seamless all-channel experience for customers, but on doing the right things for the right reasons.

In 2016, HBC and the HBC Foundation in Canada donated more than $4.1 million to charities that help create healthy families, strong communities, and sport excellence across the country. In the United States, our philanthropic efforts at Saks Fifth Avenue and Lord & Taylor donated more than $3 million to 600 charities and non-profit organizations, including the 9/11 Memorial and Museum, which is located steps away from our Brookfield Place offices. And in Europe, Galeria Kaufhof built on a long-standing tradition of supporting tens of thousands of disadvantaged children at Christmas time by introducing a back-to-school program in summer that provided necessary supplies to ensure that children in need could attend school well prepared and ready to learn.

HBC continued our efforts to improve working conditions in the global supply chain by fully integrating the Business Social Compliance Initiative as the preferred audit standard for vendors producing HBC’s private label merchandise. We will continue to work closely with our vendors to help them reach their long-term potential through capacity building and training.

To ensure HBC remains a great place to work, we’ve implemented innovative new programs and resources that provide flexibility for greater work-life balance for our associates, helping them to bring out the best in their selves, their teams, and their communities. Health and Safety efforts in North America and Europe continued to prove to be very effective, reducing lost time injuries over last year. We’re also proud to report that we’ve made considerable headway in our goal of reducing greenhouse gas emissions by 10% by 2020, with an 8.9% reduction off our baseline.

Our associates around the world have an exceptional sense of purpose and pride in HBC. Their incredible passion and excitement for the future of our company is the driving force behind our accomplishments in the past year. We look forward to working together for years to come to make a positive impact on the world as we move forward.

Richard Baker, Governor and Executive Chairman

Jerry Storch, Chief Executive Officer
In Canada, the 8th edition of Hudson’s Bay iconic red mittens raises more than $1 MILLION for the Canadian Olympic Foundation.

The HBC Foundation launches the HBC Athlete Bursary Program, a $2.5 MILLION investment that contributes much-needed support to Canadian Olympic hopefuls.

The Hudson’s Bay Montreal flagship achieves a full year without a lost-time injury. In Canada, nearly ¾ of all buildings achieve a full-year without a lost-time injury.

HBC approves 2,219 factories for private label and national branded manufacturing across our North American and European operations.

Our North American associates enhanced their skills and knowledge with 107,137 HOURS of training through our eLearning courses:

- 41,503 USERS completed 416,548 COURSES

North American plastics recycling saves the equivalent of 3,822 M³ of landfill space and 3,677,976 kWh of energy.

Cardboard recycling saves the equivalent of 136,302 trees and 2,116,685 litres of water.

In Europe, systematic waste management at Galeria Kaufhof results in 0% of waste going to landfill.

For the third consecutive year, the HBC Foundation funds a full year of breast cancer research by Dr. Pamela Goodwin.

HBC and its various foundations contribute $8 MILLION (USD) to hundreds of charitable organizations in North America and Europe, including $500,000 raised for women’s cancer organizations through Saks Fifth Avenue’s 18th annual Key to the Cure campaign.
HBC is a diversified global retailer focused on driving the performance of high quality stores and our all-channel offerings, growing through acquisitions, and unlocking the value of real estate holdings. Founded in 1670, HBC is the oldest company in North America. HBC’s portfolio today includes formats ranging from luxury to premium department stores to off price fashion shopping destinations, with more than 480 stores and over 66,000 employees around the world.

Our leading banners across North America and Europe include Hudson’s Bay; Lord & Taylor; Saks Fifth Avenue; Gilt; Saks OFF 5TH; Galeria Kaufhof, the largest department store group in Germany; and Belgium’s only department store group, Galeria INNO.

HBC has significant investments in real estate joint ventures. We have partnered with Simon Property Group Inc. in the HBS Global Properties Joint Venture, which owns properties in the United States and Germany. In Canada, we have partnered with RioCan Real Estate Investment Trust in the RioCan-HBC Joint Venture.

HBC trades on the Toronto Stock Exchange under the symbol “HBC”. The company is led by Richard Baker, 39th Governor of Hudson’s Bay Company, and Gerald (Jerry) Storch, Chief Executive Officer, Hudson’s Bay Company.
WHERE WE ARE

- HUDSON'S BAY
  90 Stores
- LORD & TAYLOR
  50 Stores
- HOME OUTFITTERS
  54 Stores
- SAKS FIFTH AVENUE
  41 Stores
- SAKS OFF 5TH
  118 Stores
- GALERIA KAUFHOF
  100 Stores
- GALERIA INNO
  16 Stores
- SPORTARENA
  13 Stores
- CORPORATE LOCATIONS
  Includes home offices, distribution centres, and call centres

Number of stores as of December 2016:

482

Number of associates as of December 2016 is more than

66,000
INVESTING IN OUR COMMUNITY

HBC is committed to giving back to the customers and associates that drive HBC operations around the world. Across our banners, we support hundreds of charities and non-profit organizations whose vital work helps to create strong communities and healthy families in the cities and communities where we live.
The HBC Foundation is a leading registered charitable organization dedicated to improving the lives of Canadians, through organizations and initiatives that contribute to healthy families, strong communities, and sport excellence.

Since 2005, the HBC Foundation has donated nearly $75 million (CDN) in cash and in-kind donations to charitable organizations.

In 2016, HBC and its Canadian Foundation donated more than $4.1 million in cash and in-kind to 165 charitable organizations across Canada, focused on our three key areas:

<table>
<thead>
<tr>
<th>Healthy Families</th>
<th>Strong Communities</th>
<th>Sport Excellence</th>
<th>Total</th>
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<td>$1,000,931</td>
<td>$689,209</td>
<td>$2,498,615</td>
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</table>

**OFFICIAL CHARITABLE PARTNERS**

- BCRF
- Beauty Gives Back
- Boys & Girls Clubs of Canada
- Canadian Red Cross
- Prostate Cancer Canada
- SickKids
For a third consecutive year, the HBC Foundation in Canada supported the Breast Cancer Research Foundation (BCRF) with a $250,000 donation, fully funding the work of Dr. Pamela Goodwin for one year.

Dr. Goodwin is the Director of Mount Sinai Hospital’s Marvelle Koffler Breast Centre and a world leader in breast cancer research, focusing on the impact of lifestyle and related factors on patient survival rates. Funds for Dr. Goodwin’s vital research were raised through product sales, Hudson’s Bay beauty events, and “Donate Your Rewards Points” campaigns.

