



2018

HUDSON'S BAY COMPANY
**SUSTAINABILITY
REPORT**



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CONTRIBUTING
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Founded in 1670, Hudson's Bay Company is the oldest company in North America. It's a distinction we're proud of and a testament to our commitment to operating responsibly and sustainably. Every day, we push ourselves to become better at meeting the needs of our customers, and at driving positive change across our business, supply chain and world.

ABOUT THIS REPORT

In this report, we outline the 2018 sustainability management approaches, highlights and initiatives undertaken in our North American businesses, including Hudson's Bay, Saks Fifth Avenue, Lord + Taylor, Saks OFF 5TH and Home Outfitters. As a signatory to the United Nations Global Compact, this report also meets our commitment to submit an annual Communication of Progress. All dollar amounts are in Canadian dollars, and all performance data refers to the 2018 calendar year, unless otherwise stated. The 2018 Sustainability Report is available exclusively online on our corporate website at hbc.com.



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Hudson's Bay Company (HBC) is a diversified retailer focused on driving the performance of high-quality stores and their omnichannel platforms, and unlocking the value of real estate holdings. Our portfolio includes formats ranging from luxury to premium to off-price shopping destinations. Headquartered in New York and Toronto, HBC trades on the Toronto Stock Exchange under the symbol "HBC."

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



348 stores



~43,000 associates





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Where We Are

We serve customers in prime urban and suburban markets across North America with more than 300 stores and our businesses' digital platforms.*

* Numbers are as of December 31, 2018. We have limited the scope of this report to HBC's five North American businesses: Hudson's Bay, Home Outfitters, Lord + Taylor, Saks Fifth Avenue and Saks Fifth Avenue OFF 5TH. HBC's European businesses GALERIA Kaufhof and Galeria Inno have been excluded as we did not operate these businesses for the full calendar year.



SAKS FIFTH AVENUE

42 stores
3 Canada | 39 United States



HUDSON'S BAY

89 stores
Canada



SAKS OFF 5TH

132 stores
18 Canada | 114 United States



LORD + TAYLOR

48 stores
United States



HOME OUTFITTERS

37 stores
Canada



CORPORATE LOCATIONS

25 offices, distribution centers, call centers
10 Canada | 12 United States |
2 Ireland | 1 India



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A Message from Our CEO

Having joined HBC in early 2018, I am proud of how much we have accomplished as a team in my first year. From an operational and performance perspective, this year presented a number of challenges and we have been tackling them head on – simplifying the business, strengthening operations and deepening our understanding of our customers. While there is still work to be done, we are a far more capable company than we were a year ago.

From a sustainability perspective, we remained focused on ethical sourcing and our global footprint as we continued to take meaningful steps to strengthen our supply chain and limit our impact on the environment. We expanded our initiatives in the areas of waste and water consumption, energy efficiency and greenhouse gas (GHG) emissions. Through HBC and its Foundations, we will soon exceed our three-year commitment to grant \$6 million CAD by the end of 2019 to mental health organizations in Canada and the U.S. In 2018, we distributed \$3.5 million CAD to help destigmatize mental illness and provide better access to resources.

We are building a culture focused, in part, on accountability and prioritizing the game changers. Our teams will continue to make decisions that position us for success and ensure we maintain our strong corporate citizenship.

As we move forward, we are committed to sustainability and we remain inspired by the work we are doing to ensure a healthy future.

Helena Foulkes, CEO

“Our teams will continue to make decisions that position us for success and ensure we maintain our strong corporate citizenship.”

Helena Foulkes, CEO





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Responsible, Sustainable Business

As North America's oldest company, we have witnessed more change than any other company on the continent, and we have continually adapted and evolved to become one of the world's most notable retailers. Underpinning our success is an unwavering commitment to operating in a responsible and sustainable manner – because *doing the right thing, for the right reason*, strengthens our business, our reputation and our contribution to communities.

Our Pillars



ETHICAL SOURCING

We are determined to build our business together with our suppliers based on the highest ethical principles of trust, teamwork, honesty, and respect for the rights of others.



ENGAGING OUR PEOPLE

We offer our associates a wealth of career development and advancement opportunities, and a culture that empowers them to think and act like owner-operators.



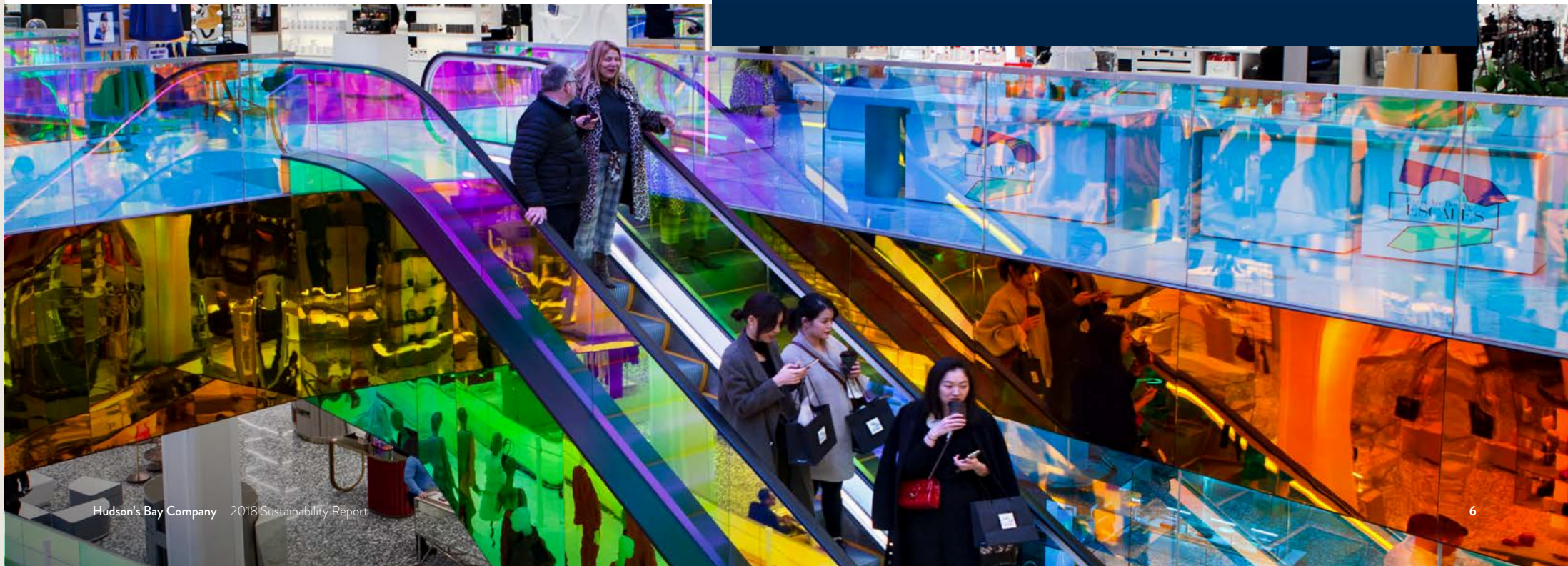
INVESTING IN OUR COMMUNITIES

The health of our company is inextricably linked to the social and economic well-being of our associates, customers and communities, and we work to help them thrive.



