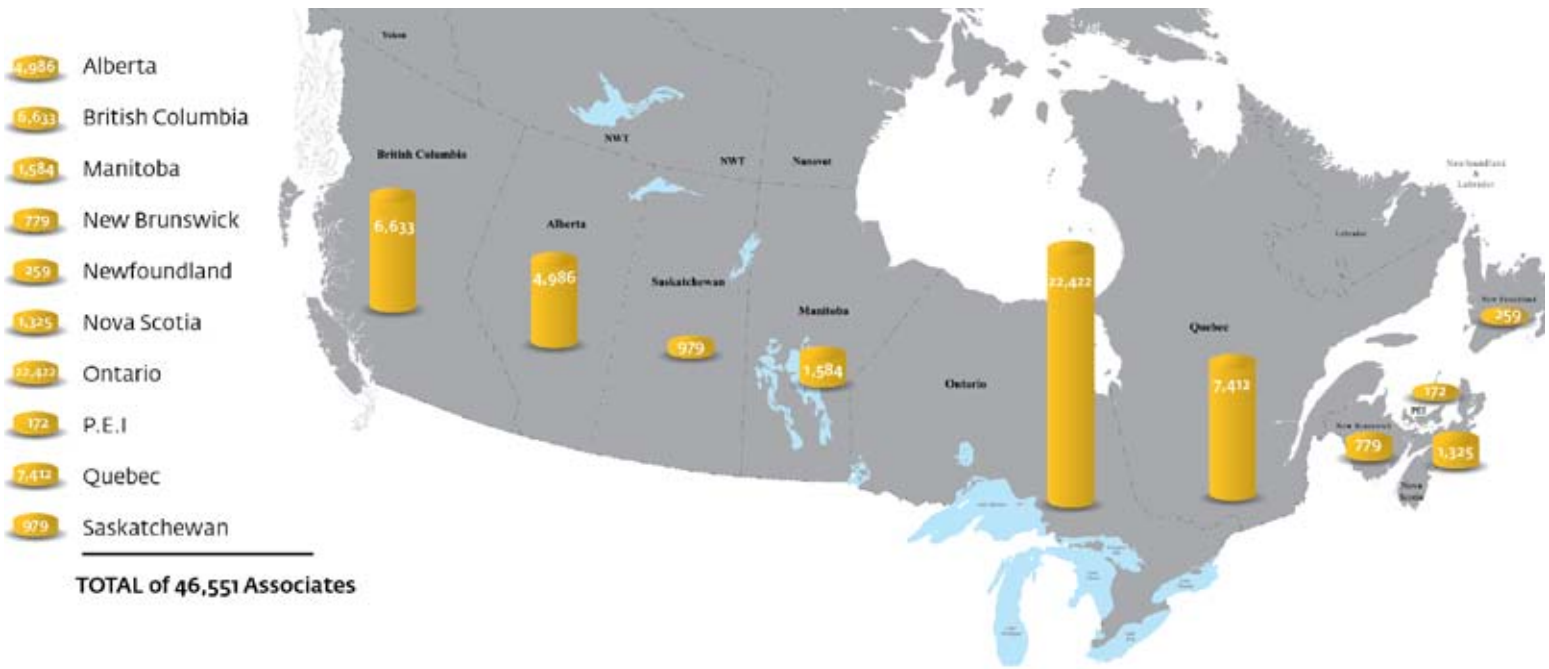


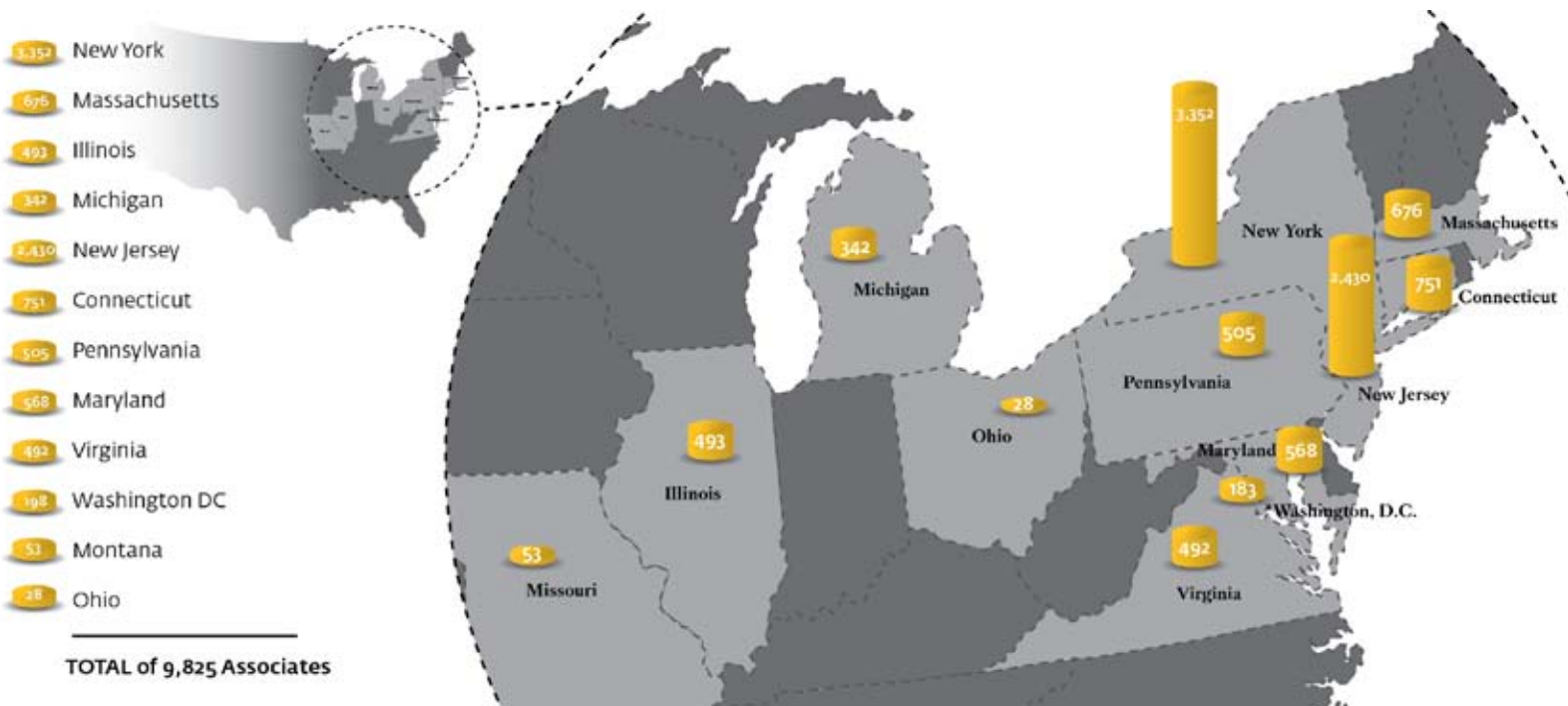
OUR ASSOCIATES

With approximately 50,000 associates at the Hudson's Bay Company and 10,000 associates at Lord & Taylor, our associates are our greatest asset and the key to our success. Our goal is to provide our people with a safe and healthy workplace with opportunities to learn and grow while recognizing and rewarding positive contributions. We want our associates to feel valued and to know they are making a difference to our success.

Number of associates at HBC by province (as of date of publication)



Number of Lord & Taylor associates per state (as of date of publication)



SAFE AND HEALTHY WORKPLACE

At the Hudson's Bay Company, we are committed to health and safety and we believe it has a positive impact on our associates, our customers and our business. We support the principle that all injuries are preventable. Our mandate is to operate in full compliance with health and safety laws and regulations.

We have a comprehensive health and safety program to ensure all of our associates return home safely at the end of their work day. Through regular communications, active associate involvement, continuous improvement of systems, procedures and training, and immediate reaction to incidents, we continue to provide a safe working and shopping environment.

The focus of our health and safety strategy is:

Injury prevention: We take all reasonable care to prevent incidents through recognition, evaluation, training, control and removal of hazards. We investigate all incidents in order to learn from them and identify ways to prevent future incidents. We also conduct periodic audits of our programs to ensure compliance.