The HBC Foundation also hosted The Power of Pink, an exclusive luncheon in support of BCRF and the Marvelle Koffler Breast Centre. On September 29th, the HBC Foundation joined forces with The Estee Lauder Companies and Sinai Health Foundation for the event, which featured guest speaker Jane Lauder, Global Brand President of Clinique, and a keynote address by Dr. Pamela Goodwin.

Since 2012, the HBC Foundation has donated more than $963,000 to BCRF.
Hudson’s Bay proudly launched the 8th edition of our Red Mittens at the 2016 Olympic Closing Ceremonies in Rio, where they were debuted by Team Canada as they entered the stadium, hands clad in red and white. The Red Mittens have become one of the nation’s most iconic symbols of Canadian Olympic pride and the source of millions of dollars in direct funding that helps provide Canadian Olympians and next generation athletes with access to high-performance resources for world-class training.

In 2016, the Red Mittens generated more than $1 million for the Canadian Olympic Foundation, bringing the total donation to more than $30.5 million since forming the partnership in 2006.

"Thank you to Hudson’s Bay for continuing to support Canadian athletes with their 8th edition of the Red Mittens. The Red Mittens generate millions of dollars for Canada’s athletes, which helps pave the road to their success on the field of play. I encourage Canadians to go out and buy a pair in support of their sporting heroes.”

~ Chris Overholt, CEO, Canadian Olympic Committee.
ATHLETE BURSARY PROGRAM

In June, the HBC Foundation and the Canadian Olympic Foundation announced the HBC Athlete Bursary Program, to help Canadian athletes cover costs involved with Olympic training.

Each of the 50 bursary recipients will receive $10,000 per year, through to 2020. This $2.5 million investment will contribute much-needed support to Olympic hopefuls across Canada, who often struggle to fund activities that will benefit their development, such as international competition, sport science, daily training programs, new equipment, coaching, and nutrition.

“HBC Athlete Bursary Program is an incredible initiative and provides substantial support to the selected athletes. The group is an exciting mix of Olympic medallists, veterans, and up-and-coming talent. We are so excited to see the things they can accomplish with the help of these funds.”
~ Selga Apse, Director Business Operations, Canadian Olympic Foundation

“I am honored and grateful to be a part of the HBC Athlete Bursary Program. On behalf of the 50 athletes in the program, thank you to the HBC Foundation and the Canadian Olympic Foundation for the opportunity. This financial help will go a long way toward helping us achieve our athletic goals.”
~ Ivanie Blondin, Sochi 2014 Olympian and 2016 women’s speed skating mass start world champion

THE 50 SUCCESSFUL BURSARY CANDIDATES

| JENNIFER ABEL | Diving |
| MEGHAN AGOSTA | Ice Hockey |
| HEATHER BANSLEY | Beach Volleyball |
| KHAMICA BINGHAM | Athletics |
| MELISSA BISHOP | Athletics |
| ELLIE BLACK | Artistic Gymnastics |
| IVANIE BLONDIN | Long Track Speed Skating |
| JAMIE BRODER | Beach Volleyball |
| MANDY BUJOLD | Boxing |
| KAROL-ANN CANUEL | Road Cycling |
| RYAN COCHRANE | Swimming |
| NICOLAS CONSTANTIN-BICARI | Water Polo |
| DUSTIN COOK | Alpine Skiing |
| CHARLE COURNOYER | Short Track Speed Skating |
| SIMON D’ARTOIS | Freestyle Skiing – Halfpipe |
| JUSTINE DUFOUR-LAPOINTE | Freestyle Skiing – Moguls |
| PHILIPPE GAGNÉ | Diving |
| TRAVIS GERRITS | Freestyle Skiing – Aerials |
| SAMUEL GIRARD | Short Track Speed Skating |
| MAGALI HARVEY | Rugby |
| TAYLOR HENRICH | Ski Jumping |
| GILMORE JUNIO | Long Track Speed Skating |
| MIKAËL KINGSBURY | Freestyle Skiing – Moguls |
| MELISSA LOTHOLZ | Bobsleigh |
| CONLIN MCCABE | Rowing |
| KIMBERLEY MCRAE | Luge |
| ERIN MIELZYNSKI | Alpine Skiing |
| CHRISTABEL NETTEY | Athletics |
| NAM NGUYEN | Figure Skating |
| EMILY OVERHOLT | Swimming |
| JOSEPH POLOSSIFAKIS | Fencing |
| TAYLOR RUCK | Swimming |
| EN RUSSELL | Canoe/Kayak Sprint |
| IATTHEW SARMENTO | Field Hockey |
| CLAIRE SCHALK | Beach Volleyball |
| KELSEY SERWA | Ski Cross |
| DARCY SHARPE | Snowboard |
| JACQUELINE SIMONEAU | Synchronized Swimming |
| CAMERON SMEDLEY | Canoe/Kayak Slalom |
| NATHAN SMITH | Biathlon |
| KIRSTEN SWEETLAND | Triathlon |
| MARIELLE THOMPSON | Ski Cross |
| BENJAMIN THORNE | Athletics |
| YUKI TSUBOTA | Freestyle Skiing – Slopestyle |
| ANTOINE VALOIS-FORTIER | Judo |
| CHANTAL VAN LANDEGHEM | Ski Cross |
| ELISABETH VATHEJ | Skeleton |
| RUDY VERHOEFF | Volleyball |
| ERICA WIEBE | Wrestling |
| CARLING ZEEMAN | Rowing |
To increase awareness of prostate cancer and encourage screening and prevention, the HBC Foundation proudly partnered with Prostate Cancer Canada’s “Wear Plaid for Dad” campaign, creating an exclusive line of Hudson North men’s plaid shirts. A portion of every shirt sale was donated to Prostate Cancer Canada, raising $150,000 through sale of the shirts and additional fundraising activities.

“Prostate Cancer Canada is grateful for the support of our generous partners Hudson’s Bay and the HBC Foundation. Through their commitment to Plaid for Dad and the prostate cancer community, Hudson’s Bay and the HBC Foundation continue to demonstrate thoughtfulness, passion, and dedication to supporting the fight against the most common cancer diagnosed amongst Canadian men. Together, we will fund the most promising research, education, and care programs in hopes of creating better outcomes for all those affected by the disease.”