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We challenge ourselves to reduce our environmental impact, recognizing the connections between a healthy planet, healthy communities and a sustainable future for us all.





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SOURCING



HBC utilizes 22 factories in Bangladesh, all of which participated in the **Alliance for Bangladesh Worker Safety** training in basic and security guard fire safety, achieving Corrective Action Plan (CAP) closed status



100%
of factories audited in 2018 were approved for production, with 67% of approvals subject to improvements being made

COMMUNITY



\$3.5 million CAD granted by HBC and its Foundations to mental health initiatives



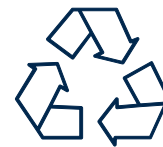
Canadian HBC Foundation donated **\$610,000 CAD** to continue its longstanding support of Canada's highest-performing athletes' well-being

PEOPLE



Established a continuous feedback loop with associates by increasing the frequency of and participation in **employee engagement surveys**, and will add a diversity and inclusion index to the engagement survey in 2019 to help benchmark our progress in this important dimension

ENVIRONMENT



90%
overall diversion rate at our North American distribution centers





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Governance

Effective corporate governance is critical to our long-term success. HBC's Board of Directors and leadership team set the tone at the top and take responsibility for fostering a culture of integrity and accountability.

The company has comprehensive corporate governance policies and procedures in place to promote ethical conduct, sound decision-making, and compliance with applicable laws and standards. Among them, the Board's diversity policy supports our company-wide commitment to diversity and inclusion, acknowledging the benefits of having a Board and senior management team that reflect the diversity of

our stakeholders and the changing demographics of our communities. While the emphasis when filling Board or senior management roles is on finding the best qualified candidates given the company's needs and circumstances, nominees' gender, race, nationality or other attributes are considered in our assessment.



Key governance policies, practices and other details can be accessed from our corporate website at <http://investor.hbc.com/corporate-governance>.

See also our [2019 Management Information Circular](#).

Codes of Conduct

The HBC **Code of Business Conduct** (the Code) and **Supplier Code of Conduct** set out the behaviors we expect of ourselves and of our suppliers. Each year, North American associates across all businesses receive training on the Code and related policies that are at the core of how we do business. They must also digitally acknowledge that they agree to adhere to these policies. Training in 2018 included, but was not limited to, basic principles, conflicts of interest, associate responsibility. 100% of associates completed the training.

23%

Three of HBC's 13-member Board are women (23%), as are four of our 12 executive officers (33%)*

* As of February 2, 2019, as found in the company's 2018 AIF.





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Stakeholder Engagement

Our corporate social responsibility strategy highlights HBC's commitment to implementing sustainable practices that are good for people and for the planet. Our collaboration with stakeholders – both internal and external – enables us to deliver meaningful experiences to our customers, drive long-term success for HBC and contribute to a sustainable future. We are committed to fostering these key relationships as we continue our path forward.

In 2018, we adopted a net promoter score framework, which uses direct feedback to understand customer challenges and enhance the customer experience. These insights will allow us to deepen the customer connection to our businesses and, at the same time, attract new customers.



KEY STAKEHOLDERS



Customers



Shareholders



Associates



Communities



Partners



Non-governmental/
not-for-profit
organizations



Vendors



Press



Government



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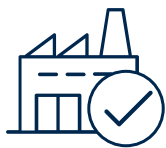
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ETHICAL SOURCING

We delight our customers by offering a wide assortment of exclusive, innovative products that are available when and where they want them. Doing so involves sourcing from suppliers around the world, and going the extra mile to ensure our products are made and procured in an ethical way. We are determined to build our business together with our suppliers based on the principles of trust, teamwork, honesty, and respect for the rights and dignity of others.



858 factories

were approved for production based on their 2018 social compliance audit scores



100%

of the 22 Bangladesh factories utilized by HBC were trained in basic and security guard fire safety during the five years of the Alliance for Bangladesh Worker Safety





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“It’s important to us that our products are made in a responsible way. Through our Social Compliance Program, we not only audit suppliers, we also help them implement improvements that can make marked differences in the lives of their workers.”

Julie Yan, Director,
Sustainability & Social Compliance

~425,000

factory workers covered by HBC’s mandatory social compliance program in 2018



100%

of factories audited in 2018 were approved for production, with 67% of approvals subject to improvements being made



Social Compliance Program

We believe that we have a responsibility to uphold fundamental human and labor rights, as well as to be mindful of our environmental impact throughout our supply chain.

A critical way to ensure our suppliers comply with local laws and the HBC **Supplier Code of Conduct** is through our mandatory Social Compliance Program. The program applies to all first-tier suppliers producing private label merchandise for HBC and any non-merchandise items that have one of HBC’s company logos, such as shopping bags and gift boxes.

To work with HBC, these suppliers are required to disclose the names and addresses of their factories and subcontractors. Since 2014, we’ve been publishing on our corporate website a [list](#) of factories that produce private brand apparel and home products for us.

Factories must also submit third-party audit reports from accredited organizations to demonstrate that their employees are paid a fair wage, their working conditions are safe and clean, and all social and environmental aspects of production and the surrounding communities are considered. From these reports, we may approve a factory for production, approve production subject to required improvements, or decide against or discontinue sourcing from that factory.



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Factory Audits and Results

AMFORI BSCI AUDITS

HBC is a long-time member of amfori BSCI (formerly known as the Business Social Compliance Initiative), a leading supply chain management system that helps companies drive social compliance and improvements within the factories in their global supply chains. As a member, HBC must adhere to the [11 principles](#) of amfori BSCI's code of conduct and ensure that our factories are socially responsible.

We encourage our suppliers to use the amfori BSCI social auditing methodology, which rates factories on a scale from A to E, where A is outstanding and E is unacceptable. We then collaborate with the auditors, vendors and factory managers to help implement corrective action plans aimed at improving working conditions. Factories that are issued corrective action plans are re-audited annually or bi-annually to ensure that improvements are made.

For factories rated D or lower, amfori BSCI offers free online and in-person capacity-building courses and workshops. These courses address the issues most commonly observed during audits: social

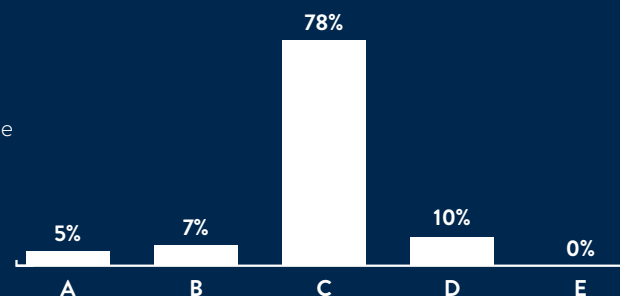
management systems, occupational health and safety, fair remuneration and decent working hours. They are designed to educate factory managers on how to create a fair and equitable work environment for their employees. We strongly believe that with this knowledge, producers will be able to fix the key issues contributing to violations and improve their long-term performance.