Extensive return to work program: This program is intended to benefit injured associates by promoting recovery while allowing them to keep their work routine and income consistent. The Company benefits by having our associates retain their work skills, which contributes to the overall productivity of our business.

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

Our commitment to zero injuries remains strong and unchanged from past years. We continue to integrate health and safety into our daily business decisions.



In 2010, HBC's Eastern Big Ticket Centre (EBTC) celebrated its 850th day without a lost time incident.

Lord & Taylor, is committed to improving the overall safety and wellbeing of our associates, customers, suppliers, and communities by working diligently and conscientiously in the elimination of any unsafe and unhealthy conditions, if they exist.

To accomplish this, we must maintain an effective program for guarding against injury and illness, and to be successful, proper attitudes toward safety and health on everyone's part is required.

Success in all safety measures depends on full cooperation and commitment between management and associates, and each associate and fellow co-worker. Only through such cooperation can a health and safety program in everyone's best interest be established and maintained.

In the pursuit of the maintenance of safe and healthful workplaces, and the protection of equipment and property, all Lord & Taylor operations comply with applicable federal, state, and local health and safety, fire protection, and environmental protection statutory and regulatory laws.

We have a zero tolerance policy for life safety violations. Absolutely nothing can be placed or stored in fire stairwells, and hallways leading to fire exits or stairwells and electrical panels must have a clearance of at least three feet. There are no exceptions to these rules; the safety of our associates and customers must take precedent over the storage of merchandise or fixtures.

We consider the health and safety of our associates to be of the utmost importance and ask for their full cooperation to make this policy and program truly effective.

Workplace Injuries

Disabling injury frequency: Lost time injuries per 100 equivalent full-time associates.

	2008	2009	2010
HBC	1.8	1.76	1.47
Lord & Taylor	0.96	0.93	0.86

Health and Safety Highlights for 2010

Hudson's Bay Company

- A 12 per cent improvement in lost-time injuries vs. 2009.
- A six per cent improvement in days lost due to workplace injuries vs. 2009.
- More than 50 per cent of all stores and distribution centres achieved our goal of zero lost-time injuries in 2010.
- We received a Certificate of Recognition from the Alberta Workers' Compensation Board for the successful implementation of a workplace health and safety management system under the Partners in Injury Reduction Program.
- Achievement of a Safety Groups Award from the Ontario Workplace Safety and Insurance Board (WSIB).

Lord & Taylor

- A nine per cent improvement in lost-time injuries vs 2009.
- Fifty-one per cent of stores had no lost-time injuries.
- Reduced Workers' Compensation incurred loss by 25 per cent.

HBC and L&T's compensation and benefits packages are among the best in our industry. We provide a broad range of company-paid benefits to our associates, including a pension plan, short and long-term disability coverage, health and dental plans and exclusive shopping discounts at our banner stores.

Associate Discount

At HBC, we offer associates a discount on over 1.5 million goods and services purchased at the Bay, Zellers, Home Outfitters, FIELDS, HBC Online and HBC licensed departments coast-to-coast from their first day of employment. In addition to receiving a discount on sale and clearance-priced items, our associate discount benefit helps associates save as they make purchases on basic household needs such as furniture, apparel and electronics. Each year, the Hudson's Bay Company gives back over \$20 million in savings to our associates. Associates with five or more years of service also receive an additional five per cent discount on HBC⁺ MasterCard[®] and HBC Credit Card purchases during a two-week period in November. HBC's retiree discount program provides eligible retirees with discount privileges post-retirement. The retiree's spouse and immediate family members dependant on the retiree for chief financial support also qualify to receive the discount.

Lord & Taylor offers a generous merchandise discount to associates for goods such as women's wear, men's wear, children's apparel, shoes, accessories, cosmetics, gifts and home furnishings. Throughout the year, Lord & Taylor offers "Extra Discount Days" to its associates, which entitles them to an additional discount on top of their regular associate discount. Lord & Taylor also offers a retiree discount for retired associates who are 55 years of age and have 10 or more years of service. The retiree discount is a merchandise discount they receive for the rest of their life.