~Falyn Katz, National Director, Corporate and Community Development, Prostate Cancer Canada
GOLF TOURNAMENT

For the 15th year, the HBC Foundation Golf Tournament & Spa was one of the largest and most exciting corporate fundraising events of its kind in Canada, raising $650,000 for the Canadian Olympic Foundation and Paralympic Foundation of Canada. The highly anticipated event brought together more than 800 vendors, partners, and associates, as well as athlete and celebrity attendees, to raise much-needed funds for these very worthy causes.

The HBC Foundation Golf Tournament & Spa has consistently been the single biggest fundraiser for the HBC Foundation. Since its inception in 2001, the event has raised more than $10.3 million to support various local and national charitable organizations.

ASSOCIATE GIVING PROGRAM

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 generated more than $27,800 in support of the Foundation this year; since the program's inception, more than $74,000 has been raised for charitable organizations in Canada.

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

SECRET SANTA

As we work to build strong local communities, we place particular emphasis on our own HBC family. In 2015 we introduced a Secret Santa initiative to help Canadian Associates who were facing difficulties around the holidays. Associates can nominate themselves or their colleagues as candidates who would benefit from a helping hand. In 2016, HBC was able to assist 302 U.S. associates and 177 Canadian associates with Visa gift card donations with a total value of $51,450 (USD) and $34,700 (CDN) respectively.
Saks Fifth Avenue is as dedicated to its communities as it is to its customers. In 2016, more than $1.5 million (USD) was donated to over 300 charitable and non-profit organizations in the U.S. through both corporate and store donations.
Saks Fifth Avenue contributed a total of $100,000 to the 9/11 Memorial & Museum as part of the opening of Saks Downtown at Brookfield Place. Throughout opening weekend, 10% of store sales (up to $50,000) was donated to the 9/11 Memorial & Museum, with the remaining $50,000 donated via the Saks Foundation.

For our contribution, Saks Fifth Avenue was recognized as Tomorrow’s Trust Donor at the Annual Benefit Dinner, while HBC is among the founding supporters of the 9/11 Memorial Museum Corporate Membership program.
KEY TO THE CURE

Saks Fifth Avenue’s Key to the Cure campaign is a highly-anticipated charity event and designer collaboration to raise funds for women’s cancer organizations across the U.S. In 2016 we launched the 18th annual campaign, and for the first time ever, we partnered with an accessories designer to create our coveted fund-raising t-shirt. The Christian Louboutin design was modeled by our 2016 Ambassador, Halle Berry. Through t-shirt sales and charity shopping events at full-line stores, Saks.com, and saksofffifth.com during the month of October, the 2016 campaign raised more than $500,000 for the Entertainment Industry Foundation’s Stand Up To Cancer initiative, as well as local cancer organizations nationwide.
Continuing our dedication to supporting cancer research, Saks Fifth Avenue served as the Presenting Sponsor of the Breast Cancer Research Foundation’s Boston Hot Pink Party. Saks contributed $100,000 to the cause and was recognized as the title supporter.

Phoenix House provides programs for individuals, families, and communities affected by substance abuse and dependency. In November, Saks Fifth Avenue President, Marc Metrick, was honored at Phoenix House’s 2017 Fashion Award Dinner alongside Michael Clinton, President, Marketing and Publishing Director of Hearst Magazines, and Jack McCollough and Lazaro Hernandez, designers of Proenza Schouler.

The Fashion Award Dinner is the largest annual fundraising event for Phoenix House and honors leaders in the fashion, beauty, retail, and media industries. This event raises awareness about substance abuse and addiction and benefits Phoenix House’s pioneering treatment and recovery programs. Saks helped raise more than $950,000 for the cause.
At Lord & Taylor, we aim to make a positive impact by supporting local and national fundraising organizations and initiatives that share our vision of strengthening communities.

In 2016, Lord & Taylor helped raise more than $1.5 million to over 300 charitable organizations across the U.S.
CHARITY DAYS

In 2016, Lord & Taylor expanded the Charity Days program to four times per year from two, after a successful launch in 2015. The program took place in stores and online at lordandtaylor.com. Customers were encouraged to make a $5 contribution to benefit national non-profit partners; in exchange, they received a special savings pass to use during the respective event. In addition, stores offered refreshments, special guest appearances, children’s activities, live music, and additional cosmetic support.

Four Charity Days were held in 2016:
- January event in support of Look Good Feel Better raised $312,880
- April event benefitted Habitat for Humanity, raising $313,870
- May event benefitting USO raised $278,700
- September & October events benefitting the American Cancer Society raised $401,104

SHOP SMART DO GOOD

Lord & Taylor continued to build on the success of our Shop Smart Do Good fundraising initiative, an event held at 8 Lord & Taylor stores twice a year. Local non-profit organizations can sign up to sell $5 tickets, and keep the full amount generated from ticket sales. In 2016 more than 300 non-profit organizations raised more than $234,000.

In return for their ticket purchase, shoppers received a storewide savings pass along with two single-use coupons, and Lord & Taylor stores made an additional contribution of $188,000. Since 2006, this program has raised over $9.4 million.

SAVE THE CHILDREN FLAGSHIP CHARITY DAY

On November 10, Lord & Taylor’s New York City flagship store and Save the Children joined forces to kick off the holiday season with a charity shopping event. Coinciding with the highly anticipated unveiling of Lord & Taylor’s iconic holiday window display, the charity shopping event raised $110,000 through $5 ticket sales and donations from vendor partners.
For more than 10 years, Galeria Kaufhof has been joining forces with charities that support disadvantaged children to make holiday wishes come true. In our German department stores and at HBC Europe headquarters, Christmas trees are adorned with notes that display a gift that a particular child has asked for. Customers and associates choose notes, buy the gifts, and donate them at a central collection point. Galeria Kaufhof organizes the initiative and steps in to fulfill any gift requests that are left on the tree. Through this program, our customers and associates help to fulfill more than 15,000 Christmas wishes each year.

Building on the success of the Christmas campaign, some Galeria Kaufhof stores adapted the charity tree for a back-to-school campaign. With the campaign slogan, “One more item,” customers were encouraged to purchase an extra item with their back-to-school shopping, to be donated to a child in need.
GALERIA KAUFHOF
SHOPPING ASSISTANCE

Shopping can be a particular challenge for people who are blind or visually impaired. For barrier-free shopping, customers may call ahead to request a shopping escort, free of charge, at 75 Galeria Kaufhof department stores. A specially trained sales assistant guides shoppers and helps with product selection as well as fitting. Some department stores also offer special fashion shows for blind and visually impaired people, where trained associates explain the color, cut, and style of items and shoppers can touch the items.