ALTERNATIVE AUDITS

Factories may also submit a third-party audit report produced by an HBC-approved social audit standard, such as the Social Accountability International (SA8000), SEDEX Members Ethical Trade Audit (SMETA) or Worldwide Responsible Accredited Production (WRAP). If a supplier has an internal social compliance program that satisfies the requirements of our program, they may submit substitute documentation. These alternative options help factories alleviate audit costs and reallocate resources to making improvements. In 2018, we accepted 328 non-BSCI audit reports, which accounted for 34% of all audits received.

AMFORI BSCI AUDITED FACTORIES 2018

A – Outstanding D – Insufficient
B – Good E – Unacceptable
C – Acceptable



86%

of factories with D ratings in 2017 raised their grade to a C or better in 2018





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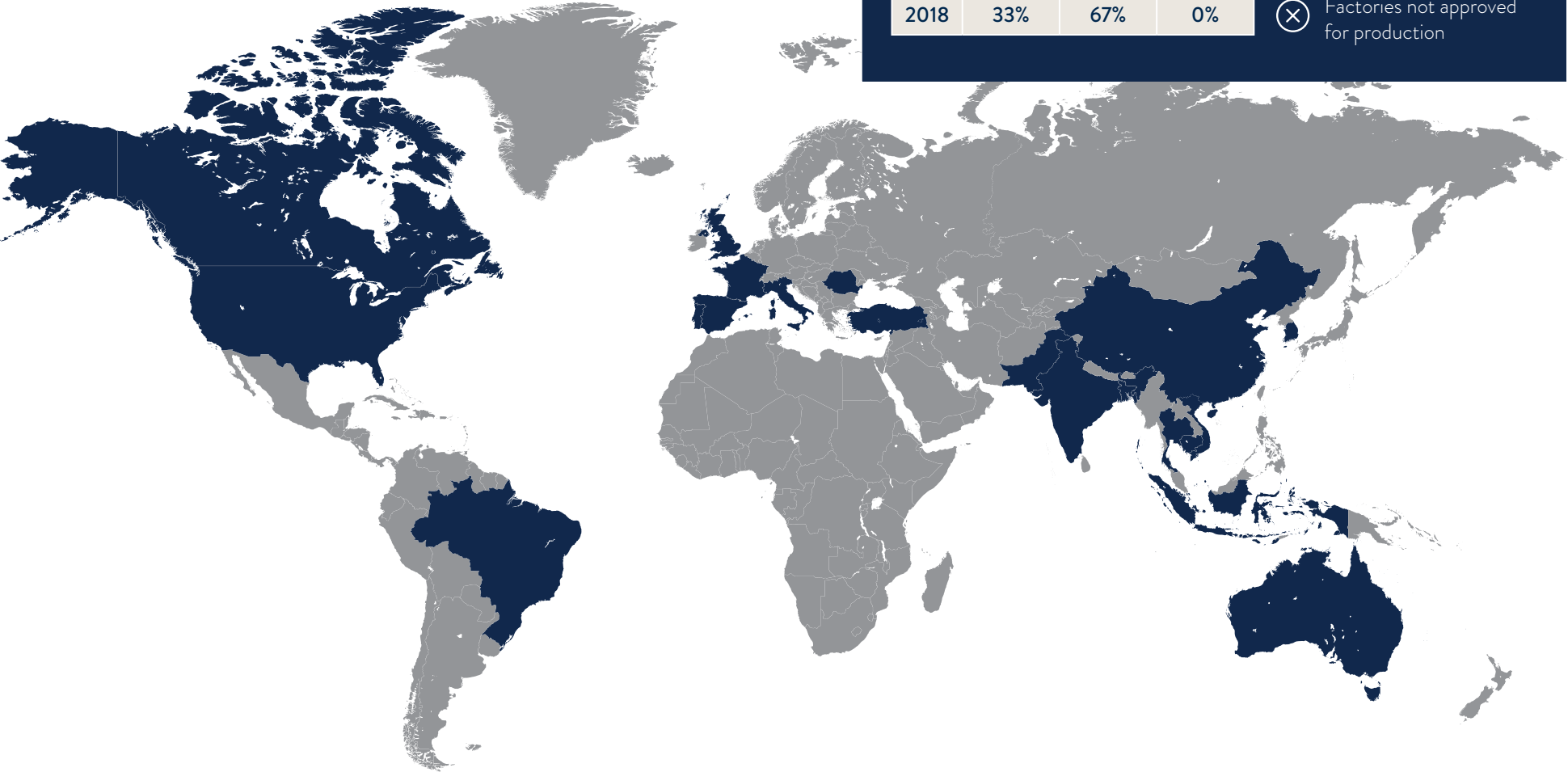
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2018 Audited Factories

HBC approved 858 factories for production in 2018, of which 63% are located in three countries – China, Italy and India.



SIGNS OF PROGRESS				
	✓	⚠	✗	
2016	12%	87%	1%	✓ Factories approved for production
2017	7%	93%	0%	⚠ Factories approved for production, subject to improvements
2018	33%	67%	0%	✗ Factories not approved for production

AUS	BGD	BRA	KHM	CAN	CHN	FRA	IND	IDN	ITA	PAK	PRT	ROU	KOR	ESP	THA	TUR	UK	USA	VNM
1%	5%	1%	1%	1%	46%	1%	7%	1%	10%	1%	6%	1%	1%	2%	1%	2%	1%	1%	5%



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Supporting Sustainable Production

ALLIANCE FOR BANGLADESH WORKER SAFETY

HBC is committed to working with textile countries and companies showing willingness to improve. We joined the [Alliance for Bangladesh Work Safety](#) in 2013, partnering with other brand companies and retailers to build a culture of safety within the Bangladesh ready-made garment sector. Having completed its five-year term, and with a safety ecosystem firmly in place, the Alliance ended on December 31, 2018.

AMONG THE ALLIANCE'S FIVE-YEAR ACHIEVEMENTS:

- 90% of items most critical to life safety were remediated across Alliance-affiliated factories, including for example the addition of sprinkler systems and fire doors.
- More than 1.5 million workers now have access to a 24-hour confidential worker helpline, with plans to expand to millions more across the entire ready-made garment industry.

- 181 worker safety committees were formed, giving workers a seat at the table with management in resolving safety issues within their factories.

We are committed to continued collaboration with factories, vendors and the retail industry on the safety, training and empowerment of garment factory workers in Bangladesh. That's why in January 2019, we joined several former Alliance members in launching Nirapon. This locally managed organization has been tasked with providing factory building and fire safety monitoring, oversight and reporting services in Bangladesh for its member brands. You can learn more about Nirapon at nirapon.org.

