ANNUAL INFORMATION FORM

FOR THE FISCAL YEAR
ENDED JANUARY 30, 2016

April 28, 2016

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EXPLANATORY NOTES

Unless otherwise stated, the information in this annual information form (the "Annual Information Form") is stated as at January 30, 2016.

Unless otherwise noted or the context otherwise indicates, "HBC", the "Company", "we", "us" and "our" refer to Hudson's Bay Company its direct and indirect subsidiary entities and predecessors and "HBC Europe" refers, collectively, to GALERIA Kaufhof, Galeria INNO and Sportarena.

Forward-Looking Statements

Certain statements in this Annual Information Form regarding our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

Forward-looking statements are based on current estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, which are discussed in greater detail in the "Risk Factors" section of this Annual Information Form: ability to execute retailing growth strategies, ability to continue comparable store sales growth, changing consumer preferences, marketing and advertising program success, damage to brands and dependence on vendors, ability to realize synergies and growth from strategic acquisitions, ability to make successful acquisitions and investments, successful inventory management, loss or disruption in centralized distribution centres, ability to upgrade and maintain our information systems to support the organization and protect against cyber-security threats, privacy breach, risks relating to our size and scale, loss of key personnel, ability to retain key personnel of HBC Europe, ability to attract and retain qualified employees, deterioration in labour relations, ability to maintain pension plan surplus, funding requirements of Saks' pension plan, funding requirements of HBC Europe's pension plan, limits on insurance policies, loss of intellectual property rights, insolvency risk of parties which we do business with or their unwillingness to perform their obligations, exposure to changes in the real estate market, loss of flexibility with respect to properties in the real estate joint ventures, successful operation of the real estate joint ventures to allow us to realize the anticipated benefits, exposure to environmental liabilities, liabilities associated with Target Corporation and its affiliates ("Target") and other third parties who have assumed leases from the Company, changes in demand for current real estate assets, increased competition, change in spending of consumers, extreme weather conditions, geo-political events or natural disasters, international operational risks, fluctuations in the U.S. dollar, Canadian dollar, Euro and other foreign currencies, increase in raw material costs, seasonality of business, ability to manage indebtedness and cash flow, risks related with increasing indebtedness, restrictions of existing credit facilities reducing flexibility, ability to maintain adequate financial processes and controls, ability to maintain dividends, ability of a small number of shareholders to influence the business, uncontrollable sale of the Company's Common Shares by significant shareholders could affect share price, constating documents discouraging favorable takeover attempts, increase in regulatory liability, increase in product liability or recalls, increase in litigation, developments in the credit card and financial services industries, changes in accounting standards, other risks inherent to our business and/or factors beyond our control which could have a material adverse effect on us. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time. These factors are not intended to represent a complete list of the factors that could affect us; however, these factors should be considered carefully.

The purpose of the forward looking statements is to provide the reader with a description of management's current expectations regarding the Company's financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward looking statements made herein. Furthermore, unless otherwise stated, the forward looking statements contained in this Annual Information Form are made as of the date of this Annual Information Form, and we have no intention and undertake no obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities law. The forward looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement.

Trademarks, Service Marks and Business and Trade Names

Our trademarks, service marks and business and trade names (the "Company Marks") including, but not limited to: HBC®, Hudson's Bay®, Black Brown 1826®, Lord & Taylor®, Home Outfitters®, Hudson's Bay Company®, The Room® , Topshop®, Topman®, Saks Fifth Avenue®, SAKSFIRST®, Saks Fifth Avenue OFF 5TH®, Saks & Company®, Fifth Avenue Club®, GALERIA Kaufhof®, Galeria INNO ®, Sportarena® and Gilt® may be used within this Annual Information Form or other materials filed with the Canadian securities regulatory authorities from time to time, and are protected under applicable intellectual property laws and are the either owned or licensed by HBC or its affiliates. Solely for convenience, our Company Marks referred to in this Annual Information Form or other materials filed with the Canadian securities regulatory authorities may appear without the ® symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these Company Marks**.** See "Business of the Company — Intellectual Property".

Presentation of Financial Information

All references in this Annual Information Form to "Fiscal 2015" are to the Company's fiscal year ended January 30, 2016 and references to "Fiscal 2014" are to the Company's fiscal year ended January 31, 2015.

The Company presents its consolidated financial statements in Canadian dollars. In this Annual Information Form, all references to ''$'', ''C$'' or ''dollars'' are to Canadian dollars and references to "U.S. $" are references to United States dollars. Amounts are stated in Canadian dollars unless otherwise indicated. All of the financial data contained in this Annual Information Form relating to the Company have been prepared using International Financial Reporting Standards ("IFRS").

BACKGROUND AND CORPORATE STRUCTURE

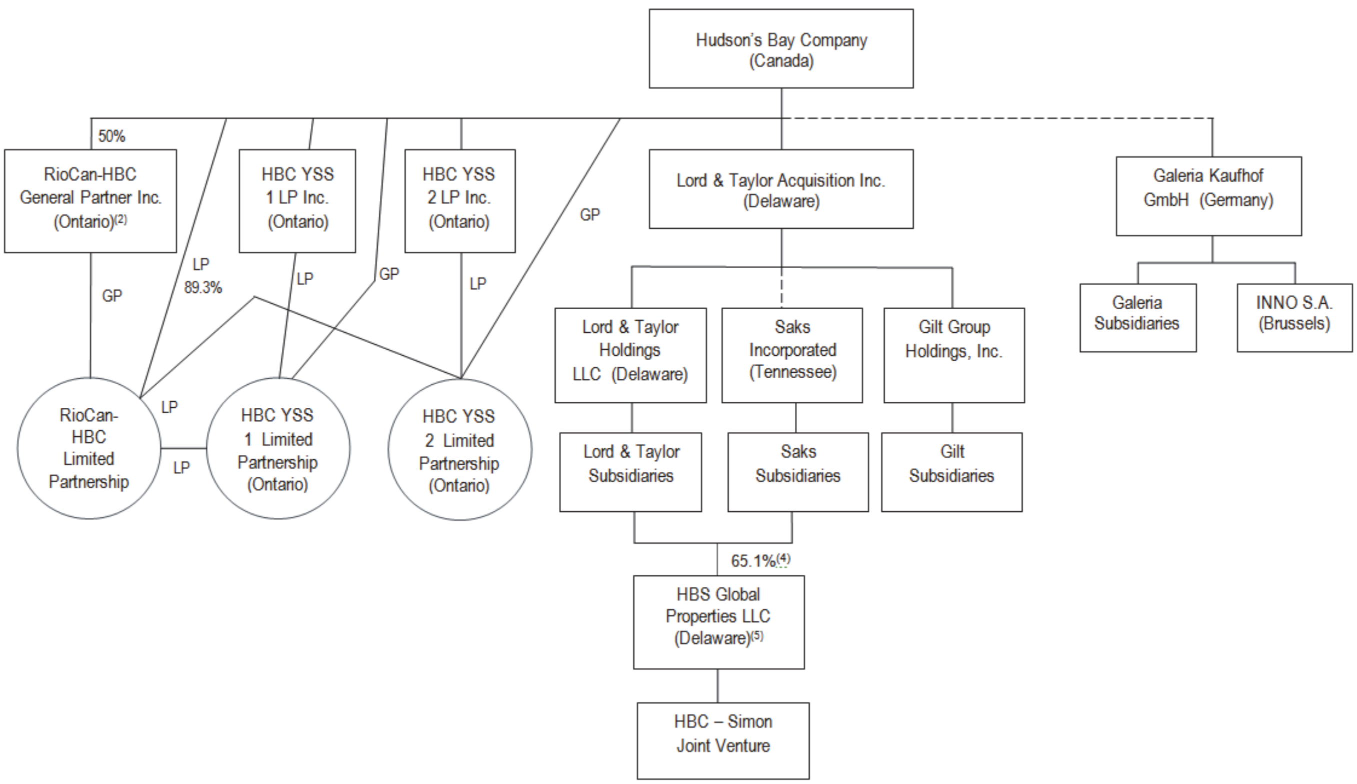
Name, Address and Incorporation

Hudson's Bay Company is a Canadian corporation amalgamated under the *Canada Business Corporations Act*.

Our head office and registered office is located at 401 Bay Street, Suite 500, Toronto, Ontario, M5H 2Y4. The Company's common shares ("Common Shares") are posted and listed for trading on the Toronto Stock Exchange (the "TSX") under the symbol "HBC".

Intercorporate Relationships

The following diagram illustrates the material operating subsidiaries and joint venture interests of the Company as of the date hereof, and excludes the Company's holding companies and non-material subsidiaries.



Notes:

_ _ _ _ Indirect subsidiary of HBC

_____ Direct subsidiary of HBC

(1) Unless otherwise noted, all ownership percentages are 100%.
(2) RioCan Financial Services Limited holds 50% of the common shares of RioCan-HBC General Partner Inc.
(3) RioCan Real Estate Investment Trust holds 10.7% of the limited partnership units in RioCan-HBC Limited Partnership.
(4) This represents the aggregate percentage ownership in HBS Global Properties LLC collectively held by direct and indirect subsidiaries of HBC including certain indirect subsidiaries of Lord & Taylor Holdings LLC and Saks Incorporated.
(5) The remaining interests in HBS Global Properties LLC are held by other joint venture partners including Ivanhoé Cambridge, Madison International Realty and a large U.S. pension fund.

Our History

Hudson's Bay Company is one of the fastest-growing department store retailers in the world, based on its successful formula of driving the performance of high quality stores and their all-channel offerings, unlocking the value of real estate holdings and growing through strategic acquisitions. As described in more detail below, HBC's retail portfolio today includes 10 banners, in formats ranging from luxury to better department stores to off-price fashion shopping destinations, with more than 460 stores and 66,000 employees around the world.

Our Banners

Hudson's Bay and Home Outfitters

Founded in 1670, Hudson's Bay Company is the oldest company in North America and is one of the oldest commercial enterprises in the world. Originally incorporated by Royal Charter granted by King Charles II, the Company is strongly identified with Canadian history and played an instrumental role in the formative years of Canada.

Primarily a fur trading business in its early years, by the end of the 19th century the Company began to move into retail by transforming its trading posts into retail stores, with its first store opening in Winnipeg in 1881. In 1913, Hudson's Bay Company opened its first two large urban department stores in Calgary and Edmonton. These stores, together with new stores constructed in Victoria, Vancouver, Saskatoon and Winnipeg, constituted the "original six" Hudson's Bay Company department stores. Over the ensuing decades, the Company continued to expand its department store network across Canada with new store construction, particularly in suburban areas, and a series of acquisitions, including its acquisition of Henry Morgan & Co. Ltd. in 1960 which provided it with flagship locations in Toronto, Ottawa and Montreal. The Company subsequently played a significant role in the consolidation of department store operators in Canada by acquiring Simpsons, Zellers Inc. ("Zellers") and Fields in the 1970s and Towers/Bonimart, Woodward's and K-Mart Canada, all in the 1990s.

The Company also operates Home Outfitters. Established in 1999, Home Outfitters is a kitchen, bed and bath superstore with locations across Canada.

Lord & Taylor and Find @ Lord & Taylor

Founded in 1826 by Samuel Lord and George Washington Taylor, Lord & Taylor is one of the oldest department store chains in the United States and in 1914 was also one of the first department stores to open a location on New York's renowned Fifth Avenue. Lord & Taylor was the earliest to recognize the growth of suburban markets when in 1941 it opened the first branch department store in Manhasset, New York. Following the success of its Manhasset location, Lord & Taylor opened stores in retail malls, shopping centres and free standing locations predominantly in prosperous suburban areas across the eastern seaboard of the United States.

In 2015, the Company launched Find @ Lord & Taylor, thereby expanding the Company's presence in the off-price segment of the U.S. retail market.

Saks Fifth Avenue and OFF 5TH

Horace Saks and Bernard Gimbel opened the first Saks Fifth Avenue store in 1924 in what was then a primarily residential district of Manhattan, along a stretch of upper Fifth Avenue between 49th and 50th Streets. When Adam Gimbel became President of Saks Fifth Avenue in 1926, he brought with him the imaginative foresight that carried Saks Fifth Avenue to extraordinary success. His first action was to redecorate the entire flagship store, creating a series of luxurious specialty shops within a grand space - a formula that has changed the face of the American retail industry ever since. This led to the openings of additional branch stores from coast to coast throughout the next several decades. As Saks Fifth Avenue expanded, new and innovative brands were introduced, cementing Saks' status as a key American icon in luxury retailing. Saks' first outlet store opened in 1990 in Franklin Mills, Pennsylvania, under the name of Clearinghouse. With the 1995 decision to expand, Clearinghouse was renamed Saks Fifth Avenue OFF 5TH ("OFF 5TH"). In 2008, OFF 5TH introduced a new outlet store format with the reopening of the Orlando, Florida OFF 5TH store and has since added and renovated several stores using this new store design. In 2016, the First Saks Fifth Avenue and OFF 5TH stores were opened in Canada.

GALERIA Kaufhof, Galeria INNO and Sportarena

In 1879, Leonhard Tietz opened his first small dry goods store in Stralsund, Germany. The Tietz family stores were very successful and expanded rapidly and, in 1905, Leonhard Tietz AG, became a public limited company. In 1909, the Tietz shares were listed on the Berlin stock exchange, the first German department store to be publicly traded. The business was forced to rebuild following World War II and expanded with locations across Germany under its new name: Westdeutsche Kaufhof AG. Metro Vermögensverwaltung GmbH & Co. of Düsseldorf ("Metro") eventually became the parent company in 1996 and retained the Kaufhof name for its department store division. Since 2000 GALERIA Kaufhof has also operated Sportarena, a banner specializing in athletic wear. In April 2001, Kaufhof acquired Inno S.A., the sole department store operator in Belgium, founded in 1897 as department store L'Innovation. By 2004, all Inno stores were converted to the new Galeria INNO format.

Gilt

Gilt is a leading and innovative fashion online-shopping destination that was founded in 2007 by two Harvard Business School graduates, Alexis Maybank and Alexandra Wilkis Wilson, and Silicon Valley entrepreneur Kevin Ryan. The site grew quickly, predominately through word-of-mouth marketing at the beginning. The start-up raised $83 million from investors within the first three years and sales sky rocketed – from $25 million in 2008 to $425 million in 2010.

Building off the initial success, the company created a number of new businesses that expanded them into new markets: Jetsetter, a travel deals site, launched in 2009; Gilt Home, a deals site for furnishings, home décor, and gifts launched in May 2010; Gilt City, which provides insiders with access to unique and coveted lifestyle experiences, launched in 2010; and Gilt Taste, with deals on gourmet food launched in 2011. Gilt currently has over 9 million members and approximately 50% of orders are generated on its mobile platform.

Recent Corporate History and the Evolution of HBC

Affiliates of Hudson's Bay Company (Luxembourg) S. à r. l. ("HBC Luxembourg") acquired an indirect 20% interest in Hudson's Bay Company in July 2006 and acquired Lord & Taylor from Federated Department Stores (now Macy's, Inc.) in October 2006. In July 2008, HBC Luxembourg acquired the remaining 80% of Hudson's Bay Company. Following the acquisition of Hudson's Bay Company, HBC Luxembourg began the integration of Hudson's Bay Company and Lord & Taylor and viewed it as an opportunity to share best practices and leverage operational scale across each banner in merchandising, marketing, promotion, information technology, real estate, non-merchandise purchasing, finance, human resources and other support functions. In January 2012, through an internal reorganization, Lord & Taylor became a wholly owned subsidiary of Hudson's Bay Company. In October 2014, HBC Luxembourg underwent a voluntary dissolution, distributing Common Shares to its shareholders.

In January 2011, the Company and Zellers entered into a transaction with Target Canada Co. ("Target Canada") pursuant to which Zellers assigned 189 leases to Target Canada, leaving Zellers with 81 leased and 5 owned properties ("Target Transaction"). The Target Transaction enabled the Company to realize significant value from the Zellers lease portfolio. In light of the Target Transaction, the Company completed a strategic review of its 169 stores under the Fields banner – the Company's other discount store business. Given, among other things, the changing retail landscape in Canada, it was determined that it was best to exit this banner to allow management to focus on the department store businesses. As a result, the Company entered into a number of transactions to dispose of or close all of the Fields stores.

The Company has substantively executed its strategy to discontinue its Canadian discount store business, consisting of Zellers and Fields stores. Effective July 28, 2012, HBC completed the wind-down of all of the Fields stores, and as of the date hereof, only two Zellers locations remain open.

On November 26, 2012, the Company completed an initial public offering ("IPO") in Canada consisting of 14,710,000 Common Shares from treasury and a secondary offering of 6,765,000 Common Shares from HBC Luxembourg for an aggregate of 21,475,000 Common Shares, at a price of $17.00 per Common Share for gross proceeds of $365 million. The Common Shares were listed on the TSX under the symbol "HBC".

On September 7, 2012, LT 424 LLC ("LT 424"), which is an indirect subsidiary of Lord & Taylor, entered into a U.S. $250 million syndicated floating rate senior mortgage loan with an affiliate of CIBC World Markets Inc., as Administrative Agent of the syndicate of lenders, which matures on September 10, 2017 (the "Lord & Taylor Mortgage"). Lord & Taylor utilized the net proceeds of this loan, approximately U.S. $243 million, to reduce the balance of the then outstanding Lord & Taylor term loan.

On November 4, 2013, the Company completed its acquisition of all of the outstanding shares of Saks Incorporated ("Saks") for U.S. $16.00 per share, in an all-cash transaction valued at U.S. $2,973.2 million, including debt (the "Saks Acquisition"). The Saks Acquisition was financed by a combination of new debt financing and approximately U.S. $1.0 billion of new equity issued by way of a combination of a public offering of 16,050,000 subscription receipts at a price of $17.15 per subscription receipt and two private placements of Common Shares and Common Share purchase warrants ("Warrants"). Pursuant to the private placements, an aggregate of 46,050,001 Common Shares were issued to West Face Long Term Opportunities Global Master L.P., a fund advised by West Face Capital Inc. ("West Face") and 2380162 Ontario Limited ("238 Ontario", a wholly owned subsidiary of Ontario Teachers' Pension Plan Board and successor in interest to HS Investment L.P. ("HSILP")) at a purchase price of $17.00 per Common Share. As part of the private placements, the Company issued 5,000,000 Warrants to 238 Ontario and 1,750,000 Warrants to West Face. The exercise price of the Warrants is $17.00 per Common Share with a five year term from the date of issuance. The debt financing included a revolving credit facility of U.S. $950 million that was used to refinance pre-existing revolving credit facilities.

On February 25, 2014, the Company completed the sale of its downtown Toronto flagship Hudson's Bay store and adjacent Simpson's Tower office complex to an affiliate of The Cadillac Fairview Corporation Limited for a purchase price of $650.0 million (the "Queen Street Sale"). The Company leased the entire retail and office complex back for a base term of 25 years with renewal options of up to approximately 25 additional years. The property serves as the site of the Hudson's Bay flagship store, co-located with Canada's first Saks Fifth Avenue location, which opened in February 2016.

On December 3, 2014, an indirect wholly-owned subsidiary of the Company closed a U.S. $1.25 billion, 20-year mortgage loan, on the ground portion of the Saks Fifth Avenue flagship property in New York City, located at 611 Fifth Avenue with a syndicate of lenders (the "Saks Mortgage"). The mortgage is secured by a first mortgage lien on the fee interest in the property, together with all ground lease rents, profits and revenue. All proceeds from the Saks Mortgage, net of associated fees and expenses, were utilized to permanently pay down U.S. $1.2 billion of the Company's then-existing Senior Term Loan B (as hereinafter defined).

On February 25, 2015, the Company entered into agreements with each of Simon Property Group Inc. ("Simon") and RioCan Real Estate Investment Trust ("RioCan") to form two joint ventures focused on real estate growth opportunities in the United States and Canada, respectively.

On July 9, 2015, the Company and RioCan closed the first tranche of their joint venture, RioCan-HBC Limited Partnership (the "RioCan-HBC JV"), which focuses on real estate growth opportunities in Canada. The second tranche of the RioCan-HBC JV closed on November 25, 2015. As of the date hereof, HBC has an 89.7% ownership interest in the RioCan-HBC JV.

On July 22, 2015, the Company and Simon closed their joint venture, Simon HBC Opportunities LLC (the "HBC-Simon JV"). On September 30, 2015, prior to the Kaufhof Acquisition (defined and discussed below), the HBC-Simon JV became a wholly-owned subsidiary of HBS Global Properties LLC (the "HBS Joint Venture"), which focuses on credit tenant, net-leased and multi-tenant retail buildings in the United States and internationally. On November 17, 2015, the Company announced the sale of a portion of its equity investment in the HBS Joint Venture (including a related entity) for proceeds of U.S. $533 million to three new third party investors. On March

30, 2016 the Company sold an additional U.S. $50 million of equity in the HBS Joint Venture to one of the third party investors. As of the date hereof, HBC has a 65.1% ownership interest in the HBS Joint Venture.

On September 30, 2015 (the "Kaufhof Acquisition Date"), the Company completed the acquisition (the "Kaufhof Acquisition") of GALERIA Holding, the parent company of Germany's leading department store GALERIA Kaufhof and Belgium's only department store Galeria Inno, for a purchase price of €2.3 billion. In conjunction with the Kaufhof Acquisition, the HBS Joint Venture acquired 41 Kaufhof properties. For further details regarding the Kaufhof Acquisition, please refer to the Company's business acquisition report dated December 22, 2015, which is available on the Company's corporate website at www.hbc.com and on SEDAR at www.sedar.com.

On February 1, 2016, the Company completed the acquisition (the "Gilt Acquisition") of Gilt Group Holdings, Inc. ("Gilt") for a purchase price of U.S. $250 million in cash. The transaction reflects the Company's ongoing focus on advancing its all-channel model, while continuing to grow its successful off-price business through the integration of Gilt with OFF 5TH locations. The first Gilt in-store shop opened on March 3, 2016 inside OFF 5TH's first location in New York City.

BUSINESS OF THE COMPANY

Our Company

HBC is an innovative company with diversity in terms of geography and consumer segment and a strong fashion reputation with a focus on consumers. It is a leader in the all channel retail experience through the combination of great store locations and e-commerce shopping options enabling customers to shop whenever, wherever and however they choose. HBC is an operator; the Company has a top tier management team and in the last twelve months has hired many new operating leaders including head of human resources, information technology, digital, supply chain and owned labels. HBC is a consolidator; the Company has a track record of making opportunistic acquisitions. The strategy is focused on acquiring targets that have great brands, undermanaged retail operations, opportunities for synergies and, if there is real estate involved, great real estate locations. HBC has a history of acquiring companies and generating synergies as well as continuing to grow organically while leveraging economies of scale. HBC is supported by a solid foundation of real estate which enhances financial flexibility.

Our Retail Business

HBC is a global retailer operating banners which include, Hudson's Bay, Lord & Taylor, Saks Fifth Avenue, OFF 5TH and Gilt in North America and GALERIA Kaufhof, Galeria INNO and Sportarena in Europe.

The Company intends to continue to grow its retail sales primarily through the following strategies:

- *Driving Growth Across All Channels*. We are focused on driving growth both within and across our store and digital channels. We are building our capabilities and enhancing the store experience to enable customers to shop seamlessly across stores and through digital applications, and believe that serving customers across all channels results in increased consumer spending and loyalty.