SOLIDARITY FUND: COLLEAGUES HELPING COLLEAGUES

Since 2005, driven by the motto, "Colleagues helping Colleagues," Galeria Kaufhof employees have been providing financial assistance to their fellow associates or their relatives who need support through a Solidarity Fund.

The Solidarity Fund was established by Galeria Kaufhof management, together with the general works council. Associates can contribute to the fund by donating the ‘leftover cents’ from their net salary, or by donating a specific sum, either one-time or through monthly deductions. Combined, these many small-scale contributions are an enormous help for fund recipients.
Hudson’s Bay Company donated its corporate archives to the Manitoba Archives and the Hudson’s Bay Company Museum Collection to The Manitoba Museum in 1994. 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.

HBCHF is 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, hbcheritage.ca.

Additionally, HBCHF 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 2016, HBCHF donated approximately $1.8 million in financial support to these groups.
CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT

As a truly global corporate citizen, HBC is committed to responsible business practices to bring about positive change in the health of our planet. We’re part of the world’s largest corporate sustainability initiative—the UN Global Compact—and we work hard to shape a sustainable future for people and the planet.
HBC’s environmental stewardship is built on the principles spelled out in the UN Global Compact: businesses should support a precautionary approach to environmental challenges (principle 7), undertake initiatives to promote greater environmental responsibility (principle 8), and encourage the development and diffusion of environmentally friendly technologies (principle 9). At our operations around the world, we’re evaluating and expanding our programs in the areas where we can have the greatest impact: waste diversion, water consumption, energy efficiency, and greenhouse gas (GHG) emissions, in an effort to maintain the health of our communities.
WASTE DIVERSION IN NORTH AMERICA

In 2016, HBC completed our second full year of working with a single waste and recycling partner for all banners for our Canadian and U.S. operations. We believe that having single vendor contracts has allowed us to improve diversion rates through better analytics and improved best practices. As a result, we have increased our diversion from landfill in North America by 12% in that time.

In 2016, our diversion rate was 63%—an improvement of nearly 2% over our 2015 diversion rate.

Plastics recycling was equivalent to a savings of 3,822 m3 of landfill space and 3,677,976 kWh of energy.

Cardboard recycling was equivalent to a savings of 136,302 trees and 2,116,685 litres of water.

** Diversion rate 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, Saks Fifth Avenue and Saks Fifth Avenue OFF 5TH.
A responsible, systematic waste management system at Galeria Kaufhof resulted in

0% OF WASTE GOING TO LANDFILL

70% of Galeria Kaufhof waste goes for recycling, 20% for energy recovery (thermal energy created by incineration is used to generate power or heat). Galeria Kaufhof contributes to a circular economy and tries to avoid waste wherever possible. This starts with little things, such as clothes hangers, which are indispensable when transporting or presenting goods. After goods are sold, hangers are collected at the stores and given to a service provider who checks and sorts them. Undamaged hangers are reused; damaged hangers are granulated and reused for the production of new ones, closing the loop of the life cycle of our clothes hangers. In addition, the company uses reusable containers for the transportation of goods from warehouses to stores wherever possible. Copying and printing systems in Galeria Kaufhof offices use rebuilt toner when available.
**CANADIAN OPERATIONS GO GREEN**

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<th>Category</th>
<th>Increase in</th>
<th>Percentage</th>
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</thead>
<tbody>
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<td>Overall increase in recycling</td>
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<td>6.5%</td>
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<tr>
<td>Increase in single stream recycling</td>
<td>241 MT</td>
<td>9%</td>
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<tr>
<td>Increased organic recycling</td>
<td>207 MT</td>
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<tr>
<td>Increased wood recycling</td>
<td>97 MT</td>
<td>64%</td>
</tr>
<tr>
<td>Increased mattress and upholstery recycling</td>
<td>117 MT</td>
<td>28%</td>
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</tbody>
</table>
SUCCESSFUL IMPLEMENTATIONS IN 2016

- HBC continued to expand our organic recycling program across the entire network. In 2016 HBC improved our organics recycling in Canada by 132% or 207 tonnes.

- We have successfully integrated current HBC best practices to all Saks Canada expansion locations. Equipment such as compactors, balers, and organics and recycling collection bins were put in place with store builds.

- Modernized equipment at select stores to improve efficiencies and assist with higher recycling volumes: in 2016, the volume of recycling done by HBC increased by 1,096 tonnes.

- We have begun to roll out single stream recycling to all stores to increase staff and client participation rates. In 2016, single stream recycling increased by 241 tonnes.

- Analyzed waste produced at the store level and made necessary changes in pickup frequencies of all waste and recycling streams.

- We have introduced the practice of incineration for select landfill material. Waste once going to landfill is now being converted into clean thermal energy—electricity and steam for use by the local community.

HBC will continue to build on the success of 2015 and 2016 through innovation and implementation of recycling programs, as we maintain our position as a leader in environmental sustainability among North American retailers.
HBC has been working toward a goal of reducing company-wide absolute GHG emissions by 10% by 2020, using a 2014 baseline. Reducing our energy consumption has been the key focus for this GHG emissions reduction. Our GHG emissions total for 2016 was 182,388 tonnes of CO2e, which was down 6.7% from 2015, and represents an 8.9% absolute reduction off our 2014 baseline. In 2017, we will continue our efforts toward our 2020 goal. Additionally, water consumption decreased by 4% in 2016 in North America.

HBC reports 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 (which uses natural gas or propane) in stores or our owned trucking fleet. Indirect emissions are associated with power that HBC has purchased and consumed, such as electricity, steam, and chilled water.

Our third-party energy consultant, Schneider Electric, prepared our 2016 GHG Emissions Report for water consumption and fuel efficiency. We use this report to ensure that we are continually evaluating opportunities to reduce the environmental footprint of our physical operations.
Galeria Kaufhof has been measuring its carbon footprint since 2006. In the period between 2006 and 2014, the company has reduced specific greenhouse gas emissions by almost one-third. Driven by this success, Galeria Kaufhof has set a target to further reduce specific emissions by 15% (from 2014 baseline) by 2022.