Organic Cotton

As customer concern about the social and environmental impacts of their purchases grows, we're expanding our organic cotton assortment. Organic cotton is grown using non-genetically modified seeds and without the use of agricultural chemicals, making it less energy-, water- and carbon-intensive than conventional methods. HBC organic cotton products are certified by the Global Organic Textile Standard. In 2018, we sourced close to 60,000 kg of organic cotton for owned-brand products such as Boutique by Distinctly Home cotton bath towels, Core Life women's sleepwear, Design Lab t-shirts and Lord + Taylor tops – and we expect this number to grow over time.





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ENGAGING OUR PEOPLE

True to our roots, HBC has always been a place for adventurers and innovators – people who think creatively, take initiative and are driven to achieve. Our associates are the key to our success and we work to build a culture that empowers them to reach their goals. The better we do at meeting their needs and expectations, the better we do as a company.



~43,000

associates working in Canada
(20,309), the U.S. (22,347)
and around the world (580)



20,000+

active associates in North America
participate in the HBC Retirement
& Savings Program





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Attracting, Retaining and Engaging Top Talent

As a large, diversified retailer, HBC offers associates exciting jobs in communities across North America and in India. They can work in stores, corporate offices, logistics and supply chain, or in our call centers.

To attract, retain and engage the best talent, our people strategies are focused on what matters most to our associates and to our business, namely:

- Providing on-the-job training and continuous learning
- Offering rewarding career advancement opportunities
- Fostering a fun and collaborative culture that embraces diversity and inclusion, empowers associates to think and act like owner-operators, and promotes health and well-being
- Offering full-time associates competitive benefits that include medical, vision and dental, as well as an employee discount

We place a high priority on communication as a way of engaging associates and driving our teams and businesses forward. Forums include daily huddles for store associates; weekly in-person or phone team meetings; a Weekly Wrap-up email for all associates; and quarterly town hall meetings. Employee relations committees and engagement surveys help us gather associate feedback, address workplace issues and adapt our people strategies as needed.



65,657 hours

spent by associates in e-learning courses

80%

of our associates provided feedback through HBC engagement surveys

“Every day, we strive to make HBC a great place to work. We believe that in order to build a winning culture, associates should have input and impact decisions that affect where they work. Our programs and initiatives support the development and success of our associates – through professional development opportunities, health and well-being programs, and an environment that embraces diversity and inclusion.”

Janis Leigh, Chief Human Resources Officer



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Building a Winning Culture

GETTING RADICALLY BETTER

To best serve our customers and propel our business forward, we need our associates to be engaged, believe in our priorities, and take ownership for results.

In early 2018, we invited associates to provide feedback on the current state of our culture and what would make it ideal. Close to 350 people participated in 10 focus groups across North America, Ireland and India. They told us that while our core values and winning ways resonated, our culture looked different within each business and function, and we needed to bring everyone onto the same page.

From this, and following the appointment of our CEO, we instituted five commitments for building a winning culture, which became the focus of our internal communications and people programs

throughout 2018: be customer champions; prioritize the game changers; stay focused on performance; take ownership by adopting an action-oriented mindset; and be inclusive in our decision-making.

In 2019, our internal priorities are evolving based on business needs, and are focused more heavily on five principles for getting radically better at what we do:

- Be accountable
- Fix the fundamentals
- Keep it simple
- Fail fast, fail cheap
- Always be customer champions

Throughout 2019, we will work to infuse these principles throughout our culture.

Associates Have Their Say

Instead of our usual annual survey, we conducted three MyVoice associate engagement surveys in 2018 to establish a more regular dialogue with associates and give leaders and teams richer data and real-time views of engagement levels.



3 surveys

All associates were invited to share their opinions in March and September, and a third survey was conducted in June to check in on engagement and satisfaction levels in our corporate groups



6 to 12 questions

Questions covered a range of topics, including views on our culture and associate satisfaction with key components of the HBC work experience



80%+ average associate participation

Associates across the United States, Canada, Ireland and India participated in the March, June and September surveys



++ rating

Overall results were very positive, with particularly high scores for customers' needs being the top priority for the organization, and satisfaction with the recognition and care associates receive from their leaders. More work is needed in the areas of retaining top talent, and coaching and mentoring.



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Diversity and Inclusion

EMBRACING OUR DIFFERENCES

With customers and associates from around the world, we want to reflect the diversity of our stakeholders and embrace different backgrounds, viewpoints, skills and talents. Our differences make us stronger and contribute to the innovative ideas that will power us into the future.

We took steps in 2018 to strengthen our diversity and inclusion (D&I) practices – including the appointment of a D&I leader to spearhead a D&I strategy for HBC. We also updated corporate policies, such as the Code of Business Conduct, to explicitly recognize associates' rights, and launched unconscious bias training for store associates.

Employee Resources Groups (ERGs) are associate-led networks composed of individuals who join together based on common interests, backgrounds or demographic factors. Our ERGs organize networking events, speaker series, professional development workshops and other events for their members.

We currently have five ERGs based in New York City and one in India, and are making a push to open chapters in Toronto and elsewhere. Four of the ERGs are geared to women (Women in Tech, HBC Moms Network, Women in Finance, Women in Power Network), while HBC Out & About supports HBC's adoption of inclusive policies, practices and benefits for LGBTAI+ associates, and C.O.R.E. (Culturally Oriented & Responsive Environment) seeks to enhance cultural acumen by recognizing and celebrating different ethnicities, geographic regions and backgrounds.





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Learning and Development

HELPING ASSOCIATES REACH THEIR GOALS

We support associates who want to move up in the organization, chart new career paths, or simply keep learning. MyCompass@HBC is a robust talent development approach designed to give associates and their leaders a clear and simple way to track career goals, growth and success. Training ranges from a selection of more than 6,000 e-learning courses that associates can access at a time and place that suits them, to structured, instructor-led leadership development programs, including:

**Merchant
Development Program**

The Merchant Development Program helps associates transition into assistant roles in our merchant and owned brands business. Participants are immersed in systems training, leadership and soft skills development, and banner-specific business processes.

**Advanced Merchant
Development Program**

The Advanced Merchant Development Program gives merchant associates a more disciplined and comprehensive approach to leadership development, and includes one-on-one networking meetings and roundtables with leadership groups, as well as targeted soft skill development.

FIT Program

Through our engagement with the Fashion Institute of Technology, New York, the FIT Program provides training and education to merchants on apparel and accessory construction, fabrication, fit, and quality, resulting in a more effective product selection.

Leadership Journey

The Leadership Journey is a tiered leadership development program targeting high-potential performers from manager to vice president levels. The program includes targeted executive coaching and action planning.

**General Manager
Development Program**

The General Manager Development Program focuses on continued leadership development and coaching skills for top-performing store associates to prepare them for roles as senior store leaders.

**Store Leadership
Development Program**

The Store Leadership Development Program is a multi-tiered leadership development program designed to help high-potential leaders reach the next level of their career in stores.