Associate Perks

The Associate Perks program offers associates special discounts on a wide range of products and services, including health and wellness, hotel and travel accommodations, financial services, attractions and theatre experiences, communication and technology, and home, leisure and automotive benefits. Associate Perks is part of the Company's commitment to make the organization a great place to work and shop for associates.

We continuously work to provide associates with competitive and exciting offers through our Associate Perks program. In 2010, the program was rebranded, changing the name and logo from its former name – Associate Buying Club (ABC). To stay current and exciting for our associates, the program has a new look and feel and we've introduced numerous new promotions and suppliers to associates. In addition, Associate Perks has grown and now offers exclusive deals to our Lord & Taylor associates.

Associates across Canada and the U.S. have access to over 100 promotional offers and benefits. This information is available through our exclusive associate-only website, special email offers and weekly newsletter communication.

LifeWorks

HBC offers associates and retirees access to LifeWorks, a confidential, web-based referral program, to help individuals face everyday challenges and stay current on the latest health and wellness trends. LifeWorks also provides associates and retirees up-to-date information on child care, elder care and senior services, stress management, financial and legal counseling, alcohol and drug addiction treatment, health care, bereavement counseling and healthy living. LifeWorks is accessible to associates and retirees online or by phone 24 hours a day and is a great way to obtain confidential wellness information for themselves and their family members.



LEARNING AND GROWTH

At HBC, we recognize the importance of ensuring our associates have all the necessary skills that allow them to be successful in their respective field. Hudson's Bay Company University's (HBCU) goal is to provide a continuous learning environment for every associate in the Company. We offer a blended learning approach, which consists of eLearning, instructor-led training and virtual classrooms. We also support all stages of an associates' career from onboarding to succession planning and executive development.

In 2010, we upgraded our online learning portal, OPAL, based on feedback from the business. We are now able to offer greater capabilities for home office and store associates to manage their individual learning portfolios. We have developed a curriculum covering such diverse topics as product knowledge, system training, business development, personal development, health and safety, and have expanded our catalogue of mandatory, electronic signature courses. This has not only resulted in significant time savings, it also supports the Company's environmentally conscious efforts.

Training for our home office associates continues to evolve. We now offer instructor-led training for groups and one-on-one sessions. The curriculum was developed by working closely with associates. Training and support for new hires also continues to be a high priority. We began significant training for new system rollouts in 2010, which will continue well into 2012.

Number of OPAL training courses completed by associates

Year	No. of Associates
2008	152,084
2009	284,001
2010	208,905

**2010 figure includes both HBC and L&T associates*

At Lord & Taylor, we are committed to the growth and development of every member of our team. We offer a full range of training opportunities from classroom learning to eLearning as well as on-the-job training activities to ensure

each individual has the knowledge and skills necessary to maximize their potential and reach their career goals.

For our corporate executives, we offer two levels of training: entry-level and advanced. Entry-level training is comprised of our Internship Program and our Executive Training Program. Our interns team up with experienced executives to learn the business within a focused area. For our aspiring merchants, the Executive Training Program offers a rigorous, structured learning experience concentrating on sales management, market analysis, financial management, inventory management, merchandise distribution, advertising, marketing and supplier negotiations. Executive trainees also have the unique experience of being exposed to all levels of our management team including a round table discussion with our CEO.

For our experienced executives, we offer advanced training program opportunities, which enable participants to apply their knowledge and skills to resolve business challenges, enhance their core skills and gain exposure to senior executives within the organization. Core Development training is readily available on a continual basis in the areas of Business Skills, Coaching & Feedback, Communication Skills, Computer Skills and Management Skills for all associates.

Our store associates complete a comprehensive training plan, including new hire orientation and training in the areas of the Signature Customer Experience (SCE) model, POS and Clienteling. Store executives receive additional training at the supervisory level for both SCE and Clienteling. On-the-job training is also a component of our onboarding process for all store associates. Every new executive receives an Onboarding Plan when hired.

The objective of each of our training programs is to help our teams work smarter and more efficiently, and develop more effective partnerships with thier peers, partners and customers. We continue to create and develop programs and opportunities to ensure our associates have the tools they need to attain their goals.