The carbon footprint of Galeria Kaufhof includes scope 1, 2, and 3 data: power consumption, heating, refrigerants, company cars, paper for advertising and office use, plastic and paper bags and transport packaging for e-commerce.

Energy consumption comprises almost 90% of the carbon footprint. Galeria Kaufhof has set a target to reduce energy consumption by 18% by 2022, using 2014 as a baseline. In 2016, energy intensity was 185MWh/m², an increase of 3.4% compared to the previous year. Power consumption remained stable, but there was an increase of nearly 10% in consumption of heating oil and gas due to a much colder winter.

Further reductions will be reached by exchanging lighting sources with energy-saving lamps. LED lighting will be deployed in suitable areas, such as the lighting for jewellery counters. For the systematic and continuous increase of our energy efficiency, Galeria Kaufhof certified its Energy Management System in Germany in accordance with ISO 50001 in 2016.
ASSOCIATE PROGRAMS

CARPOOLING

HBC encourages commuting options that support our mission to become a greener company by reducing our collective impact on the environment. We became a member of Smart Commute Brampton-Caledon in 2008, with 143 associates using the service in 2016 to coordinate ride shares and carpools to our offices in Canada. We’ve designated reserved parking spaces for our Smart Commute carpoolers and have enthusiastically taken part in several annual events, such as Carpool Week, Smart Commute Week and Bike to Work Day.

In addition to ride sharing, Smart Commute encourages commuters to try sustainable travel options such as walking, cycling, public transit, and telecommuting. We’ve conducted a number of surveys to measure the impact of the Smart Commute program. In 2016, the Smart Commute program helped our associates track 27,104 sustainable trips, reduce 1,141,991 kilometers of single occupancy vehicle travel, save 203,685 kilograms of GHG emissions from entering the atmosphere, and save $771,120 in commuting costs.

TTC METROPASS DISCOUNT PROGRAM

We offer subsidized transit passes through the Toronto Transit Commission (TTC) at five store locations, two home offices and one of our distribution centres in the Greater Toronto Area (GTA) to encourage our Associates to use public transit. With the program, Associates save the equivalent of one month of travel for every 10 months. On average, more than 800 associates purchased Metropasses through the program each month in 2016.

COMPANY CARS AT GALERIA KAUFHOF

A small but tangible contribution to the carbon footprint is the fleet of company cars. At the end of 2015, the average CO2 emission of nearly 400 company vehicles at Galeria Kaufhof amounted to 130 g/km. Galeria Kaufhof’s company car guideline encompasses a bonus/penalty system where associates’ car allowances can be more or less based on their chosen vehicles’ CO2 emissions. As an alternative to a company car, associates may also opt to receive a railway subscription.
SOURCING ETHICALLY

At HBC, we are committed to working collaboratively with our suppliers to ensure that the people in our supply chain are working safely, with fair remuneration, and under good conditions and best practices. We strongly believe that maintaining an ethical chain requires honesty and trust with all our stakeholders, including our vendors and factories.
HBC’s mandatory Social Compliance Program requires vendors to disclose their facilities and participate in factory audits to ensure they conduct business in an ethical and socially responsible manner. The program includes all HBC banners and applies 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.

In 2016, HBC approved 2,219 factories for use in private label and national branded manufacturing across our North American and European operations.

HBC adheres to the country-risk classifications set-out by BSCI. Of the factories approved by HBC, 84% were in a high-risk country, including China, Bangladesh, India, and Vietnam; the remaining 16% were in a factory located in a low-risk country. The Company’s focus throughout the year was to move beyond due diligence and support factories in reaching their long-term potential through capacity building and awareness training.

Our commitment to continuous factory improvement will extend beyond 2016. We continue to work closely with our suppliers to ensure that proper root cause analysis, training, and remediation is undertaken in order for our factories to make long-term improvements and help move our factory matrix to a majority of ‘approved for production’ factories by 2020.

*2016 Data includes Galeria Kaufhof and Galeria INNO
CAPACITY BUILDING

In 2016, HBC fully integrated the Business Social Compliance Initiative (BSCI) into our Social Compliance Program as the preferred audit standard for vendors producing HBC’s private label merchandise; we expect factories to observe the principles outlined in the BSCI Code of Conduct. In 2016, during the new factory screening process, we identified three separate factories submitting falsified audit reports, which HBC considers to be a zero-tolerance violation. As a result, the three factories were not approved to work with HBC as producers.

BSCI also offers free online and in-person capacity building courses and workshops to producers. The courses address the issues most commonly observed during audits: social management systems, occupational health and safety, fair remuneration and decent working hours, and chemical management. We believe strongly that with this knowledge, producers will be able to identify and fix the key issues contributing to violations and improve their long-term performance, alleviating audit costs and audit fatigue as factories align with best practices and improve worker conditions.

In 2016, 53 HBC-approved factories, with ~16,000 employees, were enrolled in the BSCI capacity building program.

BY 2020, HBC AIMS TO BRING 1/3 OF OUR PRODUCERS TO AN “A” OR “B” RATING AS PER CRITERIA SET-OUT BY BSCI.

BEYOND THE TIER-1 SUPPLY CHAIN

We recognize that our impact extends beyond the workers and environment at factory level. In order to truly understand our operational footprint, we must identify the intermediary suppliers within the supply chain—from farmer to factory worker. We believe it’s not only our responsibility to provide workers throughout our entire supply chain with just and equitable labour practices, but to ensure we mitigate their exposure to harmful chemicals that may harm them and the environment.
In 2016, we focused efforts on our private label cotton suppliers. Early in the year, HBC signed The Cotton Pledge—a commitment to not knowingly source cotton from Uzbekistan, which has documented labor and human rights abuses across its state-owned cotton fields. We also introduced a corporate-wide Chemical Management Policy for Textiles which outlined our expectations for private label suppliers, including the elimination of several groups of hazardous chemicals throughout their production, proper waste management, and overall environmental best practices.

Further to this, we partnered with select suppliers and began an exercise of mapping our cotton supply chain through to the farm level. This work was primarily completed through questionnaires and one-on-one stakeholder conversations. The results of this initial work revealed that there is limited traceability at the farm level as information is kept confidential for proprietary reasons.