TOTAL EXECUTIVE PARTICIPANTS: 348



2018 E-LEARNING NUMBERS



46,932

users
(includes both active and inactive
associates who took courses in 2018)



262,627

courses completed



65,657

training hours completed



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Health and Well-being

OUR HOLISTIC APPROACH

We know there's a strong connection between associates' health and well-being and their ability to do their best work. We want our associates to make their health and safety a priority, and we take a holistic approach that supports their physical, emotional, social and financial well-being.

In addition to medical and dental benefits for full-time associates, we offer work/life programs that provide greater flexibility in how associates manage their time. This includes flexible paid time off for corporate and distribution center

salaried associates, and varying parental leave benefits and leaves of absence.

In select Canadian locations, associates were offered one-on-one consultations and group workshops in 2018 aimed at helping them become more financially prepared. More than 10,000 active Canadian associates participate in the HBC Retirement & Savings Program, and benefit from the company's contribution to the program, which totaled over \$12 million in 2018.

MENTAL HEALTH

Mental health is a critical societal issue and we have committed to help destigmatize the topic and support access to care, both in the community (see page 21) and with our associates. For associates, we've organized workshops, panels and forums to create a safe place for this important dialogue. In addition, more than 400 associates have volunteered to be mental health ambassadors and have been trained to support engagement across our company.

Safety Performance

We take all reasonable care to prevent injuries through hazard recognition, risk assessment and control, regular communication, active associate involvement, and continuous improvement of systems, procedures and training. Should an accident occur, it is investigated to identify the root cause and corrective actions are implemented.

IN CANADA



Reduced the number of reported claims by **3%** and lost-time claims by **12.7%**



120 of 171 (68%) of locations achieved **a full year without a lost-time injury**, including three distribution centers



156 of 171 (91%) of locations achieved **100% compliance** for monthly Health & Safety committee meetings and workplace inspections

IN THE U.S.



While the total number of medical only Workers' Compensation claims rose, **the number of lost-time claims declined by 14**, indicating a reduction in severity



Conducted safety audits in 23 stores and two distribution centers to help reduce risk and incident frequency



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INVESTING IN OUR COMMUNITIES

HBC associates are united in the common goals of strengthening the communities in which we live and work, and supporting our customers and fellow associates in times of need. Caring for one another is our responsibility as good corporate citizens. It's also good business, as the health of our company is inextricably linked to the social and economic well-being of our customers and communities.



\$1,394,692 CAD

donated by the Canadian HBC
Foundation

\$1,239,963 USD

donated by the U.S. HBC Foundation
in 2018



\$2,046,327 CAD

in corporate donations made by HBC, and
customer fundraised dollars in Canada and

\$3,832,038 USD

in the U.S.





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#ONE
IN
FIVE



“More than half of those living with mental illness will not seek help because of stigma; this discrimination prevents millions of people from leading full and successful lives. The best way to change perception is to encourage open, honest dialogue. The U.S. HBC Foundation grant will enable us to reach more people – particularly young people – and launch a national conversation that fosters understanding about mental health.”

Glenn Close, award-winning actress;
co-founder of Bring Change to Mind

\$6 million CAD

pledged to mental health needs by the end of 2019



500,000

people to be reached with mental health services,
support and education by the end of 2019



Improving Lives by Giving Back

HBC stores are part of the fabric of communities across North America. One of the ways we lift up these communities is by supporting efforts to tackle critical social issues and promote health and well-being. We do this through the HBC Foundations in Canada and the U.S., and through HBC corporate donations and fundraising.

Both HBC Foundations are dedicated to making mental health a priority in every community by increasing understanding and improving access to care. Recognizing the prevalence of mental illness in our society, the Foundations announced a philanthropic focus on mental health in 2017. Their collective mission is to make mental health a priority in every community in North America by increasing understanding and improving access to care. To accomplish this, HBC and the Foundations pledged to distribute \$6 million CAD to mental health needs in communities and reach at least 500,000 people through mental health services, support and education by the end of 2019.

At the same time, the Canadian HBC Foundation is continuing its longstanding support for Canadian athletes through a partnership with the Canadian Olympic Foundation and the Paralympic Foundation of Canada, which has delivered more than \$49 million CAD since 2006. Similarly, the Saks Fifth Avenue Key to the Cure campaign, an annual charitable initiative to fight cancer, has donated nearly \$40 million USD to cancer research and treatment over its 20 years of existence.



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Focus on Mental Health

MEETING A CRITICAL NEED

Mental illness is one of the most significant health crises we face today. Access to care, resources and proper education can be difficult to obtain for those affected, but one of the most critical issues is the stigma associated with mental illness.

Envisioning a world where mental health is treated like the common cold, the Canadian and U.S. HBC Foundations have embarked on a journey to address mental health issues across North America. Their focus areas are as follows:

- Increase awareness and education – by fostering conversation and understanding through educational training and global communication campaigns
- Improve access to care – by providing funding to increase the availability of accessible resources and treatment programs for youth, teens and adults in every community
- Support overall well-being as a contributor to mental wellness – by reinforcing the intersection of physical and mental health as a crucial factor in the overall well-being of individuals and families

THE FUTURE IS STIGMA FREE

Our commitment to mental health encompasses a wide range of activities from fundraising to cause marketing to associate engagement to partnerships with leading mental health organizations. In 2018, HBC launched its first mental health awareness campaign, *The Future Is Stigma Free*. In support, Saks, Hudson's Bay, Lord + Taylor and Saks OFF 5TH sold an exclusive campaign t-shirt created in partnership with Wear Your Label. All sales from the t-shirt benefited the Bring Change to Mind (BC2M) and Centre for Addiction of Mental Health (CAMH) organizations in the U.S. and Canada respectively. Our two Foundations also made a five-dollar donation (in their respective currency) for each social post that used #TheFutureIsStigmaFree. In total, \$115,000 CAD was raised through t-shirt sales and social posts.

Making an Impact

TARGET* (by end of 2019)

\$6 million CAD

to support mental health needs by the end of 2019*



2017 – \$500,000 CAD	2018 – \$3.5 million CAD
2019 – \$4.2 million CAD	Total – \$8.3 million CAD

* Target reflects grants from the U.S. and Canadian HBC Foundations, HBC Corporate donations and fundraised dollars.

TARGET (by end of 2019)

500,000

people reached through programs supported by the U.S. and Canadian HBC Foundation grants



2017 – 500	2018 – 100,000	2019 – 400,000
Total – 500,000 people (at goal)		



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Mental Health Partners

To drive progress on mental health issues, the HBC Foundations partner with like-minded organizations that can make a meaningful impact. They awarded major grants to six non-profits in 2018:



BRING CHANGE TO MIND (BC2M)

Co-founded by Glenn Close, BC2M's mission is to end the stigma and discrimination surrounding mental illness. The U.S. HBC Foundation donated \$200,000 USD to create a customized #TalktoAnyone public service announcement and to become the national sponsor of BC2M's high school summits.