- *Expanding the Company's Off-Price Business.* We have refined the OFF 5TH business model to offer more national brands at a clearer value proposition in an easier-to-shop environment, and in 2015 we launched our new Find @ Lord & Taylor banner. We plan to accelerate the pace of new store openings, many of which will be in urban areas, and have introduced a larger OFF 5TH format. Additionally, we are in the process of integrating Gilt, a recent acquisition, within the OFF 5TH banner. We expect this will improve our digital capabilities, especially in the increasingly important areas of mobile and personalization technologies. We expect that our off-price business will be further expanded via Gilt "stores within a store" in certain OFF 5TH locations which will provide optionality for customers and should also drive new customers into OFF 5TH locations. We also see opportunities to grow our off-price business globally, including potential OFF 5TH stores in Germany.

- *Bringing Saks Fifth Avenue and OFF 5TH to Canada*. We intend to leverage our existing Canadian infrastructure, institutional knowledge and experience to continue expanding the Saks Fifth Avenue and OFF 5TH banners in Canada.

- In addition, the Company believes there is an opportunity to realize meaningful operating margin improvements through the following initiatives:

  - *Saks Acquisition Synergies.* During Fiscal 2015, the Company realized $39 million in additional synergies related to the integration of Saks, bringing total savings of this initiative to $95 million. At this time, integration is largely complete, and the Company expects to realize the remaining $5 million of its targeted $100 million in synergies throughout the course of the current fiscal year;

  - *Operating Expense Management.* The Company intends to continue to diligently manage its operating expenses and leverage its significantly increased scale to optimize costs, including realizing synergies through our North American operations cost re-alignment initiative; and

  - *Gross Profit Enhancements.* The Company is focused on increasing its gross profit through (i) upgrading technology to improve all stages of merchandise planning and (ii) using its evolving digital commerce fulfillment functionalities and improving its automation technology at its fulfillment centres to optimize inventory productivity across each banner.

Mergers and Acquisitions

The Company completed the Kaufhof Acquisition on September 30, 2015. This acquisition represents a major step in the Company's strategy of being a global world-class department store retailer. The addition of HBC Europe's banners across two countries in Europe further strengthens the Company's retail portfolio, and provides a platform for further growth throughout Europe. The Kaufhof Acquisition was also consistent with the Company's real estate strategy.

The Company completed the Gilt Acquisition on February 1, 2016. Gilt is an e-commerce fashion retailer with a large millennial customer base. The Company has commenced the integration of Gilt within the OFF 5TH banner. With this acquisition, HBC has improved digital capabilities, especially in the increasingly important mobile and personalization technologies. HBC provides Gilt with an outlet to manage inventory more efficiently through the use of OFF 5TH stores. In addition, Gilt will open "stores within a store" (i.e. physical locations) in certain OFF 5TH locations. This will enable customers to return items to OFF 5TH which will not only provide optionality for customers but should also drive new customers into OFF 5TH locations.

With the recent completion of the Kaufhof Acquisition and the Gilt Acquisition, the Company's retail portfolio today includes 10 banners, in formats ranging from luxury to better department stores to off-price, with more than 460 stores, a global e-commerce presence, and 66,000 employees internationally.

Real Estate Strategy

In addition to successfully operating and integrating its retail business and banners, the Company has demonstrated a history of surfacing and leveraging value from its substantial real estate holdings, which also serves to strengthen the Company's balance sheet and operating business. Previous transactions and initiatives include:

- the Lord & Taylor Mortgage in 2007 for approximately U.S. $243 million;

- the sale of the Zellers leases for $1.8 billion in 2011;

- the Queen Street Sale for $650 million in 2014; and

- the U.S. $1.25 billion Saks Mortgage in 2014.

Real Estate Joint Ventures

The RioCan-HBC JV and the HBS Joint Venture (together, the "Joint Ventures") have created new growth platforms for the Company. The joint ventures have mandates to acquire additional assets that are expected to diversify the portfolios and tenant base of each joint venture creating additional value for our shareholders. On closing of the first tranche of the RioCan-HBC JV on July 9, 2015, HBC contributed seven owned or ground leased properties (including Hudson's Bay flagship properties in downtown Vancouver, Calgary, Ottawa, and Montreal). RioCan contributed a 50% interest in two mall properties in Ontario, Oakville Place and Georgian Mall. HBC received $352 million in cash proceeds from new debt issued at the RioCan-HBC JV.

On November 25, 2015, the second tranche of the RioCan-HBC JV closed. On closing, the Company indirectly contributed three additional ground leased properties, being the YSS Properties, totaling approximately 736,000 square feet, to the RioCan-HBC JV, with a transaction value of approximately $379 million based on a capitalization rate of 5.26%. RioCan has committed to contribute a total of $325 million to the RioCan-HBC JV for an eventual pro forma equity stake of approximately 20%. The balance of these contributions will consist of $53 million in tenant allowances, and $125 million to be used to fund future property acquisitions to increase the value and diversify the tenant base of the RioCan-HBC JV. These contributions are expected to be made by the third anniversary of the first tranche closing date.

On August 4, 2015, HBC obtained a favourable court declaration and order from the Superior Court of Justice-Ontario which permitted the indirect contribution of the YSS Properties to the RioCan-HBC JV. This court order was appealed by the related landlords. On February 10, 2016, the Court of Appeal for Ontario denied the landlords' appeal.

On closing of the HBC-Simon JV on July 22, 2015, the Company contributed 42 owned or ground leased properties valued at approximately U.S. $1.7 billion, including the Saks Fifth Avenue Beverly Hills flagship and the Westchester and Manhasset Lord & Taylor stores. The contributed properties total approximately 5.4 million square feet. HBC received U.S. $600 million in cash proceeds from new debt issued at the HBC-Simon JV. Simon contributed an initial amount of U.S. $1 million upon closing. On September 30, 2015, prior to the Kaufhof Acquisition, the HBC-Simon JV became a wholly-owned subsidiary of HBS Joint Venture. Simon contributed an additional U.S. $178.5 million to the HBS Joint Venture as part of the acquisition of the Kaufhof Property Business. Simon is also committed to providing an additional U.S. $99 million to the HBS Joint Venture for improvements to properties contributed by HBC to the joint venture, of which U.S. $4.7 was contributed in March 2016.

In conjunction with the Kaufhof Acquisition, the HBS Joint Venture acquired 41 Kaufhof properties valued, for accounting purposes, at approximately €1.8 billion. This transaction was financed by a combination of a 10 year real estate loan secured by the 41 properties, available cash held by the HBS Joint Venture and cash contributions by Simon and HBC.

On November 17, 2015, the Company sold a portion of its equity in the HBS Joint Venture (including a related entity) to three new third party investors, for total proceeds of U.S. $533 million and on March 30, 2016, the Company sold an additional U.S. $50 million of its equity to Madison International Realty. Proceeds from the equity sale, together with cash on hand, were used to reduce the Company’s outstanding U.S. Term Loan B from U.S. $1,085 million to U.S. $500 million. The total third party investment of U.S. $583 million values the HBS Joint Venture's portfolio at approximately U.S. $4.5 billion (assuming a EUR:USD exchange rate of 1.07:1) based on a blended capitalization rate of 5.90%, and comprised of individual investments from the following entities:

- U.S. $250 million equity investment by Ivanhoe Cambridge;
- U.S. $200 million equity investment by Madison International Realty; and
- U.S. $133 million equity investment by a large U.S. pension fund.

The Joint Ventures have been established with dedicated management teams focused on overseeing the contributed properties and growing the portfolio. RioCan-HBC JV's board of directors is comprised of four directors, two of whom have been appointed by each of HBC and RioCan. The HBS Joint Venture's board of directors is comprised of five directors, two of whom have been appointed by each of HBC and Simon and one of whom has been appointed by Ivanhoe Cambridge. Consent from the HBC and Simon members is required for all major operating decisions of HBS Joint Ventures and consent of the HBC and RioCan members is required for all major decisions of RioCan-HBC JV.

Our Industry

We participate in the North American and European retail industry through our department store banners in Canada, the United States, Germany and Belgium. The retail industry is a large segment of both the North American and European economies. Retail sales are generally driven by a combination of macroeconomic factors, including disposable income, unemployment rates, consumer confidence and savings rates.

The U.S. department store segment is well-developed with a number of department store banners that compete with one another, as well as with other retailers, including specialty stores, general merchandise stores, off-price and discount stores, catalog retailers and online retailers. There are significantly fewer retail banners in the Canadian department store segment compared to the U.S. department store segment. Canadian department stores compete with other retail formats in Canada, as well as with retailers that conduct business in Canada via e-commerce.

The German department store segment is similar to Canada, with a smaller number of banners in operation compared to the U.S. German department stores compete with other retail formats in Germany, as well as with retailers that conduct business in Germany via e-commerce. In Belgium, there is little to no competition in the department store segment, in part because of the size of the country. Instead, Galeria INNO competes with other retail formats in the country, as well as with retailers that conduct business in Belgium via e-commerce.

The primary product categories offered by department stores typically include apparel and accessories, cosmetics and fragrances, footwear and home goods. Department stores differentiate themselves versus other retail formats by offering consumers a broad assortment of product categories, a mix of national brands and private label products, a convenient and pleasant shopping experience and a high level of customer service.

Department stores can be segmented into the following categories based on price, offering assortment and shopping environment:

- *Moderate*: Value focused consumers are targeted by offering “good” merchandise, consisting of lower priced merchandise, a larger proportion of private label brands and a high level of promotions;

- *Better*: Appeal to a broad consumer demographic by offering “better” merchandise consisting of a mix of lower priced items and higher-end brands and utilizing targeted promotions; and

- *Luxury*: A more affluent consumer demographic is targeted by offering “best” merchandise, consisting of higher-end, more fashionable brands and offerings, with less frequent promotions.

Competition

The retailing industry is intensely competitive. The Company’s stores compete with many retailing formats in the geographic areas in which they operate, including department stores, specialty stores, general merchandise stores, off-price and discount stores, new and established forms of home shopping (including the Internet, mail order catalogues and television) and manufacturers’ outlets. We seek to attract customers by offering popular national brands in an appealing shopping environment at conveniently located stores where we offer a high level of customer service. Other retailers may compete for customers on some or all of these bases, or on other bases, and may be perceived by some potential customers as being better aligned with their particular preferences.

Management expects that U.S. retailers will continue to seek opportunities to enter the Canadian retail market, such as Nordstrom, or expand an existing footprint, such as Wal-Mart. Our management team has a history of successfully competing with department store retailers as well as mass merchandisers in the United States.

Similarly, management expects increased competition from new retail formats in Germany, including specialty stores, off-price and discount stores, and e-commerce retailers. Given our history of successfully competing with these and other retail formats in both the U.S. and Canada, we expect to leverage our experience in these markets in Germany.

Our ability to adapt to competitors and continue to grow same store sales as they enter markets in which we operate leads us to believe that we are well positioned to compete with U.S. retailers as they expand into Canada or grow their existing footprint. Likewise, we believe that we have a strong position in the German marketplace, and will be able to improve our operations there in order to grow our business in that region.

Retailers with which each banner competes include:

Banner	**Competitors**
Hudson's Bay	Harry Rosen, H&M, Holt Renfrew, Nordstrom, Simon, Reitmans, Sears Canada, and other specialty apparel, cosmetics, footwear and home chains
Lord & Taylor	Belk, Bloomingdale's, Bon Ton, Dillard's, J.C. Penney, Macy's, Nordstrom, and other specialty apparel, cosmetics, footwear and home chains
Saks Fifth Avenue	Neiman Marcus, Bloomingdale's, Nordstrom and other luxury specialty apparel, cosmetics, footwear and home chains
Saks Fifth Avenue OFF 5TH	Nordstrom Rack, T.J Maxx, Marshalls, Last Call by Neiman Marcus and other outlet and off price retailers
Home Outfitters	Bed Bath & Beyond, Crate & Barrel, Kitchen Stuff Plus and other specialty home chains
GALERIA Kaufhof	Karstadt, Alba Moda, Brueninger, C&A, Fashion ID by Peek & Cloppenburg, Ledwick Beck, Peek & Cloppenburg, and other specialty apparel, cosmetics, footwear and home chains
Galeria INNO	CAMELEON, Zara, and other specialty apparel, cosmetics, footwear and home chains
Sportarena	Sportscheck, Karstadt Sport, Intersport, Sport 2000 and other specialty sportswear chains
Gilt	Nordstrom Rack, Last Call by Neiman Marcus, Loehmann's, HauteLook, Rue La La and other outlet and off price retailers

Our Competitive Strengths

We believe that the following competitive strengths position us well to succeed and grow in the future:

Strong Banner Recognition

- Hudson's Bay is a Canadian icon with over three centuries of brand heritage. With a national footprint and a strong retailing presence across all major Canadian metropolitan markets, Hudson's Bay is one of the most recognizable banners in Canada.

- Lord & Taylor, established in 1826, was one of the first U.S. department stores and is part of the foundation of the United States department store industry. Lord & Taylor was one of the first department stores to build a flagship location on New York's Fifth Avenue and is one of the most recognized department store banners in the northeastern United States.

- Saks Fifth Avenue is one of the world's most iconic retailers, with a unique luxury identity and heritage. Saks Fifth Avenue's flagship store in New York's Fifth Avenue opened in 1924, and since then the Saks Fifth Avenue brand has become synonymous with luxury, fashion and elegance. Over the decades, Saks Fifth Avenue has evolved into a U.S. nationwide all-channel luxury retailer, with locations in many major metropolitan markets.

- GALERIA Kaufhof, established in 1879, was one of the first German department stores and is part of the foundation of the German department store industry. Its stores are characterized by high-quality, international product ranges across multiple brands. Over time, GALERIA Kaufhof has expanded its presence in both Germany and Belgium (though the Galeria INNO banner) though successful creative partnerships and the ongoing modernization of stores.

- Gilt is a pioneer of the online flash sale marketplace, providing instant access to top designer labels at an accessible price. Available only to members, Gilt has attracted a large millennial following, and is a leader in the use of technology to provide a curated personal experience.

- We believe this banner recognition provides us with a competitive advantage by placing Hudson's Bay, Lord & Taylor, Saks Fifth Avenue, Saks OFF 5TH, GALERIA Kaufhof, Galeria INNO, Sportarena and Gilt at the forefront of consumers' awareness when they are choosing shopping destinations.

Attractive Market Positioning in the North American and European Retail Marketplace

- Hudson's Bay is Canada's leading branded department store and has no competitors who offer such a broad range of high quality fashionable branded merchandise at compelling values. The quality and breadth of our brand portfolio enables us to address a broad customer base. Hudson's Bay appeals to and targets a consumer demographic whose shopping needs are not readily met by mass merchants and value retailers like Wal-Mart or luxury fashion retailers like Holt Renfrew.

- In affluent markets in the United States, Lord & Taylor is a value alternative to luxury retailers such as Nordstrom and Bloomingdale's because of its attractive prices for national brands available in a similarly upscale shopping environment. Compared to national competitors like Macy's and J.C. Penney, we believe that Lord & Taylor offers a superior shopping experience. Lord & Taylor offers locally tailored merchandise and a "better" brand assortment at competitive pricing and a higher level of customer service.

- Saks is an all-channel luxury retailer with locations in many major metropolitan markets. Among other things, Saks is widely known for its exceptional, world renowned, Saks Fifth Avenue brand, which offers an assortment of expertly edited luxury merchandise. As well, Saks is known for its luxury off-price retail offering through OFF 5TH. Saks competes with a diverse group of competitors, including, among others, traditional department stores, vendor-owned boutiques, specialty retailers, individual specialty apparel stores, designer boutiques, outlet stores, e-commerce and mail order retailers, and “flash sale” businesses. We believe that its all-channel approach to business, industry knowledge and customer base, superior customer service, broad selection of quality fashion merchandise at appropriate prices, innovative marketing, strategic store locations, and e-commerce presence position Saks to compete effectively.

- GALERIA Kaufhof is Germany’s leading branded department store, with only one competitor that offers such a broad range of high quality fashionable merchandise at compelling values. The stores themselves, which have between 5,000 and 35,000 square metres of selling space, are generally located in prime city centre intersections, and appeal to consumers whose shopping needs are not met by mass merchants or single branded retailers.

Leading Brand Portfolio in North America

- Supported by over 1,100 brands, which we believe is more than any other department store in Canada, we believe that Hudson’s Bay offers a stronger, more differentiated product offering than our competitors. We will continue to edit and update our brand portfolio on an ongoing basis to focus on the most sought after brands.

- Hudson’s Bay has national exclusivity in Canada with respect to many highly recognized international brands, including Topshop, “JS” by Jessica Simpson, GluckSteinHome, Lacoste Home and London Fog, each of which has a broad array of merchandise.

- Lord & Taylor offers over 900 brands, including leading national “better” brands with merchandise selection specifically tailored on a store by store basis to the local demands of our customers, and our popular private label brands.

- Saks carries mainly luxury merchandise from both core vendors and new and emerging designers, including products and brands that are exclusively offered at its stores. Saks has key relationships with leading American and European fashion houses, including: Giorgio Armani, Oscar de la Renta, Dolce and Gabbana, Chanel, Gucci, Prada, Louis Vuitton, St. John, Zegna, Theory, Cartier, David Yurman, Hugo Boss, Elie Tahari, Tory Burch, Ralph Lauren, Akris and Burberry, among many others. Saks also has arrangements with contract manufacturers to produce private label merchandise. The Saks private label offerings supplement its branded selections and include, among others, Saks Fifth Avenue Men’s Collection and 9|15 brands sold at the Saks stores, as well as various Saks Fifth Avenue branded merchandise sold at OFF 5TH stores.

- GALERIA Kaufhof has positioned itself as a modern retail brand with a unique profile. The stores feature high-quality, international product ranges with a mixture of famous brands and successful own brands. The company is the must-have distribution platform for leading national and international brands. GALERIA Kaufhof is continuously upgrading its brand portfolio by adding international premium brands in more and more stores, including Tommy Hilfiger, Marco Polo, Denim & Supply, Boss, Superdry, MAC, Bobbi Brown, Urban Decay.

Exceptional Store Footprint in Prime Retail Locations

- Our footprint of sizeable and accessible downtown flagship buildings in urban centres in Canada, Germany, Belgium and in the northeastern United States allows us to allocate space to key vendor shops, restaurants and other complementary businesses, which drive foot traffic and increase our sales productivity.

- Hudson’s Bay’s 90 stores are situated in prime retail locations in major metropolitan and suburban centres in Canada. Our downtown flagship stores are located in the core of Canada’s major cities, while our remaining stores are in well-situated suburban or regional locations.

- Lord & Taylor's 50 full-line locations are concentrated in key eastern metropolitan markets, including New York, Boston, Philadelphia, Washington, and two major Midwestern cities, Chicago and Detroit.

- Saks' real estate portfolio consists of 38 Saks Fifth Avenue stores and 88 OFF 5TH stores, including locations in desirable, high-population density markets across the United States including its 655,235 square foot flagship Manhattan store and 156,267 square foot Wilshire Boulevard store in Beverly Hills. Saks Fifth Avenue stores are principally free-standing stores in exclusive shopping destinations or anchor stores in upscale regional malls. OFF 5TH stores are primarily located in upscale mixed-use and off-price centers and offer luxury apparel, shoes and accessories at discount prices, targeting the value-conscious customer. Our expansion plans include making capital investments in approximately seven Saks Fifth Avenue stores and approximately 32 OFF 5TH locations the current fiscal year.

- GALERIA Kaufhof's 100 locations are concentrated in key metropolitan markets across Germany, including its 741,340 sq. ft. flagship store in Cologne and 463,348 sq. ft. store in Frankfurt. GALERIA Kaufhof stores are principally free-standing stores in high traffic shopping destinations or anchor stores in regional malls. Management believes that there is significant opportunity to make more intensive use of the space in these stores through the introduction of store-in-store concepts.

Valuable Real Estate Portfolio

- We have a strategic and valuable real estate portfolio in Canada, the United States and Europe under our ownership, joint-ownership or long-term control. We believe the relative scarcity of comparable available prime retail properties in Canada, Germany and the eastern United States creates significant barriers to entry in these markets.

- We formed joint ventures with each of RioCan and Simon. These joint ventures enable HBC to leverage the expertise of market leading real estate companies to build on the strength of certain of our existing real estate assets and identify new real estate growth opportunities. See "Business of the Company — Real Estate Strategy".

- Within our portfolio of leased properties, the long term, low cost nature of our leases, combined with the tenant rights we have been granted, provide us with a substantial level of operational control over a number of prominent malls.

- In addition to providing us with a sustainable competitive advantage in the operation of our retail business, our real estate portfolio also provides the foundation for attractive, low cost financing options (including, for example, the Saks Mortgage).

Extensive Proprietary Customer Database

- The Company has successfully implemented credit card and rewards programs and believes that these programs provide the Company with a significant opportunity to employ customer relationship management strategies. Through these programs, we collect and analyze customer data on a regular basis to not only communicate with our customers, but also to better understand how to meet their needs, including through the Company's developing all-channel platform, thereby providing an opportunity to increase sales. The constant flow of current information made available through our credit card and rewards programs better informs our business decisions regarding merchandise trends and brand selection. We also use our proprietary customer data to support our ongoing marketing and promotional activities.

- The use of sophisticated consumer analytics and insights is helping to enhance direct communication efforts and drive marketing effectiveness through targeted, localized and personalized initiatives. The Company is in the process of consolidating its existing banner specific customer databases into a single repository, which will provide the Company with a North American, cross-banner view of its customers' shopping patterns and preferences, furthering the Company's ability to personalize a customer's shopping experience.

Proven and Committed Management Team

- Our senior leadership team has extensive experience across a broad range of disciplines in the retail sector including sales, marketing, merchandising, operations, logistics, information technology, real estate, finance and mergers and acquisitions.

- Our senior leadership team has significant experience in the retail and real estate industries. This experience allows the sharing of industry best practices within our organization and extends beyond our senior leadership team into the rest of our organization.

- We rely on the strength of our corporate team, our store management and our associates to continue to execute our business plan to deliver strong and growing operating results.

Effective Marketing and Promotion

- Our marketing activities are targeted on initiatives that we believe will most effectively provide increased sales at each of our banners.

- Hudson's Bay has significantly enhanced the effectiveness of our promotional strategy. We have a personalized direct communication program targeting select customers with special savings coupons and promotions. This program increases our direct contact with customers and allows us to customize and promote the new Hudson's Bay shopping experience.

- The Lord & Taylor promotional activities are focused on store wide promotional events, such as "Friends and Family" and "The Signature Sale".

- Saks' marketing approach principally emphasizes the latest fashion trends and most sought after designers in luxury merchandise and supplements with national and local marketing efforts. To promote its image as one of the primary sources of luxury goods in its trade areas, Saks sponsors numerous fashion shows and in store special events highlighting the designers represented in its stores.

- We use our proprietary customer data made available through our credit card, rewards and direct mail programs to support our ongoing marketing and promotional activities. The credit card and loyalty programs are important marketing tools for the Company. In January 2013, the SaksFirst loyalty program was re-launched with several important enhancements. The Company also rebranded and launched the new Hudson's Bay Rewards program in early 2013 which provided customers with more ways to earn Hudson's Bay reward points and offered them new features and benefits. The Company continues to look to expand the number and use of proprietary credit cards by, among other things, providing special discounts to customers and monetary incentives to sales associates to open new credit accounts, which generally can be opened while a customer is visiting our stores.