To address this challenge, HBC will engage the outstanding cotton vendors in supply chain mapping and undertake a root cause analysis with the goal of creating more transparency throughout operations and promoting best practices.
COMMITMENT TO FACTORY SAFETY THROUGH THE ALLIANCE

The Alliance for Bangladesh Worker Safety has successfully completed the third year of its five-year commitment to protecting and empowering Bangladesh garment workers. HBC added new factories to the Bangladesh factory matrix in 2016 as we transitioned Galeria Kaufhof into HBC’s Social Compliance Program. HBC continued to play an active role in ensuring all 22 factories producing private label products take part in remediation and basic fire safety training programs.

During the first two years of operation, vendor factories have undergone rigorous initial inspections for fire, structural, and electrical safety (either through the Alliance or through the Accord on Fire and Building Safety in Bangladesh) and received Corrective Action Plans (CAPs) to help them address all safety concerns identified during the inspections. In 2016, we focused on addressing these safety concerns through various stages of verification checks by prioritizing the most critical repairs, such as the installation of fire doors and sprinkler systems.

TO DATE, VENDOR FACTORIES HAVE COMPLETED CLOSE TO 70% OF THE REMEDIATION UNDER THE SUPERVISION OF THE ALLIANCE.

Concurrent to remediation, the Alliance continued to provide new training and refresher training to workers to reinforce knowledge and awareness on fire safety.

THIS EFFORT EMPOWERED OVER 32,000 FACTORY WORKERS TO TAKE OWNERSHIP OF THEIR SAFETY BECAUSE THEY GAINED BETTER UNDERSTANDING OF FIRE HAZARDS AND THEIR ROLE IN EMERGENCIES AND EVACUATIONS.

In 2017, HBC will continue to work toward the successful completion of remediation plans as we continue to drive and sustain safety in Bangladesh.
CONTINUING ASSOCIATE TRAINING

Our vendors and suppliers are held to a high standard of social responsibility. We work closely with our merchant teams to ensure they understand and support HBC’s ethical sourcing policy, and have the tools required to share our social compliance policy with their vendors and factories.

Cross-banner merchant training throughout 2016 emphasized the importance of vendor cooperation, and the importance of placing orders in a timely manner to avoid excessive overtime for our factory workers. To evaluate understanding, attendees were required to participate in an e-learning module further reinforcing our policies and procedures. We also provided training to select private label vendors, giving them a deeper understanding of our specific social compliance and quality assurance requirements. It also provided a forum for Q&A.

+1,600 MERCHANTS COMPLETED IN-PERSON AND ONLINE SOCIAL COMPLIANCE TRAINING SESSIONS
In North America, any products that contain real or faux fur (no matter how small the quantity) are labelled to comply with applicable laws and regulations, including but not limited to, the Federal Trade Commission’s Fur Products Labelling Act and the Dog and Cat Protection Act. The policy extends to all products—garments, home goods, shoes, handbags and accessories. For those customers who choose not to wear fur products, HBC offers alternative synthetic options.

HBC is also working with vendors to design products using sustainable materials like tencel, repreve, and organic cotton to arrive in stores in 2017.

In Germany, Galeria Kaufhof offers customers environment-friendly or animal-friendly product alternatives if available. Certain products have been banned, including fur, caged eggs, and foie gras.
CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT

GREEN OPTIONS FOR EUROPEAN CUSTOMERS

Consumers increasingly want to do good with their purchases, and look to retailers to enable them to buy and act more sustainably. Since May 2016, Galeria Kaufhof offers plastic bags for a fee. In addition, Galeria Kaufhof offers its customers reusable bags and, to a limited extent, free paper bags. All shopping bags at Galeria Kaufhof are made of certified, environmentally friendly material: plastic bags are made of recycled packaging and have been awarded by Blue Angel [Blauer Engel] for their environmentally friendly production; paper bags are made of FSC*-certified paper from sustainable forestry, and shipping bags are made of recycled PET bottles.

Galeria Kaufhof offers a broad range of green products in all departments: from children’s clothing, underwear, and bed linens, to cosmetics, stationery, homewares, toys, and organic food. Today, almost 10,000 articles comply with widely recognized sustainable standards like the Global Organic Textile Standard (GOTS); the natural skincare certification system, NATRUE; or the FSC “tick tree” logo. Through collaborative orders across banners, some of these articles, like children’s clothes under the brand “Bob der Bär,” are also available at Hudson’s Bay and Lord & Taylor.

To make it easier for customers to find green products in store and online, Galeria Kaufhof has created the sustainability umbrella label “Natuerlich GALERIA” (Naturally GALERIA) in Germany. A green leaf logo on designated products lets customers know that the product was produced in a way that is friendlier to the environment.
A key part of HBC’s success is our relentless focus on ensuring our world-class team of associates is energized and passionate about delighting our customers and achieving exceptional results. From professional development and ongoing learning opportunities, to prioritizing work-life balance, we strive to ensure the satisfaction and engagement of our teammates around the world.
In 2016, we conducted our second HBC company-wide Associate Engagement Survey – MyVoice@HBC, where associates were provided an opportunity to share confidential feedback about working at HBC. This feedback was extremely valuable in helping HBC further understand how engaged our associates are in their work, their working environment, and with HBC overall.

Nearly 30,000 associates across the United States, Canada, and Ireland took time to complete the survey. Overall, the results were very positive. We scored above an external benchmark of high-performing companies, including other retailers, in all areas we compared. Scores were particularly high as they related to satisfaction with managers, collaboration and team work, a sense of purpose, and pride in HBC.

In 2017, we will continue our focus on the engagement of our associates through further MyVoice@HBC surveys.
PROFESSIONAL DEVELOPMENT PROGRAMS

HUDSON’S BAY AND LORD & TAYLOR EXECUTIVE TRAINING PROGRAMS

This program has two tracks: the Store Operations Executive Training Program, which gives participants the opportunity to work toward the position of department store general manager while learning about the fundamentals of driving store profitability; and the Merchandising Executive Training Program, which is targeted for individuals interested in working toward a role in Buying or Planning. Each program is taught by instructors who ensure participants have a blend of classroom instruction and on-the-job experience.

In 2017, we will combine our programs into one HBC Merchant Development Program for all Buyers, with specialized training provided for each banner.