OPEN LINES OF COMMUNICATION

With approximately 50,000 associates at HBC and 10,000 associates at L&T, we communicate with home office and store associates on a daily and weekly basis. We provide associates with messages from our senior leadership team, corporate direction, associates' accomplishments, brand and product launches, event information and more. Communication with associates takes on many different forms, including intranet, extranet, our weekly enewsletter, voicemail, email, daily in-store huddles and store bulletin boards.

HBC's main information vehicle for associates is our corporate intranet portal, "HBCNet", whereas Lord & Taylor's main information vehicle for associates is "LTNet." Throughout 2010, over 1,600 news items were communicated to associates through HBCNet and LTNet.

Associate Portal

In 2009, we launched a personalized HR portal, "My HBC" to all HBC associates that provides them with paperless pay statements, health and benefits information, keeps them informed with Company news, and special associate-only offers. Following its successful implementation, we continued to expand the information and resources we provide to associates through this tool. In 2010, we added 'Total Rewards Statements' to the site, further consolidating individual personalized information that associates receive and eliminating the need for paper production of this resource. During this period we also launched regular email communication to registered associates, providing them with strategic announcements to keep them informed about activities at HBC.



As of the end of 2010, we achieved a seventy-five per cent registration rate and receive over 70,000 site visits per month.

In 2010, we extended this resource to Lord & Taylor associates through the launch of a customized My LT portal. In its first year of operation, we provided Lord & Taylor associates with electronic pay statements, commission statements, corporate news and general health and benefits information. As of the end of 2010, this site has achieved an eighty per cent registration rate and receives over 25,000 visits per month.

Weekly newsletter

In 2007, HBC launched a weekly enewsletter to provide associates with updates on Company announcements and other important information such as current programs and initiatives, executive messages and HBC events. In 2010, we extended this initiative to Lord & Taylor associates through the launch of "L&T In the Know." Each week, associates receive updates on the latest Lord & Taylor news, announcements, Associate Perks, media coverage and much more.



ASSOCIATE ENGAGEMENT

Vancouver 2010 Olympic Winter Games Contest

HBC sent seven associates, each with a guest, to the Vancouver 2010 Olympic Winter Games. Associates were selected based on their performance and their store or region's achievement of Vancouver 2010 Red Mitten sales targets.

Richard Baker's Cross-Canada Tour

In June and July 2010, Richard Baker traveled by road, sea and air across Canada visiting close to 50 HBC stores and associates.

This trip was documented through an exclusive blog that served as a platform to internally engage associates. Richard Baker's Cross-Canada Tour used photos and videos highlighting Mr. Baker's many experiences; meeting and profiling the proud associates who make up HBC, visiting historical sites such as York Factory and HBC's archives in Manitoba, and taking in Canada Day celebrations in Ottawa.



Earning Our Stripes: Associate Engagement Survey

Understanding how our associates feel about working with us is extremely important to the success of our business. To achieve our goals, we need to have satisfied customers and that means we need to have satisfied associates. To measure engagement levels and better understand how our associates feel about working at the Hudson's Bay Company and Lord & Taylor, we conduct a regular survey with our 50,000 associates in partnership with Gallup.

In fall 2010, 85 per cent of our associates participated in this annual survey and answered questions about recognition, our Company's mission, expectations, and opportunities to learn and grow. Results were shared across the company in early 2011. Through this feedback mechanism, we learned that associates understand what's expected of them at work, receive recognition for a job well done and have a strong connection with their teams. Opportunities for improving associate engagement lie in increasing understanding of the overall mission of the Company and ensuring associates have the necessary materials and equipment to do their jobs. As part of this process, associates are provided an opportunity to discuss the results from their area and work on action plans within their teams to build on strengths and make improvements.



The Bay Beauty Mentor Program

The Bay is a leader in the beauty business in Canada and employs highly skilled and passionate beauty associates. In January 2011, the Bay launched an exclusive program in partnership with *Cosmetics* magazine, recognizing our Company's top beauty associates across the country. The 'Beauty Mentor Program' was developed by Shelley Rozenwald, Chief Beauty Adventurer of the Bay, and is the first of its kind in North America, positioning the Company as a leader in the cosmetics industry.