- GALERIA Kaufhof's marketing approach emphasizes a balance between brand and promotional activities. Brand activities include communication of fashion trends in seasonal opening campaigns or personalized direct communication with special savings and discounts. The promotional activities are focused on events throughout the stores, such as "Family and Friends" or "Black Friday".

Real Estate Portfolio

We carefully manage our real estate portfolio with the goal of maximizing chain-wide store profitability and maintain a disciplined, cost-sensitive approach to real estate investments, commitments and store site selection. HBC has formed into two Joint Ventures, one with Simon in the U.S. and Europe, and the other one with RioCan in Canada, which affects ownership of a number of properties. See "Business of the Company — Real Estate Strategy".

Hudson's Bay

We operate 90 Hudson's Bay stores in Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Quebec and Saskatchewan with an average of approximately 180,000 square feet per store.

HUDSON'S BAY

Shopping Centre	City	Province	GLA[1] (000's)
FEE-OWNED			
Downtown	Winnipeg	MB	656
Subtotal GLA — Fee-Owned Properties			**656**
GROUND LEASED			
Centrepoint Mall	North York	ON	123
Centre Laval	Laval	QC	134
Subtotal GLA — Ground Leased Properties			**257**
LEASED			
Banff National Park	Banff	AB	17
Chinook Centre	Calgary	AB	207
Market Mall	Calgary	AB	200
Southcentre Mall	Calgary	AB	165
Sunridge Mall	Calgary	AB	161
Edmonton City Centre	Edmonton	AB	168
Kingsway Garden Mall	Edmonton	AB	153
Londonberry Mall	Edmonton	AB	119
Southgate Shopping Centre	Edmonton	AB	237
West Edmonton Mall	Edmonton	AB	164
Lethbridge Centre	Lethbridge	AB	133
Medicine Hat Mall	Medicine Hat	AB	93
Bower Place	Red Deer	AB	111
St. Albert Centre	St. Albert	AB	93
Sevenoaks Shopping Centre	Abbotsford	BC	129
Lougheed Mall	Burnaby	BC	125
Metropolis At Metrotown	Burnaby	BC	141
Coquitlam Centre	Coquitlam	BC	120
Aberdeen Mall	Kamloops	BC	123
Orchard Park Shopping Centre	Kelowna	BC	127
Willowbrook Shopping Centre	Langley	BC	131
Woodgrove Centre	Nanaimo	BC	146
Cherry Lane Shopping Centre	Penticton	BC	95

Shopping Centre	City	Province	GLA[1]
			(000's)
Parkwood Mall	Prince George	BC	109
Richmond Centre	Richmond	BC	162
Guildford Shopping Centre	Surrey	BC	174
Oakridge Centre	Vancouver	BC	182
Park Royal Shopping Centre	Vancouver	BC	172
Village Green Mall	Vernon	BC	83
Mayfair Shopping Centre	Victoria	BC	166
Hudson's Bay Centre	Victoria	BC	229
Polo Park Shopping Centre	Winnipeg	MB	212
St. Vital Shopping Centre	Winnipeg	MB	122
Mic Mac Mall	Dartmouth	NS	151
Mayflower Mall	Sydney	NS	83
Georgian Mall	Barrie	ON	91
Bramalea City Centre	Brampton	ON	131
Burlington Mall	Burlington	ON	171
Mapleview Centre	Burlington	ON	129
Cambridge Centre	Cambridge	ON	131
Sherway Gardens	Etobicoke	ON	223
Woodbine Centre	Etobicoke	ON	140
Limeridge Mall	Hamilton	ON	147
Cataraqui Town Centre	Kingston	ON	113
Fairview Park	Kitchener	ON	185
Masonville	London	ON	85
Whiteoaks Mall	London	ON	166
Markville Shopping Centre	Markham	ON	140
Erin Mills Town Centre	Mississauga	ON	134
Upper Canada Mall	Newmarket	ON	143
Oakville Place	Oakville	ON	119
Place d'Orleans Shopping Centre	Orleans	ON	116
Oshawa Centre	Oshawa	ON	123
Bayshore Shopping Centre	Ottawa	ON	181
St. Laurent Shopping Centre	Ottawa	ON	145
Pickering Town Centre	Pickering	ON	122
Hillcrest Mall	Richmond Hill	ON	98
Eglinton Square	Scarborough	ON	115
Pen Centre	St. Catharines	ON	150
Downtown[2]	Toronto	ON	851
Fairview Mall	Toronto	ON	152
Hudson's Bay Centre	Toronto	ON	342
Conestoga Mall	Waterloo	ON	131

Shopping Centre	City	Province	GLA[1]
			(000's)
Les Galeries d'Anjou	Anjou	QC	176
Champlain Mall	Brossard	QC	144
Dorval Gardens	Dorval	QC	103
Les Promenades de l'Outaouais	Gatineau	QC	140
Boulevard Centre	Montreal	QC	110
Centre Commercial Rockland	Montreal	QC	148
Fairview Pointe Claire	Pointe Claire	QC	180
Les Galeries de la Capitale	Quebec City	QC	163
Place Fleur de Lys	Quebec City	QC	107
Place Rosemere Shopping Centre	Rosemere	QC	132
Carrefour de l'Estrie	Sherbrooke	QC	116
Place Laurier	Ste-Foy	QC	150
Cornwall Centre	Regina	SK	182
Midtown Plaza	Saskatoon	SK	174
OUTLET STORE[3]			
Toronto Premium Outlets	Halton Hills	ON	25
Mirabel Premium Outlets	Mirabel	QC	27
Subtotal GLA — Leased Properties			**11,854**
RIOCAN-HBC JV PROPERTIES[2]			
Downtown	Calgary	AB	449
Downtown	Vancouver	BC	637
Rideau Centre	Ottawa	ON	335
Devonshire Mall	Windsor	ON	166
Downtown	Montreal	QC	655
Square One	Mississauga	ON	203
Yorkdale Shopping Centre	North York	ON	303
Scarborough Town Centre	Scarborough	ON	232
Carrefour Laval	Laval	QC	177
Les Promenades St. Bruno	St-Bruno	QC	132
Subtotal — JV Properties			**3,289**
Total GLA — Hudson's Bay Banner			**16,056**
Average YOC[5] (Hudson's Bay Ground Leased and Leased Properties)			**66 Yrs**

Notes:

(1) "GLA" means "Gross Leasable Area".
(2) On February 25, 2014, the Company completed the Queen Street Sale.
(3) Outlet stores are excluded from store count but they are included in the gross leasable area calculations.

(4) These properties were contributed to the RioCan-HBC JV, see "Business of the Company — Our Company — Real Estate Strategy".
(5) "YOC" means "Years of Lease Control".

Saks Fifth Avenue

We operate 38 full-line Saks Fifth Avenue stores in 22 states and Puerto Rico, with an average of approximately 125,000 square feet per store.

SAKS FIFTH AVENUE

Shopping Centre	City	State	GLA[1] (000's)
FEE-OWNED			
The Summit	Birmingham	AL	98
Triangle Town Center	Raleigh	NC	81
Fifth Avenue (Freestanding)[2]	New York	NY	655
Polaris Fashion Mall	Columbus	OH	99
Stony Point Fashion Park	Richmond	VA	82
Subtotal GLA — Fee-Owned Properties			**1,015**
GROUND LEASED			
Gardens Mall	Palm Beach Gardens	FL	110
Plaza Frontenac	St. Louis	MO	122
Mall at Short Hills	Short Hills	NJ	105
Cincinnati (Freestanding)	Cincinnati	OH	74
Tulsa (Freestanding)	Tulsa	OK	62
Galleria Mall	Houston	TX	195
Subtotal GLA — Ground Leased Properties			**668**
LEASED			
Biltmore Fashion Park	Phoenix	AZ	90
Beverly Hills Men's Store (Freestanding) [3]	Beverly Hills	CA	101
The Gardens	Palm Desert	CA	49
San Francisco (Freestanding)	San Francisco	CA	126
San Francisco Men's Store (Freestanding) [3]	San Francisco	CA	34
Greenwich (Freestanding)	Greenwich	CT	34
Bal Harbour Shops	Bal Harbour	FL	142
Town Center Mall	Boca Raton	FL	152
Bell Tower Shops	Fort Myers	FL	39
Waterside Shops	Naples	FL	66
Worth Avenue	Palm Beach	FL	50
University Town Center	Sarasota	FL	85
Fashion Mall at Keystone	Indianapolis	IN	117

Shopping Centre	City	State	GLA[(1)]
			(000's)
The Shops at Canal Place	New Orleans	LA	120
Prudential Center	Boston	MA	134
Mazza Galleria Men's Store[(3)]	Chevy Chase	MD	22
Bala Plaza	Bala Cynwyd	PA	95
Mall of San Juan	San Juan	PR	100
North Star Mall Men's Store[(3)]	San Antonio	TX	34
Subtotal GLA — Leased Properties			**1,590**
HBS JOINT VENTURE PROPERTIES[(3)]			
Beverly Hills (Freestanding)	Beverly Hills	CA	101
Somerset Mall	Troy	MI	152
North Star Mall	San Antonio	TX	80
Tysons Galleria	McLean	VA	117
South Coast Plaza	Costa Mesa	CA	103
Dadeland Mall	Miami	FL	76
Phipps Plaza	Atlanta	GA	151
Chicago Place Mall	Chicago	IL	168
Chevy Chase Mall	Chevy Chase	MD	22
Fashion Show Mall	Las Vegas	NV	159
Walt Whitman Mall	Huntington Station	NY	97
Beachwood Place	Beachwood	OH	101
Subtotal — JV Properties			**1,327**
Total GLA — Saks Fifth Avenue			**4,600**
Average YOC[(5)] (Saks Fifth Avenue Ground Leased and Leased Properties)			**43 Yrs**

Notes:

(1) "GLA" means "Gross Leasable Area".
(2) See "Material Contracts — Saks Mortgage".
(3) Saks Fifth Avenue men's stores are not included separately in store count calculations and are instead included together with the applicable main store.
(4) These properties were contributed to the HBS Joint Venture, see "Business of the Company —Our Company — Real Estate Strategy".
(5) "YOC" means "Years of Lease Control".

Saks Fifth Avenue OFF 5TH

We operate 90 OFF 5TH stores with an average of approximately 29,000 square feet per store. We have entered into long term leases for our OFF 5TH stores and such leases total approximately 2,630,000 square feet.

SAKS FIFTH AVENUE OFF 5TH

Shopping Centre	City	State	GLA[1] (000's)
LEASED			
Phoenix Premium Outlets	Chandler	AZ	28
Tanger Outlet Center Westgate	Glendale	AZ	28
Foothills Mall	Tucson	AZ	29
Desert Hills Premium Outlets	Cabazon	CA	26
Camarillo Premium Outlets	Camarillo	CA	25
Folsom Premium Outlets	Folsom	CA	22
Metro Pointe	Costa Mesa	CA	40
Gilroy Premium Outlets	Gilroy	CA	26
Livermore Premium Outlets	Livermore	CA	28
Beverly Connection	W. Los Angeles	CA	27
The Great Mall	Milpitas	CA	25
Ontario Mills	Ontario	CA	28
The Outlets at Orange	Orange	CA	31
Petaluma Village Premium Outlets	Petaluma	CA	16
Creekside Town Centre	Roseville	CA	34
Park in the Valley	San Diego	CA	30
Carmel Mountain Plaza	San Diego North	CA	42
Freestanding	San Francisco	CA	41
The Nut Tree Shopping Center	Vacaville	CA	29
Cerritos Best Plaza	Cerritos	CA	30
Freestanding	Santa Barbara	CA	48
Colorado Mills	Lakewood	CO	28
Clinton Crossings Premium Outlets	Clinton	CT	18
Stamford Town Center	Stamford	CT	78
Christiana Fashion Center	Newark	DE	32
Town Center Aventura	Aventura	FL	35
Somerset Shoppes	Boca Raton	FL	23
Silver Sands Premium Outlets	Destin	FL	30
Ellenton Premium Outlets	Ellenton (Tampa)	FL	20
Miromar Outlets	Estero (Naples)	FL	25
Dolphin Mall	Miami	FL	24
Orlando Premium Outlets	Orlando	FL	26
St. Augustine Prime Outlets	St. Augustine	FL	28
Sawgrass Mills	Sunrise	FL	46
Orlando Premium Outlets – Vineland	Vineland	FL	29
Palm Beach Outlets	West Palm Beach	FL	25
Tampa Premium Outlets	Lutz	FL	27
North Georgia Premium Outlets	Dawsonville	GA	20

Shopping Centre	City	State	GLA(1)
			(000's)
Sugarloaf Mills	Lawrenceville	GA	27
Outlet Shoppes of Atlanta at Woodstock	Woodstock	GA	25
Waikele Premium Outlets	Waipahu	HI	30
Gurnee Mills	Gurnee	IL	29
Village Square	Northbrook	IL	26
Fashion Outlets of Chicago	Rosemont	IL	28
Chicago Premium Outlets	Chicago	IL	28
Woodfield Village Green S/C	Schaumburg	IL	31
Legends Outlets	Kansas City	KS	25
The Outlet Shoppes at Bluegrass	Simpsonville	KY	25
Assembly Row	Somerville	MA	26
Wrentham Village Premium Outlets	Wrentham	MA	22
Arundel Mills	Hanover	MD	28
Great Lakes Crossing	Auburn Hills	MI	34
Twin Cities Premium Outlets	Eagan	MN	28
St. Louis Premium Outlets	St. Louis	MO	28
The Outlets at Bloomfield	Pearl	MS	20
Charlotte Premium Outlets	Charlotte	NC	25
Mebane Tanger Outlets	Mebane	NC	30
Merrimack Premium Outlets	Merrimack	NH	28
Jersey Gardens Mall	Elizabeth	NJ	28
Bergen Town Center	Paramus	NJ	32
Las Vegas Town Square	Las Vegas	NV	41
Las Vegas Premium Outlets	Las Vegas	NV	28
Woodbury Commons Premium Outlets	Central Valley	NY	33
The Arches at Deer Park	Deer Park	NY	31
Gallery at Westbury Plaza	Garden City	NY	27
Niagara Fashion Outlets	Niagara Falls	NY	30
Riverhead Tanger Outlets	Riverhead	NY	25
Destiny USA at Carousel Center	Syracuse	NY	25
White Plains Shopping Center	White Plains	NY	25
Aurora Farms Premium Outlets	Aurora	OH	15
Cincinnati Premium Outlets	Cincinnati	OH	27
Easton Town Center	Columbus	OH	28
Bridgeport Village	Tigard	OR	28
Franklin Mills	Philadelphia	PA	46
Tanger Outlets	Washington	PA	25
Tanger Outlets	Charleston	SC	25
Tanger Outlets	Hilton Head	SC	28
Opry Mills	Nashville	TN	28

Shopping Centre	City	State	GLA[1]
			(000's)
Houston Premium Outlets	Cypress	TX	28
Park Lane S/C	Dallas	TX	29
Grand Prairie Premium Outlets	Grand Prairie	TX	28
Grapevine Mills	Grapevine	TX	35
Katy Mills	Katy	TX	28
Rio Grande Valley Premium Outlets	Mercedes	TX	28
The Rim	San Antonio	TX	28
San Marcos Premium Outlets	San Marcos	TX	22
Market at Town Center	Sugarland	TX	25
Leesburg Corner Premium Outlets	Leesburg	VA	25
Potomac Mills	Woodbridge	VA	28
Mayfair Collection	Wauwatosa	WI	24
Subtotal GLA — Leased Properties			**2,628**
Total GLA — Saks Fifth Avenue OFF 5TH			**2,628**
Average YOC[2] (Saks Fifth Avenue OFF 5TH Ground Leased & Leased Properties)			**18 Yrs**

Notes:

(1) "GLA" means "Gross Leasable Area".
(2) "YOC" means "Years of Lease Control".

Lord & Taylor

We operate 50 Lord & Taylor full-line stores, one FIND @ Lord and Taylor store and four outlet stores in Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, New Jersey, New York, Pennsylvania, Virginia and Washington D.C. with an average of 140,000 square feet per store, with strong concentrations in the New York Metropolitan area, Boston, Washington D.C. and Chicago.

LORD & TAYLOR

Shopping Centre	City	State	GLA[1]
			(000's)
FEE-OWNED			
Lakeforest Mall	Gaithersburg	MD	150
Lakeside Mall	Sterling Heights	MI	163
Moorestown Mall	Moorestown	NJ	121
Woodbridge Centre	Woodbridge	NJ	123
Fifth Avenue (Freestanding)	New York	NY	676
Eastview Mall	Rochester (Victor)	NY	90
Dulles Town Centre	Sterling	VA	120
Subtotal GLA — Fee-Owned Properties			**1,443**

Shopping Centre	City	State	GLA[1]
			(000's)
GROUND LEASED			
Trumbull	Trumbull	CT	117
Chevy Chase (Freestanding)	Washington	DC	148
Annapolis Mall	Annapolis	MD	110
White Flint Mall	Kensington	MD	118
Monmouth Mall	Eatontown	NJ	160
Subtotal GLA — Ground Leased Properties			**653**
LEASED (Non Outlet)			
Mizner Park	Boca Raton	FL	80
Oakbrook Centre Mall	Oakbrook	IL	102
Old Orchard	Skokie	IL	115
Prudential Centre	Boston	MA	125
Rockingham Mall	Salem	NH	121
Ridge Hill Shopping Centre	Yonkers	NY	89
Crossgates Mall	Albany	NY	100
Bala Cynwyd Shopping Centre	Bala Cynwyd	PA	121
Freestanding (FIND Location)	Paramus	NJ	35
Subtotal GLA — Leased Properties			**888**
OUTLET STORES[2]			
Great Lakes Crossing	Auburn Hills	MI	23
Jersey Gardens	Elizabeth	NJ	15
Source Mall at Westbury	Westbury	NY	48
Shrewsbury Plaza	Shrewsbury	NJ	31
Subtotal GLA — Outlet Properties			**117**
HBS JOINT VENTURE PROPERTIES[3]			
Stamford (Freestanding)	Stamford	CT	155
Woodfield Mall	Schaumburg	IL	131
The Mall in Columbia	Columbia	MD	120
Twelve Oaks Mall	Novi	MI	122
Bridgewater Commons	Bridgewater	NJ	140
Freehold Raceway Mall	Freehold	NJ	123
Fashion Centre (Ridgewood)	Paramus	NJ	155
Rockaway Town Square Mall	Rockaway	NJ	150
Willowbrook Mall (Wayne)	Wayne	NJ	121

Shopping Centre	City	State	GLA[1]
			(000's)
Westfield (Freestanding)	Westfield	NJ	142
Walden Galleria	Buffalo	NY	100
Garden City (Freestanding)	Garden City	NY	154
Manhasset (Freestanding)	Manhasset	NY	126
Scarsdale (Freestanding)	Scarsdale	NY	199
King of Prussia Plaza	King of Prussia	PA	119
Fair Oaks Mall	Fairfax	VA	160
Danbury Fair Mall	Danbury	CT	79
Westfarms Mall	Farmington	CT	120
Northbrook Court	Northbrook	IL	126
South Shore Plaza (Braintree)	Braintree	MA	126
Burlington Mall	Burlington	MA	118
Natick Mall	Natick	MA	115
Quakerbridge Mall	Lawrenceville	NJ	153
Livingston Mall	Livingston	NJ	169
Garden State Plaza	Paramus	NJ	130
South Shore (Bay Shore)	Bay Shore	NY	120
Walt Whitman	Huntington Station	NY	120
Carousel Centre	Syracuse	NY	118
Palisades Centre	West Nyack	NY	121
Tyson's Corner Centre	McLean	VA	120
Subtotal — JV Properties			**3,952**
Total GLA — Lord & Taylor Banner			**7,053**
Average YOC[4][5] (Lord & Taylor Ground Leased and Leased Properties)			**33 Yrs**

Notes:

(1) "GLA" means "Gross Leasable Area".
(2) Outlet stores and home stores are excluded from store count but they are included in the gross leasable area calculations.
(3) These properties were contributed to the HBS Joint Venture, see "Business of the Company — Our Company — Real Estate Strategy".
(4) "YOC" means "Years of Lease Control".
(5) Outlet and Home stores not included in Average YOC calculation.

Home Outfitters

We operate 62 Home Outfitters stores in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Nova Scotia with an average of approximately 35,700 square feet per store. We have entered into long term leases for all 62 Home Outfitters locations totaling 2,214,000 square feet. Home Outfitters stores are kitchen, bed and bath specialty superstores focusing on merchandise selection and customer service.

HOME OUTFITTERS

Shopping Centre	City	Province	GLA[1]
			(000's)
Shepard Regional Centre	Calgary	AB	34
Sunridge Way	Calgary	AB	40
Northland Village	Calgary	AB	41
Heritage Towne Centre	Calgary	AB	34
Royal Oak	Calgary	AB	32
South Edmonton Common	Edmonton	AB	41
Skyview Power Centre	Edmonton	AB	41
West Point Centre North	Edmonton	AB	41
Poco Power Centre	Coquitlam	BC	40
Linens Building Coquitlam B.C	Coquitlam	BC	38
Kelowna Central Park Power Centre	Kelowna	BC	34
Gateway Station Shopping Centre	Langford	BC	36
64th Avenue and 203rd Street	Langley	BC	40
Dover Pointe Centre	Nanaimo	BC	32
New Westminster Shopping Centre	New Westminster	BC	28
Lansdowne Centre	Richmond	BC	41
Tillicum Centre	Victoria	BC	31
St. James Station	Winnipeg	MB	34
Crossroads Station Shopping Centre	Winnipeg	MB	40
1665 Kenaston Blvd	Winnipeg	MB	39
Dartmouth Crossing	Dartmouth	NS	34
Chain Lake Drive	Halifax	NS	35
Byrne Drive	Barrie	ON	41
Bramalea City Centre	Brampton	ON	40
Burlington Home Decor Centre	Burlington	ON	32
Sherway Gardens	Etobicoke	ON	29
Limeridge Mall	Hamilton	ON	38
Kanata Power Centre	Kanata	ON	35
Taylor Road	Kingston	ON	32
Laurentian Power Centre	Kitchener	ON	34
Wellington Commons	London	ON	30
First Markham Place	Markham	ON	41
3050 Vega Blvd – Erin Mills Power Centre	Mississauga	ON	35
Highway 401 and Winston Churchill	Mississauga	ON	40
Heartland Town Centre	Mississauga	ON	35
Merivale Place	Nepean	ON	40
Crossroads Centre	North York	ON	37
RioCan Centre Burloak	Oakville	ON	34
2020 Mer Bleu Road	Orleans	ON	32

Shopping Centre	City	Province	GLA[1]
			(000's)
Taunton Rd. East	Oshawa	ON	34
Innes Centre	Ottawa	ON	41
Peterborough	Peterborough	ON	33
Hub Retail Centre	Pickering	ON	37
Eglinton Town Centre	Scarborough	ON	34
First Pro Garden City	St. Catharines	ON	32
Thunder Centre	Thunder Bay	ON	32
Yorkdale Shopping Centre	Toronto	ON	34
Hwys 400 & 7	Vaughan	ON	33
Vaughan Mills Shopping Centre	Vaughan	ON	35
Walker Square	Windsor	ON	34
Stand Alone Store	Anjou	QC	40
Faubourg Boisbriand	Boisbriand	QC	32
Carrefour de la Rive Sud	Boucherville	QC	32
Quartier Dix30	Brossard	QC	34
Autoroute Chomedy & Boulevard Samson	Laval	QC	34
Mega Centre Mascouche	Mascouche	QC	40
Marche Central Metropolitan Shopping Centre	Montreal	QC	40
Fairview Pointe Claire	Pointe Claire	QC	41
Galeries de la Capitale Power Centre	Quebec City	QC	34
Promenades St. Bruno Power Centre	St. Bruno	QC	30
Prince of Wales Drive and Trans Canada Hwy	Regina	SK	33
University Common/Preston Crossing	Saskatoon	SK	34
Total Home Outfitters Banner			**2,214**
Average YOC[2]			**17 Yrs**

Notes:

(1) "GLA" means "Gross Leasable Area".
(2) "YOC" means "Years of Lease Control".