JED FOUNDATION

JED is a national non-profit that exists to protect the emotional health and prevent suicide for U.S. teens and young adults. The U.S. HBC Foundation donated \$300,000 USD to create the HBC Foundation Campus Scholarship Fund, which will subsidize mental health prevention programming for colleges with demonstrated financial need.



NATIONAL ALLIANCE ON MENTAL ILLNESS (NAMI)

NAMI is the largest U.S. grassroots organization dedicated to building better lives for Americans affected by mental illness. The U.S. HBC Foundation donated \$10,000 USD to become a sponsor of the NAMI New York 5K Walk, the largest, most prominent mental health education and fundraising walk in the country. This marked the beginning of a \$200,000 USD commitment to be a national sponsor of 2019 NAMI Walks nationwide.



CENTRE FOR ADDICTION AND MENTAL HEALTH (CAMH)

The Centre for Addiction and Mental Health (CAMH) is Canada's largest mental health and addiction teaching hospital and a world-leading research center in this field. CAMH combines clinical care, research, education, policy development and health promotion to help transform the lives of people affected by mental illness and addiction. The Canadian HBC Foundation donated close to \$430,000 CAD to launch Game Changers, a national mental health awareness program for young Canadians, as part of a \$1.25 million, three-year commitment that will impact 150,000 youth.



CHILDREN'S AID FOUNDATION OF CANADA (CAF)

CAF is Canada's leading charity dedicated to improving the lives of children and youth in the child welfare system, including psychosocial support to empower them to break the cycle of abuse and neglect. The Canadian HBC Foundation donated \$200,000 CAD towards the HBC Foundation Youth Mental Health Fund, as part of a three-year \$500,000 commitment. The Fund provides youth in and transitioning from care with the urgent mental health supports they need to improve their overall physical and psychological well-being.



WE

WE empowers change by providing resources that create sustainable impact. The Canadian HBC Foundation donated \$100,000 CAD to WE Well-being, a program to provide youth and educators with the knowledge, tools and resources needed to promote mental well-being in classrooms, schools and communities.



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SAKS FIFTH AVENUE'S KEY TO THE CURE

2018 marked the 20th anniversary of Saks Fifth Avenue's Key to the Cure (KTTC) campaign, its annual charitable initiative to fight breast cancer. Actress, comedian and producer Julia Louis-Dreyfus was the official 2018 KTTC Ambassador and designer Wes Gordon of Carolina Herrera designed the exclusive, limited edition t-shirt.

The t-shirts were sold in Saks Fifth Avenue stores and on saksfifthavenue.com, with 100% of proceeds supporting the AiRS Foundation, which works with physicians in the U.S. to make breast reconstruction surgery an option for women who could otherwise not afford it. Select Saks stores also hosted local events to benefit other cancer charities in their communities.



\$570,000 USD

raised through the 2018 KTTC campaign





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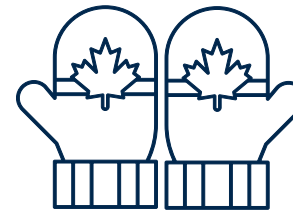
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\$909,961 CAD

raised for the Canadian Olympic Foundation through the sale of Hudson's Bay's iconic Red Mittens in 2018. Since their launch in 2009, the mittens have raised more than \$32 million CAD.



SUPPORTING CANADIAN ATHLETES

Our partnership with the Canadian Olympic Foundation and the Paralympic Foundation of Canada supports athletes who sacrifice and train to achieve their goals and dreams on the world stage, and are a source of pride and inspiration for Canadians.

The Canadian HBC Foundation is investing \$2.5 million CAD between 2016 and 2020 to help Canadian Olympic athletes through its Athlete Bursary Program. The program awards 50 athletes \$10,000 per year for five years toward activities that benefit their development and mental well-being.

The Foundation also donated \$110,000 CAD to the Paralympic Foundation of Canada in 2018 to help athletes with disabilities get involved in sports, nurture their overall well-being, and compete on the world stage.

PARTNERS FOR CHANGE

HBC vendors, partners, customers and associates amplify our impact through their willingness to support social causes that are important to us all. We cannot thank them enough for their generous contributions.

In 2018, the Canadian HBC Foundation Golf Tournament & Spa hosted more than 700 vendor partners and HBC associates at its annual fundraiser. With proceeds supporting Canadian athletes, CAMH and CAF of Canada, the event raised more than \$1.38 million CAD and brought the total to well over \$12 million since 2001. The inaugural U.S. HBC Foundation May Fundraiser and Cocktail Reception raised more than \$1.5 million USD for mental health programs – 50% more than our goal. Guests there were entertained by singer-songwriter Rufus Wainwright and Jed Foundation storyteller Jay Stolar.





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Waste Diversion

Energy and GHG
Emissions

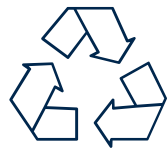
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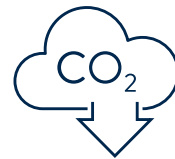
CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT

We challenge ourselves to reduce our environmental impact, recognizing that there's a strong connection between a healthy planet, healthy communities and a sustainable future for us all. Our efforts are focused in areas where we can make the greatest difference for both our planet and our business.