SAKS FIFTH AVENUE EXECUTIVE EXCELLENCE PROGRAM

The 12-week Executive Excellence Program is designed to provide participants with a foundation in buying and planning. Along with on-the-job learning from a designated coach and mentor, classroom training enables participants to develop their leadership and business skills, while giving them exposure to senior leaders within the organization. The Advanced Excellence Program is the follow-up program for assistants who are ready to take the next step in their career, preparing them for future leadership roles within Merchandising.

LEADERSHIP JOURNEY

The Leadership Journey program is offered to associates at manager level through to senior vice president, to strengthen their role as a leader by helping them gain insight into their leadership style and challenging them to think differently. In its second year, the program was enhanced and expanded beyond North America to Europe, giving associates on both sides of the Atlantic the opportunity to network and to develop and refine their leadership skills. More than 200 leaders took part in this advanced leadership program, with 100% of participants indicating that the coaching they received was beneficial.

PARTNERSHIP WITH F.I.T.

Through our partnership with the Fashion Institute of New York, we are able to offer our U.S. Buying associates the opportunity to receive training and education on apparel and accessories construction, fabrication, fit, and quality to promote a more effective product selection process. In 2016, 33 associates took part in the four-month program. In 2017, we plan to launch a special program for associates in Canada and Europe.

INTERNISHIPS

Internships are an integral part of HBC. Each banner offers college and university students from across North America an opportunity to learn first-hand about functions such as Merchandising, Digital, Store Operations, Supply Chain & Logistics, Finance, Marketing, Human Resources and more through an immersive 10-week placement program. In 2016, 126 students participated in the Internship program, with several returning for full-time opportunities upon graduation.

LEARNING AND DEVELOPMENT PROGRAMS

Structured executive development programs are offered at several banners in the U.S. and Canada, enabling associates to further develop and enhance their skill set. Learning and Development Instructors facilitate sessions at locations in both Canada and the U.S. on a variety of topics, such as Challenging Conversations, Outcome Based Leadership, and Presentation Skills. In 2016, we facilitated more than 100 unique sessions for associates at headquarters and stores locations. At Galeria Kaufhof, associates are also encouraged to enhance their skills every year through a robust seminar program. With a wide range of topics, from Work Technology to How to Achieve our Goals Successfully, the program provides new ways for associates to further their development.

In 2017, we will combine our programs into one HBC Merchant Development Program for all Buyers, with specialized training provided for each banner.
eLEARNING AT HBC

eLearning courses are one of our most heavily leveraged structured developmental resources in North America. Online learning has the greatest reach and allows associates to access a wide variety of learning content at a time and location most convenient for them. Our digital course catalogue includes product knowledge, system training, leadership development, and business strategy options, along with mandatory courses, such as health and safety, which require regular sign-off for compliance completion.

2016 ELEARNING IN NORTH AMERICA:

41,503
USERS

416,548
COURSES COMPLETED

107,137
TRAINING HOURS ACHIEVED

MANAGEMENT ESSENTIALS PROGRAM (MEP)

Launched in October of 2016, MEP is a structured online learning program designed to support the successful transition of associates into a first-line managerial role. The program is targeted to new managers, but it is available for all associates, across all functions and banners in North America. MEP is also available to Gilt Ireland, and we are working to expand our program to additional locations globally.

Online courses cover fundamental managerial skills aligned to the HBC culture. Supplementary materials, such as pre-assessments, coursework, and newsletters on relevant leadership topics are also available to participants.

In 2016, 1,382 associates participated in the MEP. All participants were surveyed for feedback on their program experience and 91% of respondents indicated that they are extremely likely to recommend MEP to their coworkers.
A NEW WAY TO TALK ABOUT PERFORMANCE AND DEVELOPMENT

It is the passion, enthusiasm, and adventurous spirit of HBC associates that makes us one of the fastest growing retailers in the world. Keeping an eye on today’s achievement, while keeping future success in view ensures we are well-equipped to take on the opportunities of tomorrow.

In 2016, we introduced an industry-leading performance management program, MyCompass@HBC. This innovative new approach guides associates and leaders through the performance management process by motivating, achieving, and progressing together: Mapping a new path forward. This program allows more time for informal and meaningful conversations that focus on understanding associates’ career interests, discussing strengths and opportunities, and creating development plans that allow us to grow our talent across the Company. MyCompass@HBC will continue in 2017, with further enhancements and improvements.
ENGAGING OUR PEOPLE

2016 COMPLIANCE REVIEW

Our company is committed to maintaining high standards for how we conduct and grow our business and to doing the right thing for the right reason. Our 2016 Compliance Review included information on our HBC Code of Business Conduct, Information Security, Health and Safety, Social Media, and Social Compliance. Associates throughout the company, at all levels and under all banners, read and digitally acknowledged policies that are at the core of how we do business at HBC. In 2016, HBC had a completion rate of 99% for all requirements during Compliance Review.

WORK-LIFE BALANCE IN NORTH AMERICA

We recognize the importance of having work-life balance, and offer a number of programs that provide greater flexibility in how associates manage their time. We also seek ways to provide new and innovative offerings that continue to make HBC a great place to work. In 2016, we launched several new programs:

FLEXIBLE PTO
A new Flexible PTO (Paid Time Off) program was rolled out to more than 4,000 corporate and distribution center salaried associates based in North America. Starting as a pilot program, Flexible PTO is a combination of traditional vacation, personal time, and sick days. It affords associates the flexibility to take time off as needed, with manager approval and coordination with their team, without a predetermined number of days for the year.

PARENTAL LEAVE
In 2016, we introduced to our more than 4,300 salaried associates in the United States, a Parental Leave benefit that provides new parents with two weeks of paid leave, in addition to the short-term disability benefits they receive, following the birth of a child or placement of a child for adoption or foster care.

GRADUATED RETURN TO WORK
As an alternate to Parental Leave, we also introduced a Graduated Return to Work Program in the U.S., which provides eligible new parents up to eight weeks of full pay while working reduced hours during their transition back to a normal work schedule, also following the birth of a child or placement of the child for adoption or foster care.

PERSONAL LEAVES OF ABSENCE
We recognize there are times when an associate needs time off that is not otherwise protected under either the disability or statutory leave protection programs. In those instances, HBC offers associates in the U.S. and Canada the opportunity for a personal leave of absence of up to 12 weeks.