GALERIA Kaufhof

We operate 102 GALERIA Kaufhof department stores in Germany with an average of approximately 292,000 square feet per store. We have 41 leased joint venture stores with a total of approximately 16 million square feet. We have two ground leased stores with a total of approximately 326,000 square feet and 11 mixed ownership properties with a total of approximately 4,227,000 square feet. We have entered into long term leases for our remaining 48 GALERIA Kaufhof stores and such leases total approximately 9,181,000 square feet. The total size of the GALERIA Kauhof property portfolio is 29,736,000 square feet.

GALERIA KAUFHOF

Shopping Centre	City	State	GLA[1]
			(000's)
HBS JOINT VENTURE PROPERTIES			
Adalbertstraße 20-30	Aachen	NRW	575
Alexanderplatz 8 + 9	Berlin	Berlin	762
Münsterplatz	Bonn	NRW	313
Rheinstraße	Darmstadt	Hessen	288
Westenhellweg	Dortmund	NRW	616
Düsseldorfer Straße 32	Duisburg	NRW	476
Am Wehrhahn	Düsseldorf	NRW	701
Heinrich-Heine-Platz	Düsseldorf	NRW	366
Königsallee	Düsseldorf	NRW	604
Nürnberger Straße	Erlangen	Bayern	218
Zeil	Frankfurt am Main	Hessen	604
Bahnhofstr. 56	Gelsenkirchen	NRW	323
Markt	Halle	Sachsen-Anhalt	356
Marktplatz	Hanau	Hessen	172
Ernst-August-Platz	Hannover	Niedersachsen	573
Bergheimer Straße	Heidelberg	Baden Württemberg	239
Fleinerstraße	Heilbronn	Baden Württemberg	394
Almstraße	Hildesheim	Niedersachsen	463
Residenzplatz	Kempten	Bayern	295
Hohe Strasse	Köln	NRW	1,229
I+II, Hochstr. 57-59, 53	Krefeld	NRW	446
Neumarkt 1	Leipzig	Sachsen	391
Schusterstraße 41-49	Mainz	Rheinland Pfalz	282
Kurpfalzstraße/Paradeplatz	Mannheim	Baden Württemberg	364
Hindenburgstraße	Mönchengladbach	NRW	176
Rotkreuzplatz	München	Bayern	307
Königstraße	Nürnberg	Bayern	340
Frankfurter Straße	Offenbach	Hessen	149
Ritterstraße 17	Oldenburg	Niedersachsen	342
Westliche Karl-Friedrich-Straße	Pforzheim	Baden Württemberg	316
Neupfarrplatz	Regensburg	Bayern	310
Karlstraße	Reutlingen	Baden Württemberg	373
Lange Straße	Rostock	Mecklenburg Vorpommern	324
Jägersbrunnen	Schweinfurt	Bayern	275
Kaiserstraße	Siegburg	NRW	432
Eberhardstraße	Stuttgart	Baden Württemberg	440
Bahnhofstraße	Ulm	Baden Württemberg	261

Shopping Centre	City	State	GLA[1]
			(000's)
Kirchgasse	Wiesbaden	Hessen	323
Neumarkt	Wuppertal	NRW	396
Schönbornstraße	Würzburg	Bayern	189
Subtotal GLA — JV Properties			**16,002**
GROUND LEASED			
Fabrikstraße	Aschaffenburg	Bayern	152
Cannstadt	Stuttgart	Baden Württemberg	174
Subtotal GLA — Ground Leased Properties			**326**
MIXED – GROUND LEASED AND OWNED			
Klostergasse	Bad Kreuznach	Rheinland Pfalz	247
Kaiser-Joseph-Straße	Freiburg	Baden Württemberg	266
Seilwinderstraße	Hannover	Niedersachsen	465
Hauptstraße 24-26	Heidelberg	Baden Württemberg	389
Ludwigstraße	Ingolstadt	Bayern	168
Obere Königstraße 29-31	Kassel	Hessen	405
Marienplatz	München	Bayern	467
Ludgeristraße	Münster	NRW	277
Bahnhofstraße 82-100	Saarbrücken	Saarland	618
Königstraße 6	Stuttgart	Baden Württemberg	648
Fleischstraße	Trier	Rheinland Pfalz	277
Subtotal GLA – Mixed Ownership Properties			**4,227**
LEASED			
Komphausbadstr. 10	Aachen	NRW	208
Koppenstraße 8	Berlin	Berlin	502
Frankfurter Allee 113-117	Berlin	Berlin	145
Johannisthaler Chaussee 298	Berlin	Berlin	146
Prerower Platz 1	Berlin	Berlin	120
Bohlweg 72	Braunschweig	Niedersachsen	342
Papenstr. 5	Bremen	Bremen	481
Steinweg 26	Brühl	NRW	130
Am Rathhaus 1	Chemnitz	Sachsen	331
Mohrenstraße 17-19	Coburg	Bayern	140
August-Bebel-Straße	Cottbus	Brandenburg	276
Wirtelstraße 38-42	Düren	NRW	141
Kettwiger Straße 1a	Essen	NRW	301
Spiegelstraße 14	Euskirchen	NRW	105

Shopping Centre	City	State	GLA[1]
			(000's)
Borsigallee 26	Frankfurt am Main	Hessen	122
Europa-Allee 6	Frankfurt am Main	Hessen	3
Limescorso 7 (Nord West Zentrum)	Frankfurt/Main	Hessen	151
Rabanusstraße 19	Fulda	Hessen	136
Museeumsplatz 2	Gera	Thüringen	94
Bleichstraße 15	Göppingen	Baden Württemberg	117
Elberfelder Straße 23-25	Hagen	NRW	156
Mönckebergstraße 3	Hamburg	Hamburg	361
Kritenbarg 10	Hamburg	Hamburg	188
Bahnhofstraße 6-12	Hamm	NRW	179
Altstadt 26-30	Hof/Saale	Bayern	173
Große Straße 42-46	Kleve	NRW	96
Löhrstraße 77-85	Koblenz	Rheinland Pfalz	167
Bunzlauer Straße 6	Köln	NRW	126
Neusser Straße 242-248	Köln	NRW	126
Ostbahnstraße 36	Landau	Rheinland Pfalz	105
Wiesdorfer Platz 82	Leverkusen	NRW	218
N7 - Kunststrasse	Mannheim	Baden Württemberg	339
Karlsplatz 21-24	München	Bayern	398
Pelkovenstraße 155 (OEZ)	München	Bayern	147
Stargarder Str. 19	Neubrandenburg	Mecklenburg Vorpommern	115
Stummstraße 3	Neunkirchen	Saarland	148
Niederstr. 42	Neuss	NRW	238
Centroallee 106 (Centro)	Oberhausen	NRW	242
Wittekindstr. 23	Osnabrück	Niedersachsen	193
Westernstraße 26	Paderborn	NRW	115
Weichser Weg 5	Regensburg	Bayern	172
Hauptstraße 75+77	Solingen	NRW	118
Maximilianstraße 43	Speyer	Rheinland Pfalz	121
Main-Taunus-Zentrum	Sulzbach	Hessen	276
Simeonstraße 53	Trier	Rheinland Pfalz	220
Hohe Straße 57	Wesel	NRW	113
Bahnhofstr. 5	Witten	NRW	210
Kämmererstraße 24-32	Worms	Rheinland Pfalz	128
Subtotal GLA — Leased Properties			**9,181**
Total GLA — GALERIA Kaufhof			**29,736**

Notes:

(1) "GLA" means "Gross Leasable Area".

Galeria INNO

We operate 16 Galeria INNO department stores in Belgium with an average of approximately 149,000 square feet per store. We have entered into long term leases for all of our Galeria INNO stores. The total size of the Galeria INNO property portfolio is 2,383,000 square feet.

GALERIA INNO

Shopping Centre	City	Country	GLA[1]
			(000's)
LEASED			
Rue Neuve / Rue Damir	Bruxelles	Belgium	486
Av. Louise	Bruxelles	Belgium	125
Chaussee de Waterloo	Bruxelles	Belgium	138
Av. Paul Hymans	Woluwe	Belgium	132
Meir 80	Antwerpen	Belgium	230
Bredabaan	Schoten	Belgium	113
Bruul	Mechelen	Belgium	108
Diestestraat	Leuven	Belgium	119
Place St. Lambert	Liège	Belgium	169
Place de Armes	Namur	Belgium	98
Boulevard Tirou	Charleroi	Belgium	219
Steenstraat	Brugge	Belgium	100
Kapellestraat	Oostende	Belgium	58
Veldstraat	Gent	Belgium	105
Kapelstraat	Waasland	Belgium	94
Hasselt	Hasselt	Belgium	90
Total GLA — Galeria INNO			**2,383**

Notes:

(1) "GLA" means "Gross Leasable Area".

Sportarena

We operate 13 Sportarena stores in Germany with an average of approximately 57,000 square feet per store. We have one leased joint venture store with approximately 96,000 square feet. We have one ground leased store with approximately 90,000 square feet and five owned properties with a total of approximately 132,000 square feet. We have two mixed ownership properties with a total of approximately 172,000 square feet. We have two leased (non-financeable) properties with a total of approximately 84,000 square feet and five remaining stores which are leased with approximately 161,000 square feet. The total size of the Sportarena property portfolio is 734,000 square feet.

SPORTARENA

Shopping Centre	City	State	GLA[1]
			(000's)
LEASED JOINT VENTURE PROPERTIES			
Acherstraße/Mauspfad	Bonn	NRW	96
Subtotal GLA — Leased Joint Venture Properties			**96**
GROUND LEASED			
Königstraße 23-25	Stuttgart	Baden Württemberg	90
Subtotal GLA — Ground Leased Properties			**90**
OWNED			
Hauptstraße 9-13	Heidelberg	Baden Württemberg	69
Langgasse	Wiesbaden	Hessen	63
Subtotal GLA — Owned Properties			**132**
MIXED – GROUND LEASED AND OWNED			
An der Hauptwache	Frankfurt am Main	Hessen	105
Obere Königstraße 43	Kassel	Hessen	67
Subtotal GLA — Mixed Properties			**172**
LEASED (NON-FINANCEABLE)			
Am Wehrhahn	Düsseldorf	NRW	**56**
Neumarkt	Wuppertal	NRW	**28**
Subtotal GLA — Leased (Non-Financeable) Properties			**84**
LEASED			
Nördllicher Stadtgraben 6	Aalen	Baden Württemberg	7
Kramergasse 4	Dresden	Sachsen	29
Salzstraße 12-16	Freiburg	Baden Württemberg	49
Neumarkt 3	Osnabrück	NRW	31
Juliuspromenade 68	Würzburg	Bayern	46
Subtotal GLA — Leased Properties			**161**
Total GLA — Sportarena			**734**

Notes:

(1) "GLA" means "Gross Leasable Area".

Office Buildings

On February 25, 2014, the Company completed the Queen Street Sale. The Company continues to own and occupy a 210,000 square foot office building in Brampton, Ontario and leases office buildings at 698 Lawrence Avenue West and 401 Bay Street in Toronto, Ontario.

In the United States, the Company currently maintains offices within its owned Lord & Taylor flagship building on Fifth Avenue in New York and also leases office space adjacent to its owned flagship building. The Company leases office space adjacent to its Saks Flagship Store in New York. The Company also leases office space at 360 West 31st street and at 53 West 23rd Street. The Company owns an office building in Jackson, Tennessee.

On September 24, 2014, the Company signed a lease in New York City with Brookfield Property Partners L.P. to open an 85,000 square foot Saks Fifth Avenue store in Brookfield Place at 225 Liberty Street, and a 55,000 square foot OFF 5TH store at One Liberty Plaza in Lower Manhattan. In addition, the Company has leased 400,000 square feet of office space, adjacent to the Saks Fifth Avenue store at Brookfield Place. This space will serve as the home office for the Company's New York City based corporate associates, the majority of whom will move into this space in mid to late 2016. The new Saks Fifth Avenue store is scheduled to open in the fall of 2016, while the new OFF 5TH store is expected to open in the spring of 2018.

In Germany, the Company currently maintains a leased 453,000 square feet office space in downtown Cologne. This space serves as the home office for Galeria Kaufhof Germany. In addition, the Company has leased an additional 108,000 square feet of office space near the home office. The third leased office space with 15,000 square feet, sited near Cologne, serves as home office for Sportarena.

Distribution Centres and Warehouses

In Canada, our facilities consist of one owned warehouse and distribution facility and four leased warehouses. The four leased warehouses enjoy long term lease control.

In the United States, our warehouse and distribution facilities consist of one owned distribution and warehouse facility located in Wilkes Barre, Pennsylvania and two leased warehouses in Aberdeen, Maryland and LaVergne, Tennessee.

In Germany, our warehouse and distribution facilities consist of twelve leased distribution and warehouse facilities located in all areas of the country.

Merchandise Sourcing

We plan our merchandise purchases and receipts to coincide with expected sales trends. Due to the seasonality of our business, we purchase large amounts of inventory in advance of the holiday shopping season. We pay for our merchandise under the terms agreed to with our vendors. We carry merchandise from both core vendors and new and emerging designers, including products and brands that are exclusively offered at our stores. In addition, we source private label products and directly import certain branded products from China and other overseas markets, including Bangladesh, India, Indonesia, Vietnam and Europe. See "Risk Factors — Business and Strategic Risks — Damage to our brands and dependence on relationships with certain designers, vendors and other sources of merchandise" and to "Risk Factors — Business and Strategic Risks — We are subject to risks from our international operations, such as foreign exchange, tariffs, taxes, inflation, increased costs, political risks and our ability to expand in certain international markets, which could impair the ability to compete and profitability".

Certain of the Company's departments are licensed to independent companies. The licensed departments are designed to complement our owned merchandising departments and are carefully curated according to banner and location. The terms of the license agreements are typically between three and five years and may require the licensee to pay for all or a portion of the licensed department's build out costs, as well as provide for its own employees. The Company regularly evaluates the performance of the licensed departments and requires their compliance with established customer service guidelines.

Transportation

We use various means of transportation, including shipments by ocean, train and truck. We outsource our transportation needs. For the most part, we rely on third party carriers and typically do not enter into long-term transportation contracts with our carriers but rather contract as needed on a purchase-order basis. Our transportation costs are subject to fuel cost increases or surcharges and therefore fluctuate over time. See "Risk Factors — Operating Risks — The loss of, or disruption in, any of the centralized distribution centers could have a material adverse effect on our business and results of operations".

Employees

As of January 30, 2016, we employed approximately 66,000 people around the world.

At each of our banners we hire seasonal employees during peak seasons, such as the holiday shopping season, which provides us with greater flexibility in our workforce and allows us to better address busier periods. See "Risk Factors — Operating Risks — If we are unable to attract and retain qualified and skilled employees, our ability to roll out our formal customer service initiatives may be impaired which could have a material adverse effect on our business and results of operations".

The Company has maintained a positive relationship with both its unionized and its non-unionized associates. Associate surveys are conducted annually and employee relations committees at our banners meet regularly to discuss issues arising from the workplace and to ensure that staff concerns are being addressed.

Seasonality

The retail business is seasonal in nature with a high proportion of sales and operating income generated in our fourth fiscal quarter. Working capital requirements fluctuate during the year, increasing in mid-summer in anticipation of the Fall merchandising season and increasing substantially prior to the holiday season when the Company carries significantly higher levels of inventory.

The quarterly sales and earnings of the Company and other retail companies are significantly impacted by customer sales patterns. As a result, sales in our fourth fiscal quarter, due to the holiday shopping season, represent a much greater portion of our annual sales volume and a substantial portion of our annual earnings. We generate approximately one-third of our sales during the fourth fiscal quarter of each fiscal year due to the holiday shopping season. See "Risk Factors — Economic and External Market Risks — Our revenues and cash requirements are affected by the seasonal nature of our businesses".

Intellectual Property

We own some of the most recognized banners, brands and trademarks in the retail industry and we rely on trademark laws to protect certain aspects of our business. Our owned registered Company Marks include, but are not limited to the following: HBC®, Hudson's Bay®, Black Brown 1826®, Lord & Taylor®, Home Outfitters®, Hudson's Bay Company®, The Room® , Topshop®, Topman®, Saks Fifth Avenue®, SAKSFIRST®, Saks Fifth Avenue OFF 5TH®, Saks & Company®, Fifth Avenue Club®, GALERIA Kaufhof®, Galeria INNO®, Sportarena® and Gilt®. Many of the Company Marks are registered with the applicable intellectual property offices in various jurisdictions and we have a number of applications pending to register other trademarks. We also have exclusive franchise rights to certain marks, including for Topshop® and Topman®.

Monitoring the unauthorized use of our intellectual property is difficult, and the steps we have taken, including sending demand letters and taking actions against third parties, may not prevent unauthorized use by others. The failure to adequately build, maintain and enforce our intellectual property portfolio could impair the strength of our brands. See "Risk Factors — Operating Risks — Loss of our Company Marks and other proprietary rights could have a material adverse effect on our result of operations".

Digital and Information Technology

We use information technology to manage our operations, support the efficient functioning of our business, and offer a robust, differentiated customer experience, both in store and digitally. Each of our banners has suites of systems to support the performance of accounting, purchasing and inventory management, supply chain, and store systems. In order to drive efficiencies and support growth, we started to implement a new suite of common systems, including a consolidated digital platform, across all banners in 2014 and we expect the implementation to continue through to 2018. The new suite is being built to fully support business operations in both the United States and Canada. In addition, it has the capability to support additional growth in our business.

In 2014, the first major step toward the new systems suite was implemented at Saks with the introduction of our new consolidated Merchandising and Human Resources applications. This platform was enhanced during 2015 to enable the entry of Saks and Saks OFF 5TH into Canada. We delivered broader merchant planning capabilities for OFF 5TH, converting merchant operations to cost accounting in early 2016. Among other implementations is the introduction of a new Point of Sale system at Saks, Saks OFF 5TH and Lord & Taylor, in 2016. To enhance the customer experience, we have also undertaken an initiative to develop a robust customer relationship management system, which we expect to launch first at Lord & Taylor, in 2016.

To improve our ability to engage more effectively with our customers in store, we have launched a multi-year program to enhance our store network infrastructure. This work began in 2015 at Saks, and will be substantially complete for Saks, Saks OFF 5TH, and Lord & Taylor in 2016.

We continue to invest in digital technology to support our all-channel business. We are building a digital foundation that aims to deliver seamless, differentiated, personalized and brand congruent experiences across all touch points for each of our banners. In 2015, our progress included:

- Successfully launching the first release of our common digital platform for Saks.com while continuing the development across all banners. The common platform will create operational efficiencies, reduce overall costs, and significantly improve time to market;

- Continuing to expand the implementation of our comprehensive order management infrastructure, which allows associates in any store to sell product that may be unavailable locally by selecting merchandise from other stores or online fulfillment centers for shipment to the customer's preferred location;

- Improved changes to fulfillment, including the deployment of new fulfillment logic to reduce split shipments to customers at the Department Store Group (the "DSG"), and increasing automation in the distribution centres with the planned installation of Case Shuttle and upgrades to warehouse management systems;

- Enhancing the mobile web experience for Saks and DSG by delivering responsive features and increased functionality, and preparing for the release of a new Saks App in 2016;

- Continued company-wide focus on all channel initiatives, including the development of digital in store and enhanced associate tools. Launched digital associate boutique pages at Saks – allowing our customers to shop with their trusted personal shoppers 24/7;

- Improving personalization efforts to deliver high-touch customized experiences for our customers; and

- Implemented a unified product information management system at Saks that provides a single, reliable enterprise view of product information, with planned rollout of all banners in 2016.

Regulatory Matters

We are subject to federal, provincial and state laws in Canada, the United States and the European Union, and have adopted policies and procedures to comply with all applicable regulatory matters. These laws and regulations include, among others, securities laws, labour and employment laws, product safety laws, privacy laws and workplace safety regulations. We are continuously monitoring the changing regulatory environment to comply with all applicable laws. Litigation and regulatory developments could adversely affect our business and financial position. See "Risk Factors".

Credit Card and Loyalty Program

The Company entered into a co-branded and private label credit card agreement with Capital One Financial Corporation ("Capital One"), resulting in Capital One becoming the exclusive issuer for both private label and co-branded credit cards at all Company banners, including Hudson's Bay, Lord & Taylor, Saks Fifth Avenue, OFF 5TH, and Home Outfitters. The agreement has an effective date of January 1, 2015 with an initial term of seven years, followed by automatic successive options to renew, each for a term of one year, unless either the Company or Capital One provides written notice to terminate.

The Company's proprietary credit card programs are important marketing tools. Historically, proprietary credit card holders have shopped more frequently with the Company and purchased more merchandise than customers who pay with cash or third-party credit cards. Customers using the proprietary credit cards have been eligible for loyalty programs which rewards customers for purchases made in stores, online and, if they have a co-branded MasterCard, at unaffiliated locations. Our credit card programs have different spending tiers and as customers increase their level of spending, they will receive more points for each purchase as well as other rewards and privileges, such as advance notice of sales and invitations to exclusive shopping events. The Company has attempted to expand the number and use of the proprietary credit cards by, among other things, providing special discounts to customers and monetary incentives to sales associates to open new credit accounts, which generally can be opened while a customer is visiting a store.

GALERIA Kaufhof has been a member of the partner network PAYBACK since 2000 and has benefitted from the strengths of Germany's largest multi-partner program ever since. The advantage of PAYBACK is that customers can collect and redeem points on everyday items with various on- and offline partners using just one card. Along with the ever-increasing number of PAYBACK customers who are attracted to the scheme by the targeted promotions in the GALERIA Kaufhof stores, for example the PAYBACK promotion days, GALERIA Kaufhof uses the PAYBACK data to generate knowledge about customers. This helps the purchasing department in organizing the product ranges, and the sales department in planning the store space. In addition, the data gathered is used to control direct marketing activities, in order to target customers with more relevant communication. It has generally become apparent that PAYBACK customers shop more regularly in the GALERIA Kaufhof stores and the stores make considerably more sales on average.

Along with the traditional points card, the PAYBACK program also includes two co-branded credit cards: PAYBACK Visa and the PAYBACK American Express card from GALERIA Kaufhof. PAYBACK customers using these credit cards receive more points for their purchases and can also take advantage of several special services, for example, exemption from expiry of the points, and invitations to exclusive events.