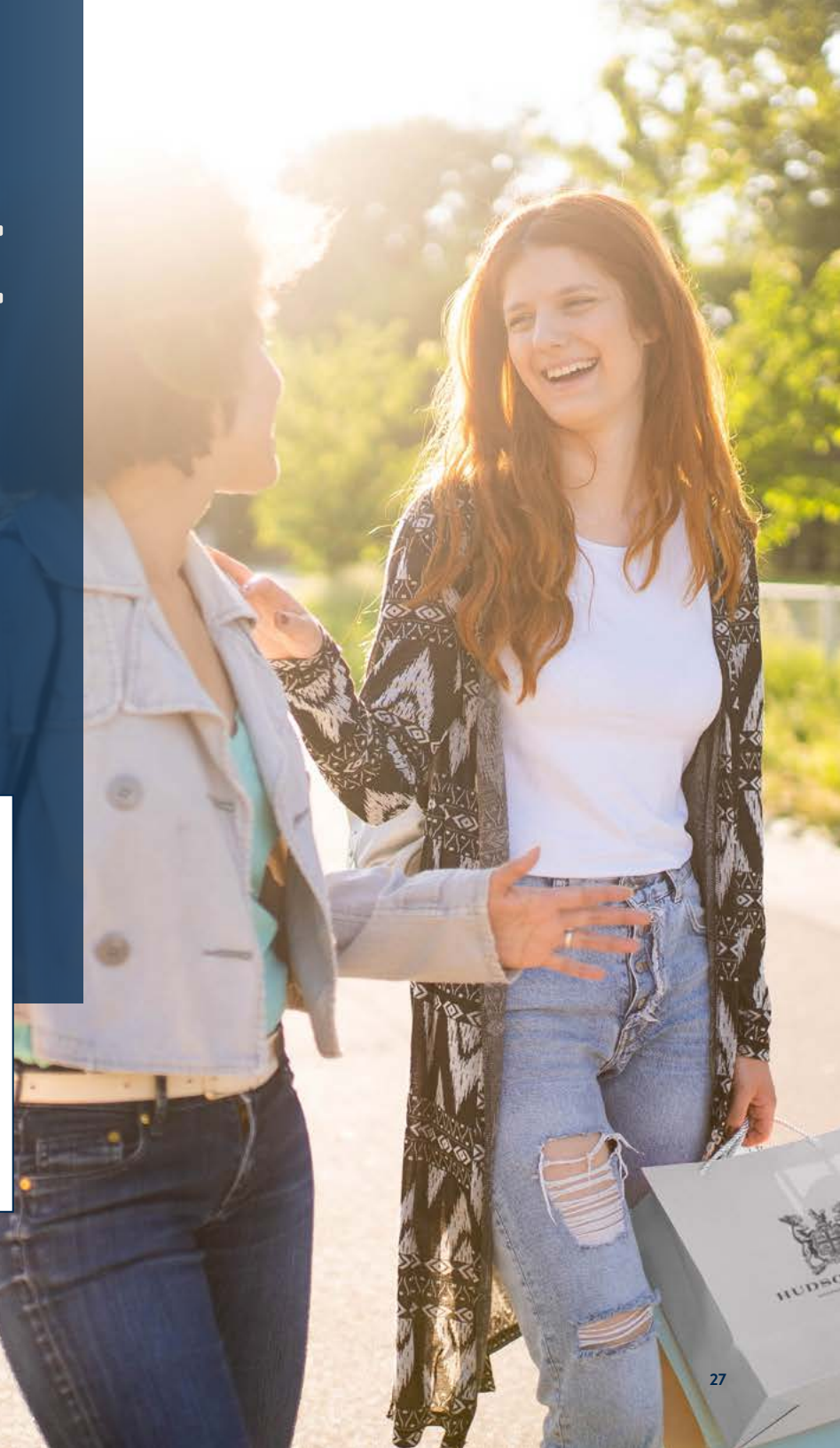
61%

waste diversion rate in 2018 with a
high of 90% in our distribution centers



8%

reduction in absolute
GHG emissions since 2014





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“Each year, we work to better our progress in reducing our footprint. We firmly believe that our best-in-class waste diversion efforts, coupled with various operational improvements, are making an impact in easing the pressure on our planet.”

Patti Sikorski,
Director of Procurement, HBC

Reducing Our Footprint

As a large retailer and corporate citizen, our environmental actions can make a meaningful difference. At a minimum, we comply with the environmental laws and regulations that apply to us – which includes meeting increasingly rigorous requirements in jurisdictions that, for example, have banned plastic bags or the disposal of foam packaging.

Beyond that, we focus largely on operational improvements that increase energy efficiency, decrease water consumption, generate less waste, reduce greenhouse gas (GHG) emissions – and help us reduce costs. Waste diversion in particular has been an operational focus. HBC participates in recycling councils across the continent and collaborates with companies working in the recycling sector to find innovative solutions to our waste management challenges.

We engage environmental consultants to help us collect and evaluate relevant environmental data from our operations. As the data collection methodologies become more robust, we are using the information to set meaningful reduction targets, identify opportunities for improvement, and track and report our progress.

80%

overall waste diversion target,
to be achieved by 2030



10%

absolute GHG emissions reduction
target, to be achieved by 2020
using 2014 as the baseline





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Waste Diversion

2018 PERFORMANCE

While our 2018 overall diversion rate of 61% was slightly lower than in 2017, we made strong progress in important areas. By adding innovative programs to reduce the amount of waste generated at all locations, we are positioning ourselves to weather difficult recycling market conditions – which we experienced in 2018 – and to achieve our long-term overall diversion target of 80% by 2030.

2018 highlights:

- Achieved an overall **90%** diversion rate at North American distribution centers, which was a direct result of adding certain equipment and introducing a uniform process for recycling at all distribution locations
- Lowered the waste sent to landfill in Canada by **8% (481.54 MT)**
- Reduced the number of waste pick-ups at more than **120 locations** through a proven program of monitoring pick-up frequency
- Implemented mixed recycling programs at all possible Canadian locations and are rolling out programs to U.S. locations in 2019
- Installed an EPS densifier, a piece of equipment for processing foam packaging, at the Vancouver Logistic Centre which has transformed foam packaging waste from a disposal expense to a revenue generator and helped the facility achieve a **95% diversion rate**

Recycling Increases

(2018 vs. 2017)



100%

(2.14 MT) increase
in foam packaging
recycling



56%

(957.49 MT) increase in
cardboard recycling at
U.S. locations



20%

(25 MT) increase in major
appliance recycling



6%

(3 MT) increase in
paper recycling

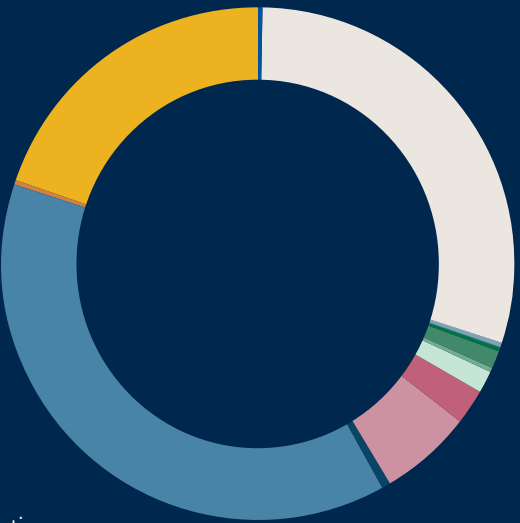


4%

(17 MT) increase in
organic recycling

TOTAL WASTE BY STREAM (MT)

151.50	Appliance
8,592.10	Cardboard
66.19	Furniture
2.13	Glass
89.61	Hangers
318.39	Mattress
31.64	Metal
442.34	Organics
19.75	Paper
574.00	Plastic
1,690.59	Single Stream
2.14	Styrofoam
150.35	Wood
2.09	Product Destruction
10,990.65	Waste
121.96	Contamination
5,658.37	Waste to Energy