The Bay's Beauty Mentor Program offers recognition, appreciation and support to our hardworking and talented beauty associates. All beauty associates are eligible to be selected for this prestigious title and ten veteran experts (six English and four French) were appointed as Beauty Mentors, each for a two month period, which will continue into 2011. Each Beauty Mentor was featured in *Cosmetics* magazine and served as a mentor by responding to emails from their fellow beauty associates regarding questions or advice on application techniques, products and services. This program allows our beauty associates to build viable and rewarding careers in a supportive and engaging work environment, while providing the best service to our customers.



Associate Events

Events are held multiple times a year in HBC's head office locations to boost morale and invest in the future growth and dedication of our associates to the Company. One of the events held in our Brampton Head Office location celebrated the Bay Queen Street store associate, Rosina Lashley, who represented HBC in the Queen's Baton Relay. The Queen's Baton Relay is a relay around the world held prior to the beginning of the Commonwealth Games. The Baton carries a message from the Head of the Commonwealth. Tom Jones, CEO of the Commonwealth Games Association of Canada and four Commonwealth Games Delhi 2010 hopefuls were in attendance. It was an honour for HBC to have the Queen's Baton stop at one of our head office locations on its 190,000 kilometre tour of the 71 nations and territories that make up the Commonwealth of Nations.



Celebrations are held in stores and head offices during the holiday season. It's a time for associates to mingle with their colleagues, enjoy good food and participate in fun activities while giving back to the community. During this time, a holiday party was held for associates' families in our Brampton Head Office location. Each family brought a new unwrapped toy to be donated to the Peel Children's Aid Holiday Wishes Program, resulting in the donation of hundreds of gifts for needy children, teens living alone and financially-disadvantaged families who are under the protection of Peel Children's Aid.



RECOGNIZING ASSOCIATES

Hudson's Bay Company and Lord & Taylor recognize associates who go above and beyond to achieve service excellence. In 2010, HBC recognized 25 associates across the Company who provided exceptional service by featuring these individuals in the 'Customer Service Heroes' module on the Company's intranet, associate portal, weekly newsletter and on our store bulletin boards. HBC's customer service heroes are associates who have been recognized by customers for exceeding expectations and delivering exceptional service.

Lord & Taylor recognizes top executives who individually have made significant and valuable contributions to the Company on a seasonal and annual basis. These individuals are recognized with a 'Rose Achievement Award.' Lord & Taylor also recognizes teams or groups of executives who work together collectively to make a significant contribution to the Company. These teams are recognized with an 'Above & Beyond Award' on a seasonal basis. The Above & Beyond Award is unique since teams are nominated by their peers. Recipients of both awards are recognized with an Organizational Announcement, are featured on the Company's intranet and on the associate portal.

Long Service Program

Hudson's Bay Company's Long Service Program celebrates associates who achieve important career milestones with the Company at five year increments beginning at five years of service. Long Service awards are our way of saying thank you and recognizing our associates for their dedication and significant contributions to HBC's success and growth.

Five, 10 & 15 Years of Service Anniversaries:

Associates celebrating five, 10 or 15 years of service are presented with a congratulatory letter on their anniversary date and HBC Rewards points based on their years of service.