Customer Service

In each store, the Company seeks to provide its customers with both accessible and high-end fashion in a warm, welcoming environment, guided by knowledgeable sales associates. Sales associates undergo extensive service, selling, and product-knowledge training and are encouraged to maintain frequent, personal contact with their customers. At Saks, compensation for sales associates at our stores is generally commission-based and sales associates are encouraged to utilize detailed customer data available through the point of sale (POS) equipment and software for their clienteling efforts to send personalized thank-you notes, and routinely communicate with customers to advise them of new merchandise offerings and special promotions.

The Company believes that it offers a high level of service to its customers shopping online through easy-to-use site navigation and functionality and many customer-friendly features such as product reviews, runway videos of apparel, detailed product descriptions, sizing information, interviews with designers, and multiple angle shots of merchandise. The Company places a high importance on an efficient check-out process, quick and accurate product delivery, and an efficient and customer friendly call center.

Vendors

The Company purchases merchandise from many vendors and maintains good relationships with them. The Company is not dependent on any single supplier and believes that it has alternative sources of supply available for each category of merchandise it carries.

Environmental Matters

The Company maintains a large portfolio of real estate and other facilities and is subject to environmental risks associated with the contamination of such properties and facilities, whether by previous owners or occupants, neighbouring properties or by the Company itself.

The Company has environmental management programs and has established assessment, compliance, monitoring and reporting policies and procedures aimed at ensuring compliance with applicable environmental legislative requirements and protecting the environment. Environmental protection requirements related to the business of the Company do not, and are not expected to, have a significant financial or operational effect on the capital expenditures, earnings or competitive position of the Company during the 2016 fiscal year. See “Risk Factors — Real Estate Risks — There are potential environmental liabilities relating to our owned and leased real property”.

Corporate Social Responsibility

HBC’s social responsibility initiatives work to foster and enhance sustainable business practices throughout the organization. To do so, we have identified four key areas that shape our overall CSR program: (i) contributing to a sustainable environment, (ii) investing in our people, (iii) ethical sourcing and (iv) giving back to communities. We are committed to promoting and enhancing sustainable business practices that meet or exceed ethical and legal regulations, with a focus on making a difference in the communities where our customers and associates live and work.

The Company’s most recent CSR Report was issued in 2015 (representing the 2014 calendar year), and is available on the Company’s corporate website: www.hbc.com.

DIVIDENDS AND DIVIDEND POLICY

Subject to financial results, capital requirements, available cash flow and any other factors that the Board of Directors may consider relevant, it is the intention of the Board of Directors to declare a quarterly dividend on an ongoing basis. It is expected that future dividend payments will be made to shareholders of record as of the close of business on the last business day of each calendar quarter of each year and that the related payment date will be the 15th day of the month following the record date, or if such day is not a business day, the immediately preceding business day. All dividends to be paid by the Company, unless otherwise indicated, are designated as eligible dividends in accordance with subsection 89(14) of the *Income Tax Act* (Canada) and any applicable corresponding provincial or territorial provisions. See also “Risk Factors”. Following the Saks Acquisition, the Company reduced its quarterly dividend to $0.05 per Common Share (previously $0.09375 per Common Share) in order to accelerate deleveraging in the short term.

The Company’s credit facilities restrict our ability to declare dividends in certain circumstances. The amount and timing of the payment of any dividends are not guaranteed and are subject to the discretion of the Board of Directors. See “Risk Factors — Financial Risks — Dividends are dependent on cash flows of our business. The declaration of dividends is at the discretion of the Board of Directors”.

The following table sets out the cash dividends declared and paid for the Company's three most recently completed financial years:

Date of Announcement	Record Date	Date of Payment	Amount per Common Share
March 15, 2013	March 28, 2013	April 15, 2013	$0.09375
June 12, 2013	June 28, 2013	July 15, 2013	$0.09375
September 12, 2013	September 30, 2013	October 15, 2013	$0.09375
December 4, 2013	December 13, 2013	December 30, 2013	$0.05000
March 20, 2014	March 31, 2014	April 15, 2014	$0.05000
June 19, 2014	June 30, 2014	July 15, 2014	$0.05000
September 17, 2014	September 30, 2014	October 15, 2014	$0.05000
December 9, 2014	December 31, 2014	January 15, 2015	$0.05000
March 9, 2015	March 31, 2015	April 15, 2015	$0.05000
June 10, 2015	June 30, 2015	July 15, 2015	$0.05000
September 10, 2015	September 30, 2015	October 15, 2015	$0.05000
December 11, 2015	December 31, 2015	January 15, 2016	$0.05000
March 21, 2016	March 31, 2016	April 15, 2016	$0.05000

DESCRIPTION OF CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series (the "Preferred Shares"). As of the date hereof, the Company has 182,154,741 Common Shares issued and outstanding and no Preferred Shares issued and outstanding. As of the date hereof, the Company had 18,858,524 share options, 3,409,849 restricted share units, 167,853 Gilt restricted stock units (assumed indirectly in connection with the Gilt acquisition) and 6,750,000 Warrants outstanding, all of which are convertible or exchangeable into Common Shares.

Common Shares

The holders of the Common Shares are entitled to one vote in respect of each Common Share held at all shareholder meetings, other than meetings at which only the holders of another class or series of shares are entitled to vote separately as a class or series. The holders of the Common Shares are entitled to receive any dividend declared by the Company in respect of the Common Shares, subject to the rights of the holders of other classes of shares. The holders of the Common Shares will be entitled to receive, subject to the rights of the holders of other classes of shares, the remaining property and assets of the Company available for distribution, after payment of liabilities, upon the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary. For a description of the Company's dividend policy, see "Dividends and Dividend Policy".

Preferred Shares

The Preferred Shares will be issuable at any time and from time to time in one or more series. The Board of Directors will be authorized to fix before issue the number of, the consideration per share of, the designation of, and the provisions attaching to, the Preferred Shares of each series, which may include voting rights and other provisions attaching to the Preferred Shares or shares of the series. The Preferred Shares of each series will rank on parity with the Preferred Shares of every other series and will be entitled to preference over the Common Shares and any other shares ranking junior to the Preferred Shares with respect to payment of dividends and distribution of any property or assets in the event of the Company's liquidation, dissolution or winding-up, whether voluntary or involuntary. If any cumulative dividends (whether or not declared), non-cumulative dividends declared or amounts payable on a return of capital are not paid in full, the Preferred Shares of all series will participate rateably in accordance with the amounts that would be payable on such Preferred Shares if all such dividends were declared and paid in full or the sums that would be payable on such shares on the return of capital were paid in full, as the case may be.

Shareholder Approval Required for Certain Matters

Pursuant to our governing documents, at least 75% of the voting power of all then outstanding Common Shares entitled to vote generally at the election of directors will be required for (i) the approval of extraordinary business, and (ii) the amendment, alteration or repeal of certain provisions of our articles and by-laws.

Advance Notice Requirements for Director Nominations

In November 2012, the Company adopted an advance notice by-law (the "Advance Notice By-law") for the purpose of providing shareholders, directors and management of the Company with a clear framework for nominating directors of the Company in connection with any annual or special meeting of shareholders.

The purpose of the Advance Notice By-law is to (i) ensure that all shareholders receive adequate notice of director nominations and sufficient time and information with respect to all nominees to make appropriate deliberations and register an informed vote; and (ii) facilitate an orderly and efficient process for annual or special meetings of shareholders of the Company. The Advance Notice By-law fixes the deadlines by which holders of record of Common Shares must submit director nominations to the Company prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in a timely written notice to the Company for any director nominee to be eligible for election at such annual or special meeting of shareholders.

A shareholder's notice must be received at our head office (i) in the case of an annual meeting of shareholders, not later than the close of business on the 30th day and not earlier than the opening of business on the 65th day before the first anniversary date of the Company's immediately preceding annual meeting of shareholders; provided, however, that for any annual meeting that is called for a date that is not within 30 days before or 65 days after such anniversary date, notice by the shareholder must be so received not earlier than the opening of business on the 65th day before the meeting date and not later than the close of business on the 30th day before the meeting date or, if the first public announcement of the date of such meeting that is not within 30 days before or 65 days after such anniversary date is less than 50 days prior to the meeting date, the close of business on the 10th day following the day on which public announcement of the date of such annual meeting was first made by the Company; and (ii) in the case of a special meeting of shareholders called for the purpose of electing directors, not later than the close of business on the 15th day following the day on which public announcement of the date of the special meeting is first made by the Company. Our by-laws also prescribe the proper written form for a shareholder's notice. These provisions may preclude shareholders from making nominations for directors at an annual or special meeting of shareholders.

For the purposes of the Advance Notice By-law, "public announcement" means disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on SEDAR at www.sedar.com. The Advance Notice By-law will be subject to annual review by the Board of Directors, and will be updated from time to time to reflect changes required by securities regulatory agencies or stock exchange, or to conform to industry standards.

MARKET FOR SECURITIES AND TRADING PRICE AND VOLUME

The Common Shares are listed and posted for trading on the TSX under the symbol "HBC". The following table shows the monthly ranges of high and low prices per Common Share at the close of market, as well as total monthly volumes and average daily volumes of the Common Shares traded on the TSX for the periods indicated below:

Month	Price per Common Share Monthly High	Price per Common Share Monthly Low	Common Shares Total Monthly Volume	Common Shares Average Daily Volume
January 2016	$17.61	$15.92	9,367,989	468,399
December 2015	$21.55	$16.73	18,722,754	891,560
November 2015	$22.96	$19.31	8,359,921	398,091
October 2015	$24.96	$22.73	10,450,721	497,653
September 2015	$23.80	$19.45	13,339,392	635,209
August 2015	$27.01	$22.79	6,375,128	318,756
July 2015	$28.15	$26.22	5,442,243	247,375
June 2015	$29.42	$22.82	19,847,798	902,173
May 2015	$27.27	$25.16	6,829,432	341,472
April 2015	$28.32	$26.25	9,540,258	454,298
March 2015	$28.22	$25.50	5,140,819	233,674
February 2015	$28.10	$22.19	9,031,718	475,354

DIRECTORS AND OFFICERS

Directors

The following table sets out, as at the date hereof, for each of our directors, the person's name, province or state, and country of residence, position(s) with us, the date on which he or she became a director, his or her principal occupation and previously held positions for the last five years. Our directors are expected to hold office until our next annual meeting of shareholders. Our directors are elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders.

Name and Province or State and Country of Residence	Position(s)	Director Since	Principal Occupation for Past Five Years
RICHARD A. BAKER New York, United States	Director, Governor and Executive Chairman	April 2006	Governor and Executive Chairman of Hudson's Bay Company; previously CEO of Hudson's Bay Company from 2008 to 2015
ROBERT C. BAKER Connecticut, United States	Director	January 2012	Chairman and CEO of National Realty & Development Corporation

Name and Province or State and Country of Residence	Position(s)	Director Since	Principal Occupation for Past Five Years
DAVID G. LEITH[(1)(2)] .... Ontario, Canada	Lead Director (Independent)	November 2012	Chair of Manitoba Telecom Services Inc.; Director of Yellow Pages Limited and of the Ontario Infrastructure and Lands Corporation; previously Deputy Chairman and Head of Investment, Corporate and; Merchant Banking at CIBC World Markets from 2007 to 2009
WILLIAM L. MACK .... New York, United States	Director	January 2012	Founder and Chairman, Mack Real Estate Group; President and Senior Managing Partner, The Mack Company; Chairman of the Board of Directors, Mack-Cali Realty Corporation; Director of FCB Financial Holdings; previously Founder and Chairman of AREA Property Partners until 2013
LEE S. NEIBART .... New York, United States	Director	January 2012	CEO of HBS Global Properties; Partner and Chairman of the Real Estate Group of Ares Management LLC; previously Global CEO of AREA Property Partners from 1993 to 2013
DENISE PICKETT[(2)(3)] .... New Jersey, United States	Director (Independent)	November 2012	President, U.S Consumer Products & Services; previously President, American Express OPEN from 2014 to 2015; Executive Vice President and CEO, U.S. Loyalty at American Express from 2013 to 2014; Executive Vice President and General Manager at American Express OPEN from 2010 to 2013; President and Chief Executive Officer, Amex Bank of Canada from 2007 to 2010
WAYNE POMMEN[(2)]............. Ontario, Canada	Director (Independent)	March 2012	President and CEO of Health Smart Financial Services; previously Principal at TorQuest Partners; Management Consultant with Bain & Company
EARL ROTMAN[(3)] .... Ontario, Canada	Director (Independent)	March 2012	Chairman of Venator Capital Management Ltd.; previously Co-founder and Partner at RedBird Capital Partners; Vice-Chairman, Investment Banking of Canaccord Genuity Corp. from 2010 to 2013; Co-founder and Partner at Genuity Capital Markets from 2005 to 2010
MATTHEW RUBEL[(1)(3)].......... Kansas, United States	Director (Independent)	November 2012	CEO of Varsity Brands; previously Senior Advisor to TPG Capital and TPG Growth until 2016; Chairman, CEO and President of Collective Brands, Inc. from 2005 to June 2011
ANDREA WONG[(1)] .... London, England	Director (Independent)	September 2014	President of International Production, Sony Pictures Television and President, International, Sony Pictures Entertainment; previously President and CEO of Lifetime Entertainment Services from 2007 to 2010

Notes:

(1) Member of the Corporate Governance and Nomination Committee.
(2) Member of the Audit Committee.
(3) Member of the Human Resources and Compensation Committee.

Executive Officers Who Do Not Serve as Directors

The following table sets out, as at the date hereof, for each of our executive officers, the person's name, province or state, and country of residence and position(s) with us.

Name and Province or State and Country of Residence	Position with the Company
PAUL BEESLEY................................ Nova Scotia, Canada	Chief Financial Officer
BONNIE BROOKS............................. Ontario, Canada	Vice Chairman, HBC
DAN CASPERSEN .... New York, United States	Executive Vice President, Human Resources
JONATHAN GRELLER .... New York, United States	President, HBC Off-Price
MARC METRICK.............................. New York, United States	President, Saks Fifth Avenue
BRIAN PALL................................... New Jersey, United States	President of Real Estate
DAVID PICKWOAD........................... Ontario, Canada	Executive Vice President and General Counsel
IAN PUTNAM................................... New York, United States	Executive Vice President, Chief Corporate Development Officer
ELIZABETH RODBELL...................... New York, United States	President, HBC Department Store Group
DION ROONEY .... New Jersey, United States	Executive Vice President, HBC Digital
JANET SCHALK .... New York, United States	Chief Information Officer
GERALD STORCH .... New Jersey, United States	Chief Executive Officer
OLIVIER VAN DEN BOSSCHE............ Gavere, Belgium	President, GALERIA Kaufhof
DONALD WATROS .... New Jersey, United States	President, HBC International
TODD ZATOR .... Ontario, Canada	Chief Accounting Officer

As a group, the directors and executive officers beneficially own, or control or direct, directly, 22,840,728 Common Shares, representing approximately 12.5% of the issued and outstanding Common Shares as of the date hereof.

The Company notes that each of Messrs. William Mack, Lee Neibart, Richard Baker and Robert Baker is a director and direct or indirect principal shareholder of L&T B (Cayman) Inc. ("L&T B Cayman") and in such capacity, is entitled to participate in investment and voting decisions and therefore may be deemed to share voting and dispositive power with respect to the Common Shares controlled by L&T B Cayman, including Common Shares held by Hudson's Bay Trading Company, L.P. ("HBTC").

HBTC, a Cayman Islands limited partnership directly owns an aggregate of 10,915,181 Common Shares. The general partner of HBTC is NRDC L&T B, LLC. As the general partner of HBTC, NRDC L&T B, LLC may be deemed to have beneficial ownership of the shares of HBC held by HBTC. The sole member of NRDC L&T B, LLC is L&T B Cayman. Investment and voting decisions at L&T B Cayman are made jointly by the beneficial owners of L&T B Cayman, and therefore no individual member of L&T B Cayman is the beneficial owner of the securities, except with respect to the shares in which such member holds a pecuniary interest. Subject to a proxy in favour of Hanover Investments (Luxembourg) S.A. ("Hanover"), the voting rights over the 10,915,181 Common Shares held by HBTC are exercised by NRDC L&T B, LLC, in its capacity as general partner of HBTC.

An aggregate of 38,915,516 Common Shares, representing 21.4% of the issued and outstanding Common Shares as of the date hereof, are beneficially owned by L&T B Cayman and its joint actors (including HBTC) and are subject to a voting agreement pursuant to which voting decisions for such shares are made jointly by the beneficial owners of L&T B Cayman. No individual member of L&T B Cayman is the beneficial owner of the securities, except with respect to the shares in which such member holds a pecuniary interest. Messrs. William Mack, Lee Neibart, Richard Baker and Robert Baker each disclaim any beneficial ownership of any such Common Shares, except to the extent of his pecuniary interest therein.

Biographies

The following are brief profiles of the directors and executive officers of the Company, including a description of each individual's principal occupation within the past five years.

Directors

Robert C. Baker, Director

Robert Baker is the Chief Executive Officer, Chairman of the Board of NRDC, a corporation which develops and manages real estate, primarily retail properties, throughout the United States. NRDC manages and controls approximately 22 million square feet of retail space in over 70 centres located in the northeastern United States. Mr. Baker also formerly acted as a Director of City & Suburban Savings Bank, a New York state based bank and formerly acted as a Director of Retail Opportunity Investments Corp.

Mr. Baker is a graduate of Yale University and Yale Law School.

David G. Leith, Director

David Leith is the Chair of Manitoba Telecom Services Inc. He is a Director of Yellow Pages Limited and of the Ontario Infrastructure and Lands Corporation (Infrastructure Ontario). Mr. Leith served as Deputy Chairman and Head of Investment, Corporate and Merchant Banking at CIBC World Markets from 2007 to 2009. Previously at CIBC World Markets, Mr. Leith served as Managing Director and Head of Canadian Investment and Corporate Banking from 2004 to 2007, and Managing Director and Head, Debt Origination from 1999 to 2004. Mr. Leith is a Director of Sinai Health System.

Mr. Leith has a Bachelors degree from the University of Toronto and a Masters degree from Cambridge University.

William L. Mack, Director

William Mack has served as a member of the board of directors of Mack-Cali Realty Corporation since 1997 and as its Chairman since 2000. Mr. Mack also has served as Chairman of Mack-Cali's Executive Committee of the board of directors since 1997. Since 1964, Mr. Mack has served as President and Senior Managing Partner of The Mack Company, where he pioneered the development of large, Class A office properties and helped to increase The Mack Company's portfolio to approximately 20 million square feet. In addition, Mr. Mack is the founder and chairman of Mack Real Estate Group. Mr. Mack is a director of FCB Financial Holdings. Mr. Mack was the founder and chairman of AREA Property Partners and remained with them until 2013. Mr. Mack previously served as a member of the boards of directors of City and Suburban Financial Corporation from 1988 to 2007, The Bear Stearns Companies Inc. from 1997 to 2004, Vail Resorts, Inc. from 1993 to 2004 and Wyndham International, Inc. from 1999 to 2005. Mr. Mack is a Vice Chairman of the North Shore — Long Island Jewish Health System and Chairman of the Board for the Solomon R. Guggenheim Foundation. He is the Chairman of the board of overseers of The Wharton School of Business and Finance at the University of Pennsylvania and is also former Vice Chair of the Board of Trustees of the University of Pennsylvania.

Mr. Mack attended The Wharton School and has a Bachelor of Science degree in business administration, finance and real estate from New York University.

Lee S. Neibart, Director

Lee Neibart is Chief Executive Officer of HBS Global Properties, the real estate joint venture formed between Hudson's Bay Company and Simon Property Group. He also Partner and Chairman of the Real Estate Group of Ares Management LLC. Mr. Neibart serves on the Ares Real Estate Management Committee and is a member of the Ares Real Estate Group's U.S. Equity.

Mr. Neibart joined Ares Management LLC in July 2013 from AREA Property Partners, where he was a Global CEO from 1993 to 2013. From 1989 to 1993, Mr. Neibart was with the Robert Martin Company, a real estate development and management firm, most recently serving as Executive Vice President and Chief Operating Officer.

Mr. Neibart graduated from the University of Wisconsin with a B.A. and holds a Master of Business Administration degree from New York University.

Denise Pickett, Director

Denise Pickett is President, U.S Consumer Products and Services, American Express, a role she assumed in October 2015. Prior to holding this position, Ms. Pickett served as President, American Express OPEN from 2014 to 2015, Executive Vice President and CEO, U.S. Loyalty at American Express from 2013 to 2014, Executive Vice President and General Manager, American Express OPEN from 2010 to 2013, President and Chief Executive Officer, Amex Bank of Canada from 2007 to 2010, and as Vice President, Marketing and Strategy, Global Commercial Card from 2006 to 2007.

Ms. Pickett is currently a member of the Dean's Advisory Council for York University's Schulich School of Business in Toronto, Ontario. She also serves on the board of directors of the United Way of New York City.

Ms. Pickett has a Bachelor of Science degree from the University of Toronto and a Master of Business Administration degree from York University's Schulich School of Business.

Wayne Pommen, Director

Wayne Pommen is the President & CEO of Health Smart Financial Services. Previously, Mr. Pommen was a Principal at TorQuest Partners, one of Canada's leading private equity firms, and a management consultant with

Bain & Company in the United Kingdom, the United States, and Canada. Mr. Pommen also served as a strategy director at BPP Holdings plc, a publicly listed provider of professional education in the United Kingdom and Europe.

Mr. Pommen holds a Ph.D. from the University of Cambridge and an A.B. from Harvard University. Mr. Pommen has also completed the Directors Education Program of the Institute of Corporate Directors and has received his ICD.D designation.

Earl Rotman, Director

Earl Rotman is Chairman of Venator Capital Management Ltd. Prior to joining Venator Capital Management Ltd., Mr. Rotman was a co-founder and partner at RedBird Capital Partners. Mr. Rotman was formerly the Vice Chairman, Investment Banking, at Canaccord Genuity Corp., where he was between 2010 and 2013 after Canaccord acquired Genuity Capital Markets, which Mr. Rotman co-founded in 2005. Prior to co-founding Genuity, Mr. Rotman was a Vice Chairman of CIBC World Markets where he was a member of both the Canadian and U.S. Investment Banking Operating Committees and the Merchant Banking Investment Committee. Mr. Rotman is also a Trustee of the Art Gallery of Ontario Foundation and Chairman of Eleventy USA LLC.

Mr. Rotman is an alumnus of the University of Toronto, a graduate of Osgoode Hall Law School and is a member of the Law Society of Upper Canada.

Matthew Rubel, Director

Matthew Rubel is the CEO of Varsity Brands, where he has served since March 2016. Previously Mr. Rubel was a senior advisor to TPG Capital and TPG Growth until 2016. Mr. Rubel was also the Chairman, CEO and President of Collective Brands, Inc. where he served from 2005 to June 2011. Prior to joining Collective Brands, Inc., Mr. Rubel was the Chairman, President and CEO of Cole Haan.

Mr. Rubel serves on the board of directors of SuperValu Inc., HSN, Inc., and as a Presidential Appointee to the White House Advisory Council on Trade Policy Negotiation. Mr. Rubel is active in several industry and civic organizations, including the Jay H. Baker Initiative at The Wharton School of the University of Pennsylvania, the Young Presidents' Organization and President's Council at the University of Miami.