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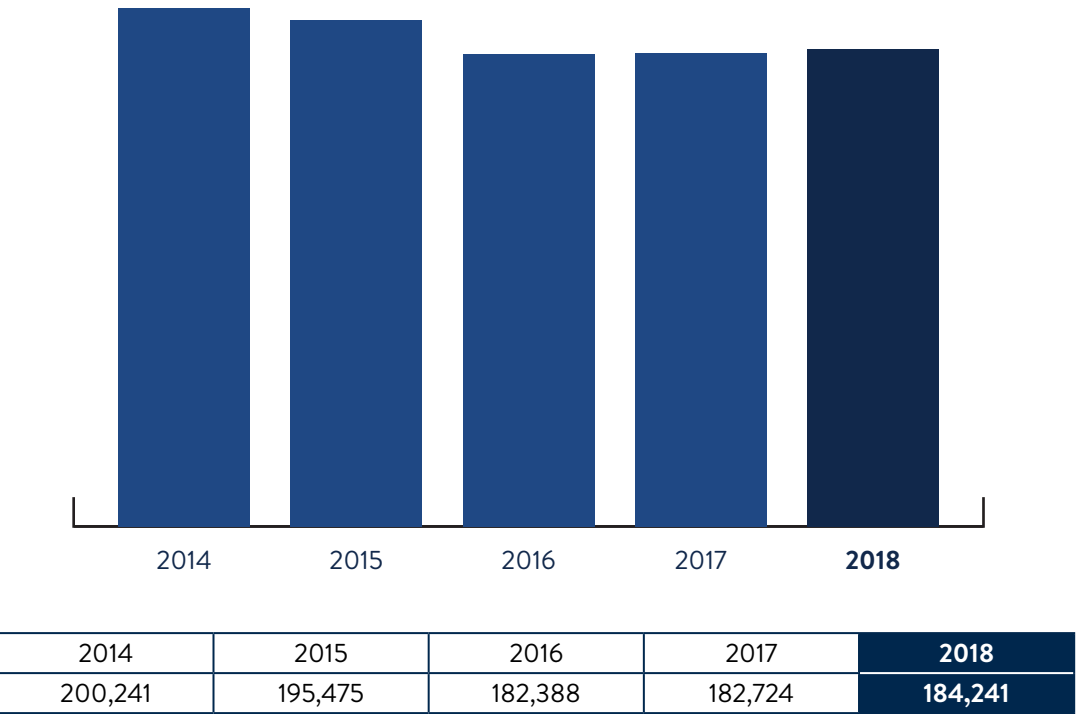


Energy and GHG Emissions

Our stores and distribution centers are large consumers of energy for heating, cooling and lighting. Each year, we look for opportunities to reduce our energy use, primarily by optimizing our heating, ventilation and air conditioning (HVAC) systems, upgrading to more energy-efficient LED lighting, and improving operational practices. For example, we have installed lamps that use 50% less energy throughout our Queen Street Hudson’s Bay store, and will do the same at the Toronto Logistics Centre and the Saks OFF 5TH store in Costa Mesa, California, in 2019.

We’ve set a goal of reducing company-wide absolute GHG emissions by 10% by 2020, using a 2014 baseline, and have achieved close to an 8% reduction thus far.

TOTAL GHG EMISSIONS (tCO₂e)



GHG emissions increased by 0.8% from 2017, primarily as a result of increased energy consumption.





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UN Global Compact Communication of Progress

As a participant in the UN Global Compact, HBC has agreed to operate in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption. This year, we’re publishing our first UN Global Compact Communication of Progress, which details the work we’ve done and plan to do to embed the UN Global Compact’s Ten Principles into our strategies and operations.

PRINCIPLE	APPROACH, ACTIONS AND OUTCOMES	
 HUMAN RIGHTS	1. Supporting and respecting the protection of internationally proclaimed human rights	The company has an ethical sourcing policy and process, and membership in amfori BSCI.
	2. Making sure that they are not complicit in human rights abuse	Suppliers are required to disclose all factories as a condition of doing business.
 LABOR	3. Upholding the freedom of association and the effective recognition of the right to collective bargaining	Suppliers must abide by their country’s laws/regulations and comply with the HBC and amfori BSCI Code of Conduct.
	4. Eliminating of all forms of forced and compulsory labor	As a member of amfori BSCI, suppliers are required to participate in training/education on how to eliminate forced labor, if any exists within their operations and activities.
	5. Effectively abolishing child labor	As a member of amfori BSCI, suppliers are required to participate in training/education on how to eliminate forced labor, if any exists within their operations and activities.
	6. Eliminating discrimination in respect of employment and occupation.	As a member of amfori BSCI, suppliers are required to participate in training/education on how to eliminate discrimination (e.g., age, caste, disability, language, nationality, race or ethnicity, region, religion, gender, sexual orientation), if any exists within their operations and activities.
 ENVIRONMENT	7. Supporting a precautionary approach to environmental challenges	Suppliers are assessed for their environmental management practices prior to production, and during a social compliance audit.
	8. Undertaking initiatives to promote greater environmental responsibility	Corporately, HBC has strategies to reduce energy, single-use plastic bags, and greenhouse gas emissions. We have seen reductions in these areas and will continue to implement strategies and targets. We also implement strategies to manage water consumption.
	9. Encouraging the development and diffusion of environmentally friendly technologies	For consumers, HBC continues to expand and explore products that are made with recycled or organic materials.
 ANTI-CORRUPTION	10. Working against corruption in all its forms, including extortion and bribery.	The company has an associate Code of Conduct that all associates must review and sign each year. At a supplier level, all supplier agreements state a zero tolerance for corruption in all its forms. Supplier education is provided by way of the social compliance program, and associate education by way of internal online training. To date, HBC has not had any reported anti-corruption incidents.



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	2018	2017	2016
GOVERNANCE			
Board diversity (gender – %)	23	17	18
Executive Officer diversity (gender – %)	33	37	15
ETHICAL SOURCING			
Audited factories approved for production or subject to improvements (%)	100	100	99
amfori BSCI audited factories with a C or better score (%)	90	88	91
HBC merchants completed social compliance training (number)	N/A	1,100	1,600
ENGAGING OUR PEOPLE			
Associate training (e-learning – hours)	65,657	206,167	107,137
Associate engagement survey (response rate – %)	80*	60	72
Participants in HBC Retirement Savings Program (number)*	20,884	20,901	20,727
Reduction in reported claims from the prior year (Canada – %)	3.0	7.6	4.0
Reduction in lost-time claims from the prior year (Canada – %)	12.7	6.7	17.0
Locations achieving 100% compliance for monthly health and safety committee meetings and site inspections (%)	91	83	88
INVESTING IN OUR COMMUNITIES			
Canada HBC Foundation donations (\$CAD)	1,394,692	4,423,700	4,069,130
U.S. HBC Foundation donations (\$USD)	1,239,963	289,944	N/A
Corporate donations (Canada – \$CAD)	2,046,327	136,000	119,624
Corporate donations (U.S. – \$USD)	3,832,038	4,826,245	4,652,169
CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT			
Greenhouse gas emissions (tCO ₂ e)	184,241	182,724	182,388
Absolute reduction in greenhouse gas emissions (2014 baseline – %)	8.0	8.0	8.9
Diversion rate (%)	61	68	63
Absolute water consumption decrease (increase) (North America – %)	(0.4)	3.4	4.0

* Average based on three surveys versus one in previous years.

For questions regarding corporate social responsibility at HBC,
please contact us at hbc.communications@hbc.com.



hbc.com | thebay.com | saks.com | saksoff5th.com | lordandtaylor.com