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EMPLOYEE ASSISTANCE PROGRAM (EAP)
HBC offers our more than 46,000 North American associates and their dependents an Employee Assistance Program (EAP) that provides confidential support for everyday challenges, and for more serious problems, at no cost to the associate.
At Galeria Kaufhof, we have an agreement with the overall works council on family-friendly measures, such as:

- job-sharing, where two employees share a job or complement each other in their field of work;

- a sabbatical year at 80% of salary, available after four years of unchanged work time (5th year leave);

- job guarantee after parental leave;

- company parental leave, up to a maximum of 6 years total (after statutory parental leave + parental leave, according to collective agreement);

- leave to care for family members, young and old, who are in need of nursing care (in addition to statutory rights additional nursing period of max. 1 year);

- part-time for management staff; and

- flexible working models, such as part-time employment for old-age pensioners, flexible schedules or trust-based working hours as well as flexible break and vacation times.
We believe that all injuries are preventable. 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
- Contribute To Positive Cash Flow

**In Canada,**

we have reduced our number of reported claims by 4% and reduced our Lost Time Claims by 17%. 121 out of 166 locations have achieved a full year without a lost time injury—that represents almost ¾ of all buildings across Canada.

146 out of 166 locations (88%) have achieved 100% compliance for monthly H&S committee meetings and site inspections for the entire year. Our logistics network continues to achieve new records of zero lost-time injuries with three out of four locations achieving zero lost time injuries for 2016.

Our flagship Montreal Hudson’s Bay store, with 850 associates on eight floors, has also achieved a full year without a lost time injury. Our stores in the province of Quebec had only nine lost-time injuries for the entire province, which includes 27 stores and more than 4,500 associates.
INJURY PREVENTION

We 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. All workplace incidents are investigated to identify the root cause and we implement appropriate corrective actions. It is our expectation that each location is inspected at least once per month to identify hazards so that we may eliminate them at the source or implement appropriate controls.

RETURN TO WORK PROGRAM

This program helps 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. We consider our early and safe return to work program a win-win scenario that benefits both associates and the company.

COMPLIANCE

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

IN EUROPE, we’re equally dedicated to helping our Galeria Kaufhof associates stay healthy and well, and to providing a safe and hazard-free working environment. Occupational Health and Safety is highly regulated in Germany. Each Galeria Kaufhof store has a formal joint management-worker Health and Safety (H&S) Committee, which receives support from the Health and Safety Officer at headquarters. Medical care for work-related accidents is carried by the employer’s liability insurance association (Berufsgenossenschaft). At Galeria Kaufhof, the number of work-related accidents has remained stable at a rate that is more than 30% better than comparable companies in Germany; the number of work-related accidents leading to more than three days of absence from work was 16.6 per 1,000 associates in 2016.

The promotion of safety at work is an important management duty. At Galeria Kaufhof, it is expected that managers act in a consistent and exemplary manner. Associates regularly receive instruction, training, and the necessary equipment so they can assume responsibility for occupational safety, recognize and avert dangers and risks, and take the required precautions.

In 2017 Galeria Kaufhof will expand the existing mandatory risk assessments to include mental risks as well as physical risks. Evaluations include different psychologically significant influences, such as the intensity of work, social support in the workplace and the duration, location and distribution of working time.

IN NORTH AMERICA, our key focus is on accident prevention and awareness and we continue to see a decline in the frequency of our Workers’ Compensation and lost-time claims. Our efforts have resulted in an 8% reduction in the frequency of claims from 2014 to 2016 based on a measurement of hours worked in the U.S.

In Canada, we continue to pursue our incentive program with Alberta WCB’s Partners in Injury Reduction.
WELLNESS PROGRAMS

TRANS-INCLUSION AT HBC
At HBC, every individual—including customers, associates, and all others—should be treated according to their gender identity. We respect and affirm each person’s right to self-identify and access facilities that reflect their gender identity, and each person’s right to be addressed in a way that accords with that identity.

HEALTH & WELLNESS AT WORK
To encourage associates to stay fit and productive, Galeria Kaufhof has been working to implement a corporate health management program at headquarters and in selected stores in Germany. Tips on healthy eating and ergonomically designed workplaces help associates improve their physical and mental wellness and, in June, a health fair at headquarters provided information for a more healthy work day: Experts measured blood pressure, made postural diagnostics, or conducted a stress check. Small changes like using the stairs more often or standing during a phone call can have a positive impact.

GALERIA KAUFHOF NIGHT RUN
In 2016, the 13th annual Galeria Kaufhof Night Run welcomed 3,000 participants, including 300 Galeria Kaufhof Associates who train together as part of the Kaufhof Sports Club. Now an established race in Cologne, the Night Run gives participants a choice of a 5 km or 10 km distance.

DOGS AT WORK
In 2015, HBC’s Canadian Corporate offices were selected to test pilot D@WG (Dogs at Work Group) Programs. The launch day welcomed more than 100 furry friends to our offices and was such a great success that we have since instituted a program that lets associates bring their dogs to work on the last Friday of every month throughout the year, and every Friday during the summer months.
In defining the content of this report, we referred to the principles of the Global Reporting Initiative (GRI) to ensure a focused and thoughtful approach. The scope of this report encompasses Hudson’s Bay, Home Outfitters, Lord & Taylor, Saks Fifth Avenue and Saks Fifth Avenue OFF 5TH in North America, and Galeria Kaufhof, Galeria Inno and Sportarena in Europe. Financial reporting is in local currency unless otherwise stated.

REPORTING PERIOD: JANUARY 1 TO DECEMBER 31, 2016

Date of last report: June 2015 | Reporting cycle – annual
Contact for questions regarding corporate social responsibility: hbc.communications@hbc.com

SCOPE OF OPERATIONS

- **HUDSON’S BAY**
  90 Stores

- **LORD & TAYLOR**
  50 Stores

- **HOME OUTFITTERS**
  54 Stores

- **SAKS FIFTH AVENUE**
  41 Stores

- **SAKS OFF 5TH**
  118 Stores

- **GALERIA KAUFHOF**
  100 Stores

- **GALERIA INNO**
  16 Stores

- **SPORTARENA**
  13 Stores

IN CANADA
we operate banner stores in seven provinces: Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Quebec and Saskatchewan.

IN THE UNITED STATES

IN EUROPE
we operate in Germany, Belgium and Ireland.

IN ASIA
we operate in Japan.

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. Sourcing Ethically
IV. Engaging Our People

No trees were harmed in the production of this report. In line with our commitment to the environment, the 2016 CSR Report is available exclusively online on our corporate website at hbc.com.

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