Mr. Rubel graduated with a Bachelor of Science degree from Ohio University and a Master of Business Administration degree from the University of Miami

Andrea Wong, Director

Andrea Wong is the President of International Production, Sony Pictures Television, and President, International, Sony Pictures Entertainment and has held these roles since 2011. She is responsible for the studio's international TV production business, overseeing creative teams outside the U.S. as well as 17 owned and joint venture international production companies around the world. Between 2007 and 2010, Ms. Wong was President and CEO of Lifetime Entertainment Services. From 1995 to 2007, she held several senior positions at Disney/ABC Entertainment, most recently as Executive Vice President, Alternative Programming, Specials and Late-Night. Ms. Wong is also a Henry Crown Fellow at the Aspen Institute and she serves as a Governor of the British Film Institute and on the Advisory Council at the Stanford Graduate School of Business.

Ms. Wong holds a Master of Business Administration degree from Stanford University and a Bachelor of Science in Electrical Engineering from Massachusetts Institute of Technology.

Executive Officers Who Also Serve as Directors

Richard A. Baker, Director, Governor, Executive Chairman

Richard Baker has been the Company's Governor since July 2008. Mr. Baker is also the Executive Chairman and was previously the Chief Executive Officer of the Company. Mr. Baker has been the Chairman of Lord & Taylor since July 2006. Mr. Baker owns National Realty & Development Corp. ("NRDC"), one of the largest privately owned real estate development companies in the U.S., along with his father, Mr. Robert Baker. Mr. Baker is the Chairman of the Board of Directors for ROIC (Retail Opportunity Investment Corp) which is a REIT listed on the NASDAQ Exchange that focuses on acquiring retail properties on the east and west coasts of the United States.

Mr. Baker serves or has served on several councils and advisory boards at Cornell including: the Baker Program in Real Estate Advisory Board, the School of Hotel Administration Advisory Council, the Center for Real Estate and Finance Advisory Board, and the Center for Real Estate and Finance Industry Fellows.

Executive Officers Who Do Not Serve as Directors

Paul Beesley, Chief Financial Officer

Paul Beesley was appointed as Chief Financial Officer of Hudson's Bay Company in June 2014. Prior to working with the Company, Mr. Beesley held senior roles in financial management and strategic development across a range of leading Canadian-based companies, most recently as Chief Corporate Development Officer of Sobeys Inc. unit and Executive Vice President and Chief Financial Officer of Empire Company Limited.

Mr. Beesley holds a Bachelor of Science degree from Dalhousie University and a Master of Business Administration degree from St. Mary's University.

Bonnie Brooks, Vice Chairman of HBC

Bonnie Brooks was appointed Vice Chairman of Hudson's Bay Company in February 2014.

In September 2008, Bonnie Brooks was appointed as the President and Chief Executive Officer of Hudson's Bay. In January 2012, Ms. Brooks was appointed President of the Hudson's Bay Company. Ms. Brooks served as an executive officer, including as President, of the Lane Crawford Joyce Group based out of Hong Kong from 1997 to 2008 with over 500 stores in Asia, and prior to that served as Executive Vice President/General Merchandise Manager and Senior Vice President of Marketing at Holt Renfrew in Canada. Ms. Brooks is a member of the board of directors of Empire Company Limited (Sobey's), RioCan, Rogers Communications Inc. and Abercrombie & Fitch Co. She is also a trustee of the Royal Ontario Museum and is a member of the Jobs and Prosperity Council appointed by the Premier of Ontario.

Ms. Brooks has a Master of Business Administration degree from the University of Western Ontario.

Dan Caspersen, Executive Vice President, Human Resources

Dan Caspersen was appointed Executive Vice President of Human Resources in May 2015. Previously, Mr. Caspersen spent 25 years in progressive HR roles at Target Corporation developing and implementing cross-company human resources practices. Prior to joining the Company, Mr. Caspersen oversaw human resources at the global retailer Toys "R" Us where he led the human resources function for 37 countries worldwide. He was also responsible for corporate communications and community relations, and led the consolidation of Toys "R" Us and Babies "R" Us. Most recently, Mr. Caspersen served as Senior Vice President of Human Resources for the Miami Dolphins football team.

Mr. Caspersen holds a Bachelors of Sciences degree in business administration and a Master's degree in industrial relations from the University of Minnesota.

Jonathan Greller, President, HBC Off-Price

Jonathan Greller was appointed President of HBC Off-Price in January 2014, and is responsible for Saks OFF 5TH, Gilt and Find @ Lord & Taylor. Prior to this appointment, Mr. Greller held the role of SVP, Private Brand Apparel, Global Sourcing and Specialty, Hudson's Bay and Lord & Taylor. With over 20 years of experience at HBC, Mr. Greller has also served as Senior Vice President, General Merchandise Manager of Ladies Sportswear at Hudson's Bay and Lord & Taylor, and Senior Vice President, General Merchandise Manager for Men's, Intimate Apparel, Sleepwear, Activewear and Children's at Lord & Taylor.

Mr. Greller has a Bachelor of Science degree in Retailing from Syracuse University, where he also currently serves on the retail advisory board.

Marc Metrick, President, Saks Fifth Avenue

Marc Metrick was appointed as President, Saks Fifth Avenue in April 2015. Prior to this appointment, Mr. Metrick served as Chief Administrative Officer of Hudson's Bay Company since September 2013 and as Executive Vice President and Chief Marketing Officer, HBC from April 2012 to September 2013. Mr. Metrick has over 15 years of experience in the retail industry, including a tenure at Saks where he was the Executive Vice President and Chief Strategy Officer. His career in retail has covered buying, merchandise planning, finance and strategy.

Mr. Metrick has a Bachelor of Science degree in Business Administration from Boston University.

Brian Pall, President of Real Estate

Brian Pall was appointed the President of Real Estate, Hudson's Bay Company in February 2012. Mr. Pall was previously President of Real Estate at HBTC. For 17 years until 2004, Mr. Pall was with The Great Atlantic & Pacific Tea Co., Inc., where he served as Senior Vice President and Chief Development Officer, during which time he was on the Management Executive Committee.

Mr. Pall graduated from Brooklyn Law School and is admitted to the Bar of both New York and New Jersey. Mr. Pall received a Bachelor of Science degree in Business and Economics from the State University of New York at Oswego.

David Pickwoad, Executive Vice President and General Counsel

David Pickwoad was appointed as Vice-President, Legal Services of the Company in February 2011, became Senior Vice-President and General Counsel in April 2012, and was promoted to Executive Vice President and General Counsel in 2016. Prior to joining the Company, Mr. Pickwoad worked at Stikeman Elliott LLP and at Deloitte & Touche Corporate Finance.

Mr. Pickwoad is a member of the Law Society of Upper Canada and has a Bachelor of Arts degree and Bachelor of Civil Law degree from McGill University.

Ian Putnam, Executive Vice President, Chief Corporate Development Officer

Ian Putnam was appointed Executive Vice President, Chief Corporate Development Officer of the Company in December 2014. Mr. Putnam commenced his career at Stikeman Elliott LLP in 1996 where he was most recently a Partner in the firm's Toronto office. Beginning in 2008, Mr. Putnam advised HBC and acted on the Company's behalf in all of its major corporate transactions. Prior to joining Stikeman Elliott LLP, Mr. Putnam practiced corporate law at the New York based law firm, Paul, Weiss, Rikind, Wharton & Garrison LLP.

Mr. Putnam holds a Bachelor of Arts (Honours) degree from Queen's University, a Master of Science degree from London School of Economics and Political Science, and a law degree from the University of New Brunswick.

Elizabeth Rodbell, President, HBC Department Store Group

Elizabeth Rodbell was appointed President, HBC Department Store Group (Hudson's Bay and Lord & Taylor) in February 2014. She was previously named Executive Vice President, Chief Merchant, of the Hudson's Bay Company in February 2012. Ms. Rodbell joined Lord & Taylor in 1985. Over the past 28 years Ms. Rodbell has held various management positions with Lord & Taylor, including Executive Vice President Merchandising from 2008 to February 2012, and was a Senior Vice President General Merchandising Manager in various merchandising assignments at Lord & Taylor since 1992.

Ms. Rodbell has an Associate Arts degree from Wood Tobe-Coburn School.

Dion Rooney, Executive Vice President, HBC Digital

Dion Rooney was appointed Executive Vice President of HBC Digital in September 2015. Prior to joining HBC, Mr. Rooney served as Chief Information Officer at Toys "R" Us where he was instrumental in building a global state-of-the-art omni-channel offering. Previously, Mr. Rooney held a series of senior roles in Information Technology at Toys "R" Us and led the implementation of a multi-million dollar supply chain transformation program.

Mr. Rooney holds an MBA and a Bachelor of Science degree in computer science from the Stillman School of Business at Seton Hall University.

Janet Schalk, Chief Information Officer

Janet Schalk was appointed Chief Information Officer in August 2015. Prior to joining HBC, Ms. Schalk led the information technology strategy at Kohl's Corporation as Executive Vice President and CIO. Previously she served as Kohl's Senior Vice President of Business Applications. Before joining Kohl's, Ms. Schalk held various executive positions at Target Corporation, including three years as EVP of Global IT and CIO.

Ms. Schalk holds a Master's degree in business and finance from The University of Chicago Booth School of Business and a Bachelor of Arts degree in mathematics and economics from Northwestern University.

Gerald Storch, Chief Executive Officer

Gerald (Jerry) Storch was appointed as Chief Executive Officer of Hudson's Bay Company in January 2015. Mr. Storch has had a distinguished 30-year career in retail leadership and management consulting. Prior to joining HBC, Mr. Storch was CEO of Storch Advisors, a retail advisory firm. Previously, he served as Chairman and CEO of Toys"R"Us, where he oversaw the acquisitions of FAO Schwarz, eToys and KB Toys, expanded into China and Eastern Europe, and grew the company into a U.S. $13 billion global retailer. Before that, Mr. Storch was Vice Chairman of Target Corporation, where, among other accomplishments, he founded and built target.com, and launched their grocery and financial services businesses. Prior to Target Corporation, Mr. Storch was a Principal at McKinsey & Company.

Mr. Storch is non-Executive Chairman of the board of directors of SuperValu Inc. and a director of both Bristol-Myers Squibb Company and Fanatics, Inc.

Mr. Storch received a JD from Harvard Law School, a Master of Business Administration degree from Harvard Business School, and a BA from Harvard College.

Olivier Van den Bossche, President, GALERIA Kaufhof

Olivier Van den Bossche was appointed as Chief Executive Officer of GALERIA Kaufhof in October 2014. In this role, Mr. Van den Bossche also serves as President of the management board and as Labor Director at GALERIA Kaufhof.

Prior to his appointment at GALERIA Kaufhof, Mr. Van den Bossche was the head of Galeria INNO. He started at Inno in 2003 as a department store manager, progressing in various management roles over his 11 years with the Company, eventually to CEO.

Mr. Van den Bossche holds a degree in economics and languages at KLBO Ghent and is fluent in Dutch, French, Spanish, English and German.

Donald Watros, President, HBC International

Donald Watros was appointed President, HBC International in January 2015. Mr. Watros previously served since February 2014 as President of Hudson's Bay Company and before that as Chief Operating Officer of Hudson's Bay Company. Prior to joining the Company, Mr. Watros held various financial positions at May Department Stores and served as Chief Administrative Officer for Saks Fifth Avenue for a period of three years.

Mr. Watros has a Master of Business Administration degree from Binghamton University and a Bachelors degree from Cornell University.

Todd Zator, Chief Accounting Officer

Todd Zator was appointed as Chief Accounting Officer in March 2014. Mr. Zator was previously the Senior Vice President, Controller, of Hudson's Bay Company. Prior to working with the Company, Mr. Zator held senior roles in finance and accounting, and most recently as Senior Vice President and Corporate Controller of Valeant Pharmaceuticals International Inc.

Mr. Zator holds a Bachelor of Arts degree in Commerce and Economics from the University of Toronto and is a member of the Chartered Professional Accountants Canada.

Cease Trade Orders and Bankruptcies

Corporate Cease Trade Orders

None of our directors or executive officers has, within the 10 years prior to the date of this Annual Information Form, been a director, chief executive officer or chief financial officer of any company (including us) that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation for a period of more than 30 consecutive days.

Corporate Bankruptcies

Other than as disclosed below, none of our directors or executive officers has, within the 10 years prior to the date of this Annual Information Form, been a director or executive officer of any company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

(1) Mr. Leith was appointed Director of Yellow Media Inc. on February 9, 2012. Yellow Media Inc. announced a recapitalization on July 23, 2012, which was implemented and became effective on December 20, 2012. The recapitalization was implemented in accordance with a court approved Plan of Arrangement under the Canada Business Corporations Act pursuant to which the former securities of Yellow Media Inc. and all entitlements relating thereto were exchanged and cancelled for, as applicable, cash and common shares and warrants of Yellow Media Limited, and new senior secured notes and new senior subordinated exchangeable debentures of YPG Financing (fka as Yellow Media Inc.). YPG Financing is a wholly-owned subsidiary of Yellow Media Limited.

The recapitalization reduced Yellow Media Inc.'s debt, including preferred shares, series 1 and series 2, by approximately $1.5 billion.

(2) From 2006 to the date of the company's liquidation, Mr. Neibart and Mr. Pall were directors at Linens 'n Things, which filed a bankruptcy petition for reorganization on May 2, 2008 under Chapter 11 of the United States Bankruptcy Code in the District of Delaware. In February 2010, the United States Bankruptcy Court approved a motion to change the Linens 'n Things bankruptcy from Chapter 11 bankruptcy to Chapter 7 bankruptcy and the company entered into liquidation that same month.

(3) On February 5, 2009, Fortunoff Holdings, LLC and Fortunoff Card Company, LLC (collectively "Fortunoff") Executive filed for, and was granted, a voluntary petition for Chapter 11 creditor protection under the United States Bankruptcy Code in the Southern District of New York. On October 1, 2009, the United States Bankruptcy Court in the Southern District of New York entered an Order converting Fortunoff's case to Chapter 7 bankruptcy and soon thereafter, the United States Trustee appointed a Chapter 7 Trustee to liquidate the company. Messrs. Richard A. Baker and Watros were managers and Messrs. Pall and Watros were officers of Fortunoff Holdings, LLC.

For the purposes of the paragraphs above, "order" means: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

Shareholder Cease Trade Orders and Bankruptcies

To the best of our knowledge, no shareholder holding a sufficient number of securities to affect materially the control of our Company is, as at the date of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, a director or executive officer of any company (including us) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

To the best of our knowledge, no shareholder holding a sufficient number of securities to affect materially the control of our Company has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

Other than as described herein, no director or executive officer of the Company or, to the best of our knowledge, shareholder holding sufficient securities of the Company to affect materially the control of the Company has:

(a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

To the best of our knowledge, there are no known existing or potential conflicts of interest among us and our directors, officers or other members of management as a result of their outside business interests except that certain of our directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director or officer of such other companies. See "Directors and Officers" and "Interest of Management and Others in Material Transactions".

AUDIT COMMITTEE INFORMATION

Composition of the Audit Committee and the Audit Committee Charter

The audit committee of the Company (the "Audit Committee") is composed of three directors, each of whom is financially literate and independent of the Company's management as required by National Instrument 52-110 – *Audit Committees*. The Audit Committee is composed of Wayne Pommen, David Leith and Denise Pickett. Mr. Pommen is the chair of the Audit Committee. The relevant education and experience of each member of the Audit Committee is described as part of their respective biographies. See "Directors and Officers — Biographies".

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to:

- financial reporting and disclosure requirements;
- an effective risk management and financial control framework that has been implemented and tested by management of the Company; and
- external and internal audit processes.

The Board of Directors has adopted a written charter for the Audit Committee, which sets out the Audit Committee's duties and responsibilities. The Audit Committee provides broad oversight of the financial, risk and control related activities of the Company and the chairman reports to the Board of Directors at each Board of Director meeting on the Audit Committee's activities since the last meeting.

The Audit Committee has unrestricted access to all information regarding the Company that is necessary or desirable to fulfill its duties and all directors, officers and employees will be directed to cooperate as requested by members of the committee. The Audit Committee has the authority to retain, at the Company's expense, independent legal, financial and other advisors, consultants and experts, to assist the Audit Committee in fulfilling its duties and responsibilities, including sole authority to retain and to approve any such firm's fees and other retention terms without prior approval of the Board of Directors. The Audit Committee also has the authority to communicate directly with internal and external auditors.

A copy of the charter of the Audit Committee is attached to this Annual Information Form as Appendix "A".

External Auditor Service Fee

In Fiscal 2015 and Fiscal 2014, the Company was billed the following fees by its external auditor, Deloitte LLP:

	Fiscal year ended January 30, 2016	Fiscal year ended January 31 , 2015
	(in thousands)	
Audit Fees	$4,708	$3,941
Audit Related Fees	$4,495	$759
Tax Fees	$4,890	$1,491
All Other Fees	$1,733	$2,324
Total Fees Paid	$15,826	$8,515

Pursuant to the terms of its charter, the Audit Committee oversees the work of the external auditor and, amongst other things, pre-approves all non-audit services to be provided to the Company or its subsidiary entities by the Company's external auditor. The Audit Committee pre-approved all the services performed by the Company's independent auditors for audit-related and non-audit related services for Fiscal 2015 and Fiscal 2014.

The Audit Committee also reviews and confirms the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Company, and by reviewing the nature of all non-audit services.

The nature of the services under each category is described below:

Audit Fees

Audit fees consist of fees incurred for professional services rendered in connection with audit services and interim reviews of the Company's consolidated financial statements, translation services and statutory and regulatory filings.

Audit-Related Fees

Audit-related fees were in respect of professional services rendered in connection with accounting advisory services; due diligence and other services provided in connection with the Kaufhof Acquisition and the Joint Ventures, both in Fiscal 2015; and the audit of the financial statements of the HBC pension plan.

Tax Fees

Tax fees consist of fees incurred for consultations on tax compliance, tax advice and tax planning, including tax services related to the Kaufhof Acquisition and the Joint Ventures, both in Fiscal 2015.

All Other Fees

All other fees primarily include those incurred in connection with operational advisory work, including those related to integration initiatives, supply chain and store operations. The Audit Committee reviewed and pre-approved such work before it commenced, confirming that the services provided by Deloitte LLP were not restricted services, and following established policies to ensure that the independence of the external auditor was maintained.

RISK FACTORS

You should carefully consider the risks described below, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form, and all other information contained in this Annual Information Form. The risks and uncertainties described below are those we currently believe to be material, but they are not the only ones we face. If any of the following risks actually occur or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material become material risks, they may have a material adverse effect on our business and results of operations and consequently the price of the Common Shares.

Risk Factors

Business and Strategic Risks

Failure to execute our retailing growth strategies could have a material adverse effect on our businesses and results of operations.

Our continued growth and successes are dependent on our ability to identify, develop and execute our strategies and also, in part, on our ability to successfully open and operate new stores, enhance and remodel existing stores on a timely and profitable basis, and optimize store performance by closing under-performing stores. The success of any future store openings will depend upon numerous factors, many of which are beyond our control, including the following:

- the ability to attract appropriate vendors;
- the competition for suitable store sites;
- the ability to negotiate favorable lease terms with landlords;
- the availability of associates to staff new stores and our ability to hire, train, motivate, and retain store personnel; and
- the ability to attract customers and generate sales sufficient to operate new stores profitably.

Our continued growth and success also depends, in part, on our ability to implement and successfully execute on our digital commerce strategy. Our customers are increasingly using computers, tablets, mobile phones and other devices to shop online. We are enhancing our customer shopping experience across all of our banners by pursuing a heightened focus on technology and digital commerce to accelerate our growth. Digital commerce retailing is rapidly evolving, and we must keep pace with changing customer expectations and new developments by competitors. A failure to provide attractive, user-friendly digital commerce platforms that offer a wide assortment of merchandise at competitive prices and with rapid delivery options and that continually meet the changing expectations of online shoppers and developments in online merchandising and related technology could place us at a competitive disadvantage, result in the loss of sales, harm our reputation with customers and could have a material adverse effect on our businesses and results of operations. In addition, if there are performance issues with our customer-facing technology systems, we may experience a loss of customer confidence and sales, which could also have a material adverse effect on our businesses and results of operations.

We continue to implement customer-oriented strategic programs designed to differentiate and strengthen our core merchandise content and service levels and expand and enhance our merchandise offerings. We also seek to improve the effectiveness of our marketing and advertising programs. If we fail to successfully implement some or all of these initiatives, we may be unable to retain or attract customers, which could have a material adverse effect on our businesses and results of operations.

The successful implementation of our growth strategies also depend on our ability to effectively plan, source and manage our merchandise mix and inventory levels, leverage our competitive strengths, as well as certain factors which are beyond our control including: general economic conditions and consumer confidence in future economic conditions. Ineffective change management could result in disruptions to our operations or negatively affect our ability to implement and achieve our long term strategic objectives. If we fail to execute any one or more of these initiatives or fail to fully realize the benefits expected to result from these initiatives, our ability to continue to grow and our ability to remain competitive could be materially adversely impacted. If we are not able to develop and perform new roles, processes and disciplines, we may not achieve the expected cost savings and other benefits of these initiatives. Failure to properly execute the various processes will increase the risk of customer dissatisfaction, which, in turn, could have a material adverse effect on our businesses and results of operations. Our results to date are not an indication of future results and there can be no assurance that these initiatives will generate increased sales, increased sales per square foot or improve operating margins even if we were to successfully implement our growth strategies.

We may not be able to continue comparable store sales growth.

The Company's success depends, in part, upon our ability to improve comparable store sales. Various factors affect comparable store sales including: competition, consumer trends and preferences, the general retail environment, the Company's ability to efficiently source and distribute products, changes in the Company's merchandising mix, competition, current economic conditions, the timing of release of new merchandise and promotional events, the success of marketing programs, weather conditions and changes in the other tenants in the shopping areas in which the Company's stores are located. These factors, among others, may cause the Company's comparable store sales results to differ materially from prior periods and from expectations. Past comparable store sales are no indication of future results and there can be no assurance that the Company's comparable store sales will increase period over period. We have made and intend to continue to make significant capital investments to increase comparable store sales growth by optimizing store layout, vendor shops, merchandise and product offerings and presentation. Failure to continue to grow comparable store sales could have a material adverse effect on our businesses and results of operations.

We face risks associated with consumer preferences, demand, and fashion trends.

The fashion and retail merchandising industries are subject to constant shifts in consumer preferences and fashion trends. Our sales and results from operations will continue to depend, in part, on our ability to predict and respond to changes in consumer preferences and fashion trends in a timely manner and we continuously manage our portfolio of brands to respond to such trends. We will continue to develop new retail concepts and adjust our position in certain name brands and private-label brands and merchandise categories in an effort to satisfy our customers. To the extent our predictions differ from our customers' preferences, we may face excess inventories for some products and/or missed opportunities for others. Excess inventories can result in lower gross margins due to greater than anticipated discounts and markdowns that might be necessary to reduce inventory levels. Conversely, low inventory levels can adversely affect our ability to meet customer demand, which may lead to lost sales and diminished brand loyalty. Any sustained failure to anticipate, identify and respond to emerging trends in lifestyle, consumer preferences and spending patterns and any significant misjudgments of inventory levels could have a material adverse effect on our businesses and results of operations.

We depend on the success of our advertising and marketing programs.

Our businesses depend, in part, on high in store traffic and effective marketing. We have undertaken many initiatives in this area including rejuvenating our advertising campaigns to reflect our fresh brand offerings and renovated stores. However, there can be no assurance as to our continued ability to effectively execute our advertising and marketing programs, and to maintain top-of-mind awareness of our banners, and any failure to do so could have a negative impact on our brand or reputation, which could adversely impact customers' opinion of and confidence in the Company and could have a material adverse effect on our businesses and results of operations.