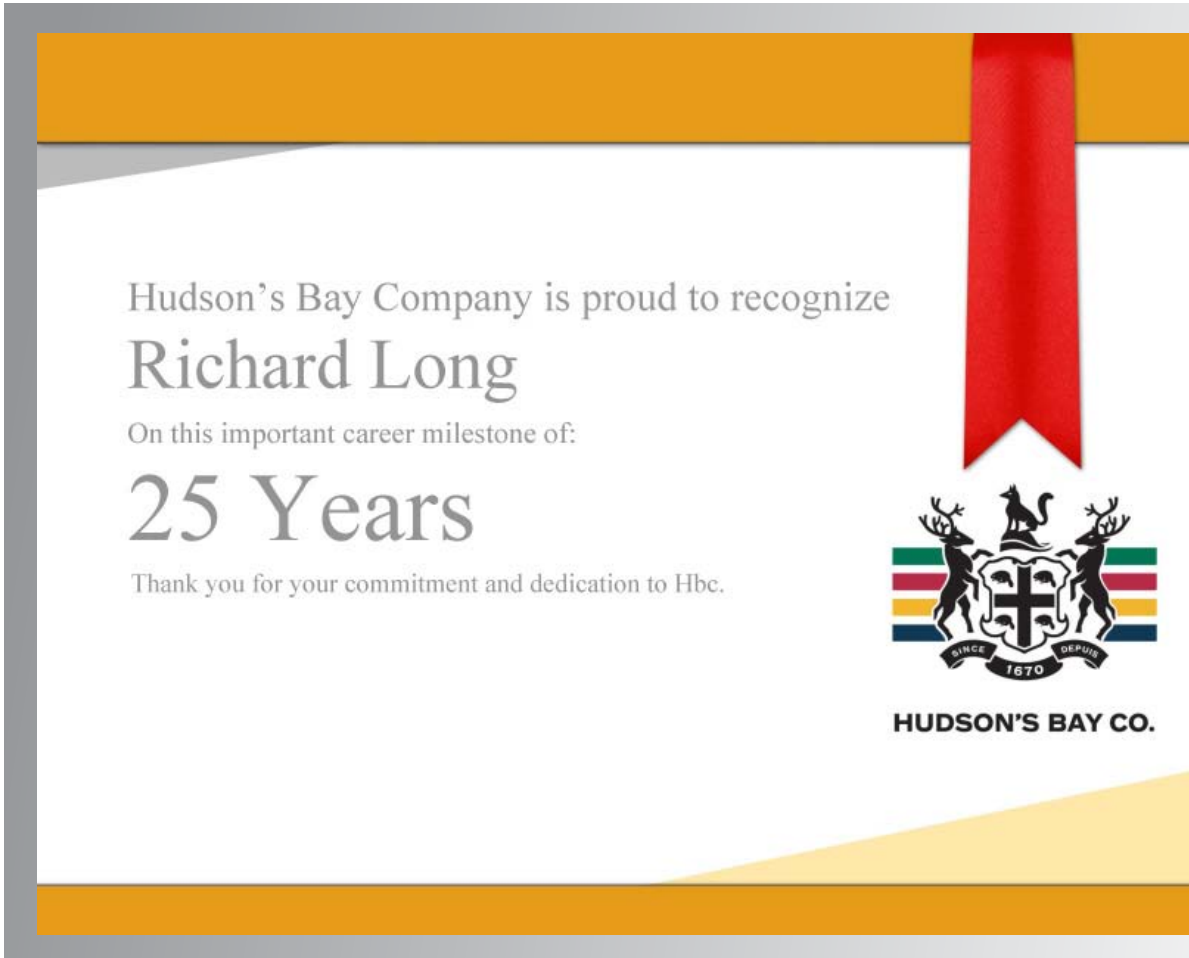
20+ Years of Service Anniversaries:

Hudson's Bay Company associates celebrating 20+ years of service, at five year increments, are recognized with a congratulatory letter on their anniversary date and a gift. Associates are able to make a gift selection from a range of gift options based on their years of service. In 2010, we provided associates the option of receiving HBC Rewards points based on their years of service in place of a gift.



Number of HBC associates celebrating long service milestones

Year	No. of Associates
2008	6,178
2009	5,883
2010	5,923



Lord & Taylor 25 Year Club

Each year, Lord & Taylor celebrates its associates who have spent 25 years with the Company. The associate receives a congratulatory letter from Brendan Hoffman, CEO of Lord & Taylor, a watch, and a celebration with their peers and senior management.

Number of Lord & Taylor associates celebrating 25 years of service

Year	No. of Associates
2008	24
2009	27
2010	25



Our CSR Report

No trees were harmed in the production of this report. In line with our commitment to the environment, this CSR Report is available exclusively online on our website at <http://www.hbc.com/hbc/socialresponsibility>.



HUDSON'S BAY CO.

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Social Responsibility

Every day, we make choices. Some of those choices have an impact on our families and communities; some may reach around the world. At Hbc, our goal is to foster and enhance sustainable business practices throughout our organization, particularly in the areas of the environment, associate wellness, community investment and ethical sourcing.



[2009 Corporate Social Responsibility Report](#)

[2008 Corporate Social Responsibility Update](#)

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