We depend on our brands and on our relationships with certain designers, vendors and other sources of merchandise.

Our ability to continue to attract and retain popular brands that are favoured by consumers is critical to our strategy to respond to consumer preferences. We do not have long term contracts with vendors and, therefore, our ability to continue to sell brands that are popular with consumers and, if applicable, to have exclusivity of certain brands, are dependent on ongoing positive relationships with our vendors. Vendors of popular brands ceasing to do business with our banners, or material changes in the terms and conditions with such vendors (including vendor allowances and merchandise cost), including our ability to be an exclusive seller of certain brands, could have a material adverse effect on our businesses and results of operations.

We operate and promote several well-recognized brands that consumers may associate with a high level of customer service and quality merchandise. Failure to maintain merchandise quality and integrity, or ethical and socially responsible operations could have a material adverse effect on our businesses and results of operations. Any negative publicity about, or significant damage to our brand or reputation could negatively impact sales, reduce employee morale and productivity and diminish customer trust, any of which could have a material adverse effect on our businesses and results of operations. In those circumstances, it may be difficult and costly for the Company to regain customer confidence.

Furthermore, damage to the reputation of any of the brands promoted by us, including nationally branded, non-proprietary products and private label, proprietary products, or to the reputation of any supplier or manufacturer of these brands, could negatively impact consumer opinion of our banners or the related products, which could have a material adverse effect on our businesses and results of operations.

In particular, Saks' relationships with established and emerging designers are a key factor in its position as a retailer of luxury merchandise, and a substantial portion of its revenues are attributable to its sales of designer merchandise. Many of its key vendors limit the number of retail outlets they use to sell their merchandise, and competition among retailers to obtain and sell these goods is intense. Saks' relationships with its designers have been a significant contributor to its past success. Although there are supply arrangements with some of its merchandising sources, there can be no assurance that such sources will continue to meet Saks' quality, style, and volume requirements. Moreover, nearly all of the top designer brands sold by Saks are also sold by competing retailers, and many of these top designer brands also have their own dedicated retail stores and/or their own digital commerce sites. If one or more of these top designers were to cease providing Saks with adequate supplies of merchandise or, conversely, were to increase sales of merchandise through their own stores or to the stores of other competitors, Saks' business could be adversely affected. In addition, any decline in the popularity or quality of any of these designer brands could have a material adverse effect on our businesses and results of operations.

We may not realize the growth opportunities and synergies that we anticipate from strategic acquisitions

The benefits we expect to achieve as a result of the Saks Acquisition, the Kaufhof Acquisition, the Gilt Acquisition and any future acquisitions depend, in part, on our ability to realize anticipated growth opportunities. Our success in realizing these growth opportunities, and the timing of this realization, depends on, among other things, the successful ongoing integration of acquired businesses and operations with our existing businesses and operations. Even if we are able to successfully complete the integration of these businesses and operations, this integration may not result in the realization of the full benefits of the growth opportunities we expected within the anticipated time frame or at all. While we anticipated that certain expenses will be incurred, actual expenses may exceed prior estimates. Accordingly, the respective benefits from the Saks Acquisition, the Kaufhof Acquisition, the Gilt Acquisition or any future acquisitions may be offset by unexpected costs incurred or delays in completing the integration of such businesses, which could cause our revenue assumptions to be inaccurate. In addition, we are responsible for any historical liabilities of Saks and HBC Europe. There may be liabilities that the Company failed to discover or was unable to quantify accurately or at all in the due diligence review that it conducted prior to each of the Saks Acquisition, Kaufhof Acquisition or the Gilt Acquisition which could have a material adverse effect on our businesses and results of operations.

We continue to expect to achieve approximately $100 million of annual cost synergies related to the Saks Acquisition by the end of the current fiscal year. Actual cost synergies, the expenses required to realize the cost synergies and the sources of the cost synergies could differ materially from these estimates, and we cannot assure you that we will achieve the full amount of cost synergies on the schedule anticipated or at all or that these cost synergy programs will not have a material adverse effect on our businesses and results of operations.

Our businesses could suffer if we are unsuccessful in identifying, making, integrating, and maintaining acquisitions and investments.

We may be unable to continue to identify suitable acquisition candidates at acceptable prices, which could have a material adverse effect on our businesses and results of operations. From time to time we pursue strategic acquisitions of, joint arrangements with, or investments in, other companies or businesses. Any such acquisition, joint arrangement or investment that the Company makes may require the Company to spend its cash, or incur debt, contingent liabilities, or amortization expenses related to intangible assets, any of which could reduce the Company's profitability and harm its businesses. Acquisitions, joint arrangements and investments also increase the complexity of the Company's businesses and place strain on its management, personnel, operations, supply chain, financial resources, and internal financial controls and reporting functions. The Company may not be able to manage acquisitions, joint arrangements or investments effectively, which could damage our reputation, limit our growth and could have a material adverse effect on our businesses and results of operations.

In the future, we may enter into additional markets or expand one or more of our existing banners into new markets, including internationally. These markets may have different competitive conditions, consumer trends, and discretionary spending patterns than existing markets, which may cause new stores in these markets to be less successful than stores in existing markets.

Operating Risks

Our businesses depend on successful inventory management.

We must maintain sufficient inventory levels to operate our businesses successfully. However, we must also guard against accumulating excess or obsolete inventory as we seek to minimize out-of-stock levels across all product categories and to maintain in-stock levels. A significant portion of the inventory sold by our banners is sourced and obtained from vendors located outside of Canada, the U.S. and Europe. Some of these vendors often require lengthy advance notice of our requirements in order to be able to supply products in the quantities requested. This usually requires that orders, and purchase order contracts are made or entered into well in advance of the time these products will be offered for sale. As a result, we may experience difficulty in responding to a changing retail environment and consumer preferences, which makes us vulnerable to changes in the price of merchandise, raw materials, fuel, labour and the fluctuation of foreign currencies. If we do not accurately anticipate the future demand for a particular product or the time it will take to obtain new inventory, our inventory levels will not be appropriate, which could have a material adverse effect on our businesses and results of operations, including lower gross margins due to greater than anticipated discounts and markdowns that might be necessary to reduce inventory levels. Failure to successfully manage our inventory levels may also adversely affect our relationships with our vendors, including our ability to source certain national brands and our ability to be an exclusive seller of such brands.

In addition, political or financial instability, trade restrictions, tariffs, currency exchange rates, transport capacity and costs and other factors relating to foreign trade, each of which affects our ability to access suitable merchandise on acceptable terms, are beyond our control and could have a material adverse effect on our businesses and results of operations.

The loss of, or disruption in, any of the centralized distribution centres could have a material adverse effect on our businesses and results of operations.

We depend on the orderly operation of the receiving and distribution process, which relies on adherence to shipping schedules and effective management of distribution centres. Although we believe that our current receiving and distribution processes are efficient, and that appropriate contingency plans are in place, unforeseen disruptions in operations due to fire, severe weather conditions, natural disasters, or other catastrophic events, labour disagreements, or other shipping problems may result in delays in the delivery of merchandise to our stores and customers. Any delay or disruption in the flow of goods to stores could have a material adverse effect on our businesses and results of operations. Additionally, freight cost is impacted by changes in fuel prices. Fuel prices have been subject to significant volatility. Fuel prices affect freight cost both on inbound freight from vendors to the distribution centres and outbound freight from the distribution centres to our stores and customers.

Although we maintain business interruption and property insurance, management cannot be assured that our insurance coverage will be sufficient, or that insurance proceeds will be timely paid to us, if any of the distribution centres are damaged or shut down for any reason.

If we do not have the ability to successfully upgrade, maintain and secure our information systems to support the needs of the Company and protect against increased and evolving cyber-security threats, it could have a material adverse effect on our businesses and results of operations.

Management depends on relevant and reliable information for decision making purposes, including key performance indicators and financial reporting. A lack of relevant and reliable information that enables management to effectively manage our businesses could preclude us from optimizing our overall performance. Any significant loss of data or failure to maintain reliable data could have a material adverse effect on our businesses and results of operations.

We rely heavily on information systems to manage operations, including a full range of retail, financial, planning, sourcing and merchandising systems, and regularly make investments to upgrade, enhance or replace these systems. The reliability and capacity of information systems is critical. Despite our maintenance and preventative efforts, these systems are susceptible to obsolescence and vulnerable from time to time to damage or interruption from, among other things, security breaches, cyber-attacks, computer viruses, power outages, natural disasters, acts of terrorism, usage errors by Company employees and other technical malfunctions. Any disruptions affecting our information systems, or any delays or difficulties in transitioning to new systems or the information collected by them could have a material adverse effect on our businesses and results of operations. In addition, our ability to continue to operate our businesses without significant interruption in the event of a disaster or other disruption depends in part on the ability of our information systems to operate in accordance with our disaster recovery and business continuity plans.

A potential privacy breach could have a material adverse effect on our businesses and results of operations.

We receive, retain, and transmit certain personal information about our customers, employees and the Company and entrust that information to third parties. The protection of customer, employee, and company data is critical to the Company. The regulatory environment in Canada, the U.S., Germany and Belgium surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and constantly changing requirements across business units. Any legislative or regulatory changes adopted in reaction to recent retail-industry data breaches could affect our compliance costs, including necessary system changes and the development of new administrative processes. In addition, customers have a high expectation that we will adequately protect their personal information. A significant breach of customer, employee, or company data could attract a substantial amount of media attention, damage our customer relationships and reputation and result in lost sales, fines, or lawsuits and could have a material adverse effect on our businesses and results of operations.

Our security measures may be undermined due to the actions of outside parties, employee error, malfeasance, or otherwise, and, as a result, an unauthorized party may obtain access to our data systems and misappropriate business and personal information. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of intrusion, we may be unable to anticipate these techniques, timely discover them, or implement adequate preventative measures. Any such breach or unauthorized access could have a material adverse effect on our businesses and results of operations.

There are risks relating to our size and scale.

The Company operates under 10 banners in Canada, the U.S., Germany and Belgium. The large size of our operations, our multiple banners and the speed with which we have grown exposes us to the risk that systems and practices will not be implemented uniformly throughout the Company and that information will not be shared across the banners and countries in a timely and appropriate manner.

We depend on a limited number of key personnel who would be difficult to replace.

Our management teams of seasoned and committed industry veterans have been hand-picked from leading international retailers and have achieved success in transforming our businesses and improving our sales and operating margins. We believe our continued success and the execution of our growth strategies will depend, in part, on the continued service of our management teams.

Since we are managed by a relatively small group of senior executive officers, the loss of the technical knowledge, management expertise and knowledge of our operations of one or more members of our team could result in a diversion of management resources, as the remaining members of management would need to cover the duties of any senior executive who leaves us and would need to spend time usually reserved for managing our businesses to search for, hire and train new members of management. The loss of some or all of our team could negatively affect our ability to develop and pursue our growth strategies, which could have a material adverse effect on our businesses and results of operations. In addition, the market for key personnel in the industry in which we compete is highly competitive, and we may not be able to attract and retain key personnel with the skills and expertise necessary to manage our businesses.

We may not be successful in retaining the services of certain key personnel of HBC Europe.

We retained certain key personnel of HBC Europe following the Kaufhof Acquisition to continue to manage and operate HBC Europe and maintain relationships with customers, suppliers and other business partners. We will compete with other potential employers for employees, and we may not be successful in keeping the services of the executives and other employees that we need to realize the anticipated benefits of the Kaufhof Acquisition. Our failure to retain key personnel to remain as part of the management team of HBC Europe could have a material adverse effect on the business of HBC Europe and in turn, on our results of operations.

If we are unable to attract and retain qualified and skilled employees, our ability to roll out our formal customer service initiatives may be impaired which could have a material adverse effect on our businesses and results of operations.

Our businesses are dependent upon attracting and retaining a large number of quality employees who reflect our brand images and cultures. Many of these employees are in entry level or part-time positions with historically high rates of turnover. If we are unable to hire, train and retain employees capable of consistently providing educated service and advice to our customers, we may not be able to maintain our competitive strength in offering our customers a favourable shopping experience or to fully realize the benefits expected to result from our formal customer service initiatives, which could lead to decreased foot traffic and sales, as well as to increased costs associated with hiring and training new employees.

Our ability to meet our labour needs while controlling the costs associated with hiring and training new employees is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation and changing demographics in Canada, the U.S., Germany and Belgium. Changes that adversely impact our ability to attract and retain quality employees could have a material adverse effect on our businesses and results of operations.

Deterioration in labor relations could disrupt our business operations and increase costs, which could decrease liquidity and profitability.

The maintenance of a productive and efficient labour environment and, in the event of unionization of these employees, the successful negotiation of collective bargaining agreements, cannot be assured. Protracted and extensive work stoppages or labour disruptions such as strikes or lockouts could have a material adverse effect on our businesses and results of operations.

In addition, labour disputes at our vendors or manufacturers, particularly if such disputes result in work stoppages or labour disruptions such as strikes or lockouts could have a material adverse effect on our businesses and results of operations, including our ability to plan, source and manage our merchandise mix and inventory levels and to respond to customer demands.

The HBC pension plan is currently in a surplus but it may move into a deficit position which would require us to make cash payments to the plan, reducing cash available for our businesses.

The Company has a defined benefit pension plan (the "HBC Pension Plan"). The HBC Pension Plan's funded status, which fluctuates with market conditions, affects the amount of cash contributions required from the Company. Currently, the HBC Pension Plan is in a surplus position. As such, no cash payments in respect of past service funding deficits are required. However, it is possible that long-term interest rates and/or lower than expected asset returns could cause the HBC Pension Plan to move into a deficit position. If this occurs, the Company may be required to start remitting amounts necessary to amortize such deficit. Given the relative size of the HBC Pension Plan, a downward swing in the funded status of the HBC Pension Plan could have a significant impact on the Company's future cash funding requirements in respect of the HBC Pension Plan.

The Audit Committee monitors the HBC Pension Plan assets closely and follows strict guidelines to ensure that pension fund investment portfolios are diversified in line with industry best practices. Nonetheless, pension fund assets are not immune to market fluctuations and the Company may be required to make cash contributions in the future. The Company believes that it has sufficiently strong cash flows to fund its operations, investing activities and commitments for the foreseeable future. The Company's cash flows from operations are subject to fluctuation due to various factors, including commodity, foreign exchange and interest rate risks.

Pension related accounting policies include various assumptions that incorporate a high degree of judgment and complexity. These assumptions may change in the future and may have a material impact on the accrued benefit obligations of the Company and the cost of the HBC Pension Plan, which is reflected in the Company's consolidated statement of earnings.

Funding requirements for Saks' pension plan may exceed expectations based on the performance of assets in its pension plan which would reduce cash on hand in our businesses.

Saks sponsors a funded defined-benefit cash balance pension plan ("Saks Pension Plan") and an unfunded supplemental executive retirement plan ("SERP") for certain employees. Effective January 1, 2007, Saks amended the Saks Pension Plan, suspending future benefit accruals for all participants, except certain "grandfathered participants". Effective March 13, 2009, Saks further amended the Saks Pension Plan, suspending future benefit accruals for all remaining participants.

Saks records a liability associated with these plans equal to the excess of the benefit obligation over the fair value of plan assets. If the performance of the assets in these pension plans does not meet Saks' expectations, or if other actuarial assumptions are modified, Saks' future cash payments, and therefore ours, to the plans could be higher than expected.

Saks funding policy requires contributions to the Saks Pension Plan be at least equal to the minimum funding requirement, as determined under the Employee Retirement Income Security Act ("ERISA") of 1974. Saks may make additional contributions from time to time, generally not to exceed the maximum tax-deductible limitation. The Saks Pension Plan and SERP obligations are valued annually as of Saks' fiscal year-end balance sheet date. The projected unit credit method is utilized in computing the pension obligations. Net periodic benefit cost is based on actuarial models used to estimate the total benefits ultimately payable to participants and is allocated to the respective service periods. The actuarial assumptions used to calculate benefit costs are reviewed annually.

Under ERISA, the Pension Benefit Guaranty Corporation has the authority to terminate an underfunded pension plan under limited circumstances. In the event the Saks Pension Plan is terminated for any reason while it is underfunded, we would incur a liability to the Pension Benefit Guaranty Corporation that may be equal to the entire amount of the underfunding.

Funding requirements for HBC Europe's pension plan may exceed expectations based on the performance of assets in its pension plan which would reduce cash on hand in our businesses.

In Germany, HBC Europe grants many employees retirement, disability and surviving dependent's benefits. New commitments are granted in the form of defined benefit commitments based on employee as well as employer matching contributions. Contributions are paid to a pension reinsurance from which contributions are paid out when the insured event occurs. In addition, various frozen pension funds exist. In general, these provide for lifelong pensions starting with the statutory retirement age or recognized disability. In special cases, benefits are calculated in consideration of accrued statutory pension entitlements. In Belgium, HBC Europe provides lump sums at retirement as well as annuities based on pensionable earnings and years of service. Generally benefits are funded through group insurance contracts that are subject to Belgian regulatory law.

The defined benefit pension entitlements are valued on the basis of actuarial valuations and assumptions, which are based on legal, economic and tax circumstances prevailing in each country. Such valuations may expose the Company to various risks. These include general actuarial risks resulting from the actuarial valuations (e.g. from the discount rate) as well as capital and investment risks related to plan assets. Assumptions and valuations may change in the future and may have a material impact on the accrued benefit obligations of the Company and the cost of the pension plans, which is reflected in the Company's consolidated statement of earnings (loss). In addition, if the performance of the assets in these pension plans does not meet expectations, HBC Europe's future cash payments, and therefore ours, to the plans could be higher than expected.

There are limits to the insurance policies we have in place that may have a material adverse effect on our businesses and results of operations.

We maintain directors and officers insurance, liability insurance, business interruption and property insurance and our insurance coverage reflects deductibles, self-insured retentions, limits of liability and similar provisions. However, there is no guarantee that our insurance coverage will be sufficient, or that insurance proceeds will be timely paid to us. In addition, there are types of losses we may incur but against which we cannot be insured or which we believe are not economically reasonable to insure, such as losses due to acts of war and certain natural disasters. If we incur these losses, and they are material, this could have a material adverse effect on our businesses and results of operations. Also, certain material events may result in sizable losses for the insurance industry and materially adversely impact the availability of adequate insurance coverage or result in significant premium increases. Accordingly, we may elect to self-insure, accept higher deductibles or reduce the amount of coverage in response to such market changes.

Loss of our Company marks and other proprietary rights could have a material adverse effect on our businesses and result of operations.

We own some of the most recognized banners, brands and trademarks in the retail industry. We believe that these trademarks and other proprietary rights will be important to our success and our competitive position. Accordingly, we will continue to protect our trademarks and proprietary rights. However, the actions taken by us may be inadequate to prevent imitation of our products and concepts by others or to prevent others from claiming violations of their trademarks and proprietary rights by us. We cannot assure that others will not assert rights in, or ownership of, trademarks and other intellectual property rights of ours or in marks that are similar to ours or marks that we license and/or market or that we will be able to successfully resolve these types of conflicts to our satisfaction. In some cases, there may be trademark owners who have prior rights to our marks because the laws of certain foreign countries may not protect intellectual property rights to the same extent as do the laws of Canada, the U.S., Germany and Belgium. In other cases, there may be holders who have prior rights to similar marks. Furthermore, our intellectual property rights may not have the value that we believe they have. If we are unsuccessful in protecting our intellectual property rights, or if another party prevails in litigation against us relating to our intellectual property rights, the value and adequacy of our brand recognition or brand reputation could be diminished and could have a material adverse effect on our businesses and results of operations.

Parties with whom we do business with may be subject to insolvency risks or may otherwise become unable or unwilling to perform their obligations to us.

The Company is a party to contracts, transactions and business relationships with various third parties, including vendors, suppliers, service providers, lenders and participants in joint ventures, strategic alliances and other joint commercial relationships, pursuant to which such third parties have performance, payment and other obligations to the Company. In some cases, the Company depends upon such third parties to provide essential products, services or other benefits, including with respect to store and distribution centre locations, merchandise, advertising, software development and support, logistics, other agreements for goods and services in order to operate the Company's businesses in the ordinary course, extensions of credit, credit card accounts and related receivables, and other vital matters. Current economic, industry and market conditions could result in increased risks to the Company associated with the potential financial distress or insolvency of such third parties. If any of these third parties were to become subject to bankruptcy, receivership or similar proceedings, the rights and benefits of the Company in relation to its contracts, transactions and business relationships with such third parties could be terminated, modified in a manner adverse to the Company, or otherwise impaired. The Company cannot make any assurances that it would be able to arrange for alternate or replacement contracts, transactions or business relationships on terms as favorable as the Company's existing contracts, transactions or business relationships, if at all. Any inability on our part to do so could have a material adverse effect on our businesses and results of operations.

Real Estate Risks

Ownership and leasing of real estate expose us to possible liabilities and losses.

Some of our stores are owned and some are leased. Accordingly, we are, and will continue to be subject to all of the risks associated with owning and leasing real estate. In particular, the value of the assets could decrease, and their costs to operate could increase, because of changes in the investment climate for real estate, demographic trends, and supply or demand for the use of the store, which may result from competition from similar stores in the area, as well as liability for environmental conditions.

Store leases generally require us to pay a fixed minimum rent and a variable amount based on a percentage of annual sales at that location. Generally, we will not be able to terminate these leases, prior to the expiry of the committed term. If a store is not profitable, and we decide to close it, we may be committed to perform certain obligations under the applicable lease including, among other things, paying rent for the balance of the applicable lease term. In addition, as the leases expire, we may be unable to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close stores in desirable locations.

If an existing owned store is not profitable, and we decide to close the store, we may be required to record an impairment charge and/or exit costs associated with the disposal of the store. In addition, we may not be able to close an unprofitable owned or leased store due to an existing operating covenant which may cause us to operate the location at a loss which could result in an impairment charge.

Failure to manage effectively these and other factors may affect our ability to build, purchase and lease new stores, which may have a material adverse effect on our businesses and results of operations.

We do not have sole control over the properties that we hold with our real estate joint venture partners or over the revenues and certain decisions associated with those properties, which may limit our flexibility with respect to these properties.

We have formed joint ventures with each of RioCan and Simon, whereby we have contributed 10 owned or ground leased properties located in Canada to the real estate joint venture with RioCan and related entities and 83 owned, acquired or ground-leased properties located in the United States, Germany and Belgium to the real estate joint venture with Simon. The properties that we lease through our real estate joint ventures total approximately 3.8 million square feet.

Each of the properties contributed to our real estate joint ventures with RioCan or Simon has been leased back to the Company pursuant to a long term leases.

Despite having a 89.3% equity stake in the RioCan-HBC JV and a 65.1% equity stake in the HBS Joint Venture, a joint venture involves risks, including, among others, a risk that our partners:

- may have economic or business interests or goals that are inconsistent with our economic or business interests or goals;
- may take actions contrary to our policies or objectives with respect to our real estate investments;
- may become bankrupt, limiting their ability to meet calls for capital contributions and potentially making it more difficult to refinance or sell the property;
- may become engaged in a dispute with us that might affect our ability to develop or operate a property; or
- may have competing interests in our markets that could create conflict of interest issues.

Further, we do not have sole control of major decisions relating to the properties that are owned directly by the real estate joint ventures, including, among others, decisions relating to:

- making any loans or providing financial assistance to any person;
- making additional capital contributions and investments;
- distributing cash;
- refinancing or selling a property;
- issuing new units or other interests in our real estate joint ventures; or
- dissolving or terminating our real estate joint ventures.

Finally, the leases of the properties owned by each joint venture, as landlord, in favour of the Company, as tenant, are long term leases which require payment of fixed minimum rent and generally include annual rent increases during each year of the term. These leases generally expose the Company, as tenant, to the same or similar risks as other leases held by the Company from arm's length third parties.

We may not realize the expected benefits from the real estate joint ventures and we may not be able to effect a future monetization transaction with respect to each of the real estate joint ventures.

There can be no assurance that our real estate joint ventures with RioCan and Simon, respectively, will provide the expected benefits, including enabling us to diversify the tenant base, identify new real estate growth opportunities such as future property acquisitions, or that we will be able to monetize our real estate joint ventures at a future date.

There are potential environmental liabilities relating to our owned and leased real property.

As a direct and indirect owner and operator of both freehold and leasehold real property, we are subject to various federal, state and provincial laws relating to environmental matters. Such laws provide that we could be liable for the costs of removal and remediation of certain hazardous toxic substances released on or in our properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect an owner's ability to sell such real property or to borrow using such real property as collateral and could potentially also result in claims against the owner or operator.

In May 2011, a small PCB spill occurred from a rooftop transformer at the Montreal Downtown Hudson's Bay store. As a result, a small amount of PCBs was released into HBC drains and ultimately into the sewer. Remediation efforts were undertaken immediately. HBC worked with environmental consultants and remediation specialists, in conjunction with applicable regulatory authorities, to remediate as quickly and efficiently as possible. All PCB transformers at the location were subsequently replaced in late 2011 as part of a previously scheduled replacement project. As a result, we are not aware, and do not believe, that there is any further PCB risk at this location. In January 2014, the Company was charged with certain infractions under the *Canadian Environmental Protection Act*. The Company is currently defending such charges.

We are subject to certain obligations under our agreement with Target and with other third parties that have assumed leases that could result in potential liabilities.

The Company is subject to risks relating to indemnification rights in favour of Target that are party to the Target Agreement. This indemnification is for up to $1.825 billion with respect to the representations and warranties related to the assigned leases including a breach of a covenant by Zellers for one year from the relevant vacancy date and without limit on amount or time in certain circumstances. Any breach by Zellers of its representations, warranties or covenants under the agreement with Target could result in a substantial indemnification payment to Target, which could have a material adverse impact on the Company's working capital and financial condition, including our ability to affect our growth strategies. As at the date hereof, no indemnification claim has been made against Zellers or the Company.

On January 15, 2015, Target Canada filed an application for protection under the *Companies' Creditors Arrangement Act*. Target Canada assumed all obligations and liabilities of Zellers under certain store leases in 2011 pursuant to the agreement dated January 12, 2011 between us, Zellers, Target Corporation and Target Canada. Although HBC and Zellers each has a full, unconditional and continuing guarantee and indemnity from Target Corporation, parent company of Target Canada, in respect of the obligations assumed by Target Canada under the relevant leases, we are subject to risks relating to potential claims by landlords against either HBC or Zellers (where Zellers remains a direct party to the lease).

On March 6, 2015, Target Canada surrendered 11 leases (which Zellers previously assigned to Target Canada, or its affiliates) to the applicable landlords in connection with Target Canada's proceedings under the *Companies' Creditors Arrangement Act*. In connection with such surrender of leases, the applicable landlords released certain parties, including HBC, Zellers and their respective predecessors, from all claims arising out of or relating to, among other things, such leases.

In 2008, the Company assigned nine leases to Les Ailes de la Mode, Inc. ("Les Ailes") and obtained a full, unconditional and continuing guarantee and indemnity for the obligations thereunder from its related company, International Clothiers Inc. ("ICI"). As of January 30, 2016, these leases have future minimum lease payments of $29 million. In December 2015, Les Ailes filed a notice of intention to make a proposal under section 50.4 of the *Bankruptcy and Insolvency Act*. On March 23, 2016, ICI advised us that it was filing a notice of intention to make a proposal under section 50.4 of the Bankruptcy and Insolvency Act. The Company currently believes that the maximum claim against it with respect to these leases is approximately $16 million.

Our current locations may become less desirable.

The success of any store depends substantially upon its location. There can be no assurance that current locations will continue to be desirable as demographic patterns change. Social or economic conditions where stores are located could decline in the future, thus resulting in potentially reduced sales in those locations. If we cannot obtain desirable locations at reasonable prices, our cost structure will increase and our revenues will be adversely affected.

Economic and External Market Risks

Our businesses are intensely competitive and increased or new competition could have a material adverse effect on our businesses and results of operations.

The Company's leading banners conduct business under highly competitive conditions in the retail merchandising industry. Hudson's Bay, Lord & Taylor, Find @ Lord & Taylor, Saks Fifth Avenue, OFF 5TH, GALERIA Kaufhof, Galeria INNO, Sportarena and Gilt have numerous and varied competitors at international, national and local levels, including conventional and specialty department stores, boutiques, category killers, mass merchants, value retailers, discounters, Internet retailers, and mail-order retailers. Some of these competitors have greater financial resources, and as a result, may be able to devote greater resources to sourcing, selling, discovering or promoting their merchandise. Competition may intensify as new competitors enter into the markets in which our banners operate, including in the case of our existing banners, U.S. competitors such as Nordstrom entering the Canadian market, and/or as our competitors enter into business combinations or alliances. We expect competition in the digital commerce market to continue to intensify as the Internet facilitates competitive entry and comparison shopping. Competition is characterized by many factors, including assortment of brands and merchandise, advertising, marketing, promotional activities, price, quality, service, the shopping experience and environment, location, reputation and credit availability. The Company's banners also compete in markets where a substantial number of retailers specialize in one or more types of products than those offered in our existing banners. A number of different competitive factors could have a material adverse effect on our businesses and results of operations, including: (i) increased operational efficiencies of competitors; (ii) competitive pricing strategies, including deep discount pricing by a broad range of retailers during periods of poor consumer confidence or economic instability; (iii) expansion of product offerings by existing competitors; (iv) entry by new competitors into markets in which our banners operate; and (v) adoption by existing competitors of innovative retail sales methods. Failure to compete effectively could result in, among other things, lower sales, reduced market shares, lower gross margin and/or higher operating expenses.

Our businesses depend on discretionary spending of consumers.

Deterioration in the Canadian, the U.S., German and Belgian economies may adversely affect the discretionary spending of consumers, which would likely result in lower sales than expected on a quarterly or annual basis, as well as higher markdowns and increased promotional expenses in response to lower demand. Future economic conditions affecting disposable income, such as employment levels, consumer debt levels, lack of available credit, business conditions, fuel and energy costs, interest rates, foreign exchange rates, tax rates and policies, and consumer confidence in future economic conditions could also have a material adverse effect on our businesses and results of operations by reducing consumer spending or causing customers to shift their spending to other products or other retailers.

Unfavourable economic and political conditions and other developments and risks may also have an unfavourable impact on our results of operations. For example, unfavorable changes related to interest rates, rates of economic growth, fiscal and monetary policies, inflation, consumer credit availability, consumer debt levels, foreign exchange rates, tax rates and policies, unemployment trends, oil prices, and other matters that influence the availability and cost of merchandise, consumer confidence, spending and tourism could have a material adverse effect on our businesses and results of operations. In addition, unstable political conditions or civil unrests, including terrorist activities and worldwide military and domestic disturbances and conflicts, may disrupt commerce, our supply chain operations, international trade or result in political or economic instability and could have a material adverse effect on our businesses and results of operations.

Our primary focus is on selling branded apparel, cosmetics, shoes and accessories catering to a wide range of consumer demands between mass merchandisers and luxury retailers and which consumers may consider to be discretionary items. During times of unfavourable economic or political conditions, consumers may shop less frequently, limit the amount of their purchases and/or shift their spending to other products or retailers, which would likely result in lower sales, as well as higher markdowns and increased promotional expenses in response to lower demand.

Additionally, several of our existing stores are located in tourist markets. A downturn in economic conditions, severe weather events or other events such as terrorist activity could impact travel and thus negatively affect the results of operations for stores located within these tourist markets. Increases in transportation and fuel costs, the financial condition of the airline industry and its impact on air travel, appreciation of domestic currency in the tourist markets and its impact on consumer spending power, and sustained recessionary periods in Canada, the U.S., Europe and internationally could also have a material adverse effect on our businesses and results of operations.

Our businesses and operations may be affected by extreme or unseasonable weather conditions or natural disasters.

Extreme weather conditions in the areas in which our stores are located could have a material adverse effect on our businesses and results of operations. For example, as evidenced by the impact of Hurricane Sandy on our stores, in the fourth quarter of 2012, frequent or unusually heavy snowfall, ice storms, rainstorms or other extreme weather conditions over a prolonged period could make it difficult for our customers to travel to our stores and thereby reduce our sales and profitability as our businesses depend on high customer traffic in our stores, result in staffing shortages in our stores, interruptions in the flow of merchandise to our stores and disruptions in the operations of our suppliers. Our businesses are also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with those unseasonable conditions, which could adversely affect our ability to execute our strategy to invest in our stores and right size departments to effectively present seasonal inventory. Reduced sales from extreme or prolonged unseasonable weather conditions could have a material adverse effect on our businesses and results of operations, including lower gross margins due to greater than anticipated discounts and markdowns that might be necessary to reduce inventory levels.

In addition, natural disasters such as hurricanes, tornadoes and earthquakes, or a combination of these or other factors, could severely damage or destroy one or more of our stores or warehouses located in the affected areas which could have a material adverse effect on our businesses and results of operations.

We are subject to risks from our international operations, such as foreign exchange, tariffs, taxes, inflation, increased costs, political risks and our ability to expand in certain international markets, which could impair the ability to compete and profitability.

We currently source private label products and direct imports certain branded products from China and other overseas markets, including Bangladesh, India, Indonesia, Vietnam and Europe, in addition to exchange rate fluctuations, will continue to be subject to risks generally associated with doing business abroad. We do not have direct influence over how these vendors are managed and thus cannot predict the effect of various factors in the countries in which vendors or manufacturers who supply our banners are located, including, among others:

- economic trends in international markets;
- legal and regulatory changes, and our cost of compliance with such laws, including trade restrictions and tariffs;
- difficulty in enforcing intellectual property rights;
- increases in transportation costs or delays;

- increases and volatility in labour costs;
- higher levels of unemployment;
- higher consumer debt levels;
- adverse tax consequences;
- compliance with ethical and safe business practices and adequate supply of products;
- political unrest, terrorism and economic instability; and
- limitations on repatriation of earnings.

Any of the foregoing or other factors associated with doing business abroad could have a material adverse effect on our businesses and results of operations going forward including our ability to plan, source and manage our merchandise mix and inventory levels, as well as expand in certain international markets. While we do not control the vendors or manufacturers who supply our banners, any violation of applicable local laws or unethical conduct by our vendors or manufacturers, or any negative publicity about their business practices including production methods and labour practices, may also adversely affect the brand image and reputation of our banners and have a material adverse effect on our businesses and results of operations.

We plan to continue expanding our international operations. As a result of these expansion activities in countries outside of Canada and the U.S., our international operations could account for a larger portion of our net sales in future years. Future operating results internationally could be negatively affected by a variety of factors, many similar to those we face in Canada and the U.S., but many of which are beyond our control.

Fluctuations in the U.S. dollar, Canadian dollar, Euro and other foreign currencies could have a material adverse effect on our businesses and results of operations.

There are risks associated with the implications of foreign currency movement on the Canadian, U.S., German and Belgian operations of the Company. The Company currently sources private label products and direct imports certain branded products from China and other overseas markets, including Bangladesh, India, Indonesia, Vietnam and Europe from vendors and manufacturers whose functional currency is not Canadian dollars, U.S. dollars or Euros. Accordingly, fluctuations in the Canadian dollar, U.S. dollar or Euro relative to the currencies of our vendors and manufacturers may adversely affect our inventory costs, which could result in higher costs and lower operating margins. We are also exposed to general market fluctuations of interest rates.

The Company enters into forward foreign exchange contracts to fix the cost of certain purchases of merchandise for its Canadian operations from foreign suppliers in Canadian dollars and utilizes certain derivatives as cash flow hedges of its exposures to foreign currency risk. There is no guarantee that such hedging strategies will be effective. In addition, currency hedging entails a risk of illiquidity and, to the extent the applicable foreign currency depreciates against the Canadian dollar, U.S. dollar, or Euro as applicable, the risk of using hedges could result in losses greater than if the hedging had not been used. Also, hedging arrangements may have the effect of limiting or reducing the total returns to the Company if management's expectations concerning future events or market conditions prove to be incorrect, in which case the costs associated with the hedging strategies may outweigh their benefits.

The Company, whose functional currency is Canadian dollars, has foreign currency risk related to the consolidation of the results for the L&T Acquisition and the Gilt Acquisition, whose respective functional currency is U.S. dollars and for HBC Europe, whose functional currency is Euros. Exchange rate fluctuations could have a material adverse effect on our businesses and results of operations.

An increase in the cost of raw materials could increase our cost of goods sold.

The fabrics used by many manufacturers who supply our existing banners include synthetic fabrics, the raw materials of which include petroleum-based products. Our suppliers are also affected by the prices of natural fibres, including cotton, which is a raw material in many of our products. Inflationary pressures on commodity prices and other input costs, significant fluctuations or shortages of cotton or other raw materials may increase our cost of goods sold and could impair our ability to meet production or purchasing requirements in a timely manner. An inability to mitigate these cost increases could involve having to pass on such cost increases, including as price increases to our customers or result in a change in our merchandise mix or inventory levels, which could result in a decrease in our profitability, while any related pricing actions could have a material adverse effect on our businesses and results of operations.

Our revenues and cash requirements are affected by the seasonal nature of our businesses.

Our businesses are seasonal, with a high proportion of revenues and operating cash flows generated during the second half of the fiscal year, which includes the fall and holiday selling seasons. A disproportionate amount of revenues are generated in the fourth fiscal quarter, which coincides with the holiday season. In addition, we incur significant additional expenses, including for additional inventory, advertising and employees, in the period leading up to the months of November and December in anticipation of higher sales volume in those periods. This seasonality in revenues, cash flows and expenses could have a material adverse effect on our businesses and results of operations.

Financial Risks

We have a substantial amount of indebtedness which could have a material adverse effect on our businesses and results of operations.

Our degree of leverage could have a material adverse effect on our businesses and results of operations, including: limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; restricting our flexibility and discretion to operate our business; limiting our ability to declare dividends on our Common Shares; having to dedicate a portion of our cash flows from operations to the payment of interest on our existing indebtedness and not having such cash flows available for other purposes; exposing our business to debt capital market risks, including interest rate risk and refinancing risk at maturity; exposing us to increased interest expense on borrowings at variable rates; limiting our ability to adjust to changing market conditions; placing us at a competitive disadvantage compared to our competitors that have less debt; making us vulnerable in a downturn in general economic conditions; and making us unable to make expenditures that are important to our growth and strategies.

In addition, we continue to finance the value of our real estate portfolio held through the real estate joint ventures with Simon and RioCan and have applied the proceeds received in connection with the debt and equity raised in such joint ventures to refinance our existing indebtedness. As a result of these financings, our real estate joint ventures have substantially the same financing risks as those of the Company discussed in this section, including restricting financial and other covenants that affect the structure and operations of such joint ventures, as well as future financing, sales and other dealings with the properties held by our real estate joint ventures.

Despite our substantial indebtedness level, we will still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

We may be able to incur substantial additional indebtedness in the future. Although our credit facilities contain restrictions on the incurrence of additional indebtedness, such restrictions are subject to a number of qualifications and exceptions, and under certain circumstances, incurrence of indebtedness in accordance with such restrictions could be substantial. Under our current credit facilities and debt instruments we have the flexibility to incur indebtedness in the future. The Company's degree of leverage could adversely affect the Company's ability to obtain additional financing for working capital, capital expenditure, debt service requirements, acquisitions and general corporate and other purposes.

Our existing credit facilities contain restrictions that limit our flexibility in operating our businesses.

Our existing credit facilities contain restrictive financial and other covenants which affect, among other things, the manner in which we may structure or operate our businesses. Our ability to comply with such covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. A failure by us to comply with our contractual obligations (including restrictive, financial and other covenants) or to pay our indebtedness and fixed costs or to obtain a necessary waiver in connection therewith could result in a variety of material adverse effects, including the acceleration of our indebtedness and the exercise of remedies by our creditors, and such acceleration or the underlying defaults could trigger additional defaults under other indebtedness or agreements. In such a situation, it is unlikely that we would be able to repay the accelerated indebtedness or fulfill our obligations under certain contracts, or otherwise obtain access to sufficient capital or to capital on terms favourable to us to refinance our existing indebtedness and to cover our fixed costs. Also, the lenders under the financing arrangements could realize upon all or substantially all of our assets which secure our obligations.

The failure to maintain adequate financial and management processes and controls could have a material adverse effect on our businesses and results of operations.

We are responsible for establishing and maintaining adequate internal control over financial reporting, which is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because of its inherent limitations internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A failure to prevent or detect errors or misstatements may also result in a decline in our stock price and harm our ability to raise capital.

Dividends are dependent on cash flows of our businesses. The declaration of dividends is at the discretion of the Board of Directors.

The declaration and payment of future dividends will be at the discretion of the Board of Directors, are subject to restrictions under our credit facilities and may be affected by various other factors, including our earnings, levels of indebtedness, financial condition and legal or contractual restrictions. There can be no assurance that we will have the financial flexibility to pay dividends at the same rate (or at all) in the future. For example, we decreased our quarterly dividend payments following the Saks Acquisition in order to retain sufficient cash flows from operations for the payment of financing costs and other expenses stemming from the Saks Acquisition.

Shareholder Composition

A small number of our shareholders could significantly influence our businesses.

L&T B Cayman its joint actors ("L&T B Group"), Hanover and 238 Ontario each have significant influence with respect to all matters submitted to our shareholders for approval, including without limitation the election and removal of directors, amendments to our articles, and by-laws, and the approval of any business combination. The Company, L&T B Group and Hanover are currently parties to a nominating rights agreement, pursuant to which L&T B Group has the right to nominate four or two directors, depending on the number of Common Shares it holds, and Hanover has the right to nominate up to four directors, depending on the number of Common Shares it holds.

The Company and 238 Ontario have entered into a separate nominating rights agreement (the "HSILP Nominating Rights Agreement") which was effective on the closing date of the Saks Acquisition. Pursuant to the HSILP Nominating Rights Agreement, 238 Ontario is entitled to nominate one director and 238 Ontario nominated

Andrea Wong to the Board of Directors, effective September 4, 2014. The nominating rights of our significant shareholders may delay or prevent an acquisition of the Company or cause the market price of our shares to decline. The interests of L&T B Group, Hanover and 238 Ontario may not in all cases be aligned with interests of our other shareholders. In addition, the L&T B Group, Hanover and 238 Ontario may have an interest in pursuing acquisitions, divestitures and other transactions that, in the judgment of its management, could enhance its equity investment, even though such transactions might involve risks to our shareholders and may ultimately affect the market price of the Common Shares.

The future sales of Common Shares by our significant shareholders could significantly impact the share price.

Subject to compliance with applicable securities laws, our officers, directors, significant shareholders and their affiliates may sell some or all of their Common Shares in the future. No prediction can be made as to the effect, if any, such future sales of Common Shares will have on the market price of the Common Shares prevailing from time to time. However, the future sale of a substantial number of Common Shares by our officers, directors, significant shareholders and their affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the Common Shares.

Our articles and bylaws could delay and discourage favourable takeover attempts.

Certain provisions of the Company's articles and bylaws may make it more difficult or impossible for a third party to acquire control of us or effect a change in our Board of Directors and management. These provisions include that at least 75% of the voting power of all then outstanding Common Shares entitled to vote generally at the election of directors will be required for (i) the approval of extraordinary business, and (ii) the amendment, alteration or repeal of certain provisions of our articles and by-laws.

These provisions could delay, defer or prevent us from experiencing a change of control and management and may adversely affect our Shareholders' voting and other rights. Any delay or prevention of a change of control transaction and management could deter potential acquirers or prevent the completion of a transaction in which our Shareholders could receive a substantial premium over the then current market price for our Common Shares.

Legal and Regulatory Risks

Regulatory requirements including, but not limited to, trade, environmental, health and safety requirements may require costly expenditures and expose us to liability.

We are subject to customs, child labour, environmental, advertising and other laws, including consumer protection regulations and zoning and occupancy ordinances that regulate retailers generally and/or govern the importation, promotion and sale of merchandise and the operation of retail stores and warehouse facilities. Although we have measures designed to ensure material compliance with governing statutes, laws, regulations and regulatory policies in the jurisdictions in which we conduct business, there is no assurance that the Company will be in material compliance at all times. In addition, political and economic factors could lead to unfavourable changes in tax laws, which may increase our tax liabilities and could have a material adverse effect on our businesses and results of operations.

We are subject to the risk of product liability claims and product recalls.

We sell products produced by third party manufacturers. Some of these products may expose us to product liability claims relating to personal injury, death or property damage caused by such products, and may require us to take action. We may also be susceptible to various claims, including class action claims, relating to merchandise that is subject to a product recall or liability claim. One or more of our suppliers might not adhere to product safety requirements or our quality control standards, and we might not identify the deficiency before merchandise ships to our stores. If suppliers are unable or unwilling to recall products failing to meet our quality standards, we may be required to remove merchandise from our shelves or recall those products at a substantial cost. Although we maintain liability insurance to mitigate potential claims, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available on economically reasonable terms or at all. Product recalls, withdrawals or replacements may harm our reputation and acceptance of our products by customers, which may have a material adverse effect on our businesses and results of operations. Product recalls, withdrawals, or replacements may also increase the amount of competition that we face. Events that give rise to actual, potential or perceived product safety concerns could expose the Company to government enforcement action and/or private litigation. Reputational damage caused by real or perceived product safety concerns could have a material adverse effect on our businesses and results of operations. Some competitors may attempt to differentiate themselves from us by claiming that their products are produced in a manner or geographic area that is insulated from the issues that preceded the recalls, withdrawals, or replacements of our products.

We are subject to litigation risks that could have a material adverse impact on our businesses and results of operations.

In the normal course of our operations, whether directly or indirectly, we may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Company and, as a result, could have an impact on our reputation and ultimately, a material adverse effect on our businesses and results of operations. Even if the Company prevails in any such legal proceeding, the proceedings could be costly which could have a material adverse effect on our businesses and results of operations.

Litigation or regulatory developments in the credit card and financial services industries could have a material adverse effect on our businesses and results of operations.

We are subject to various federal, provincial, state and local laws, rules, regulations and initiatives, including laws and regulations with respect to the credit card and financial services industries, which may change from time to time. In addition, we are regularly involved in various litigation matters that arise in the ordinary course of our business. Although the Company is currently of the view that the disposition of any such litigation is not expected to have a material adverse effect on our businesses and results of operations, the outcome of such litigation cannot be predicted with certainty. Litigation or regulatory developments could have a material adverse effect on our businesses and results of operations.

In foreign countries in which the Company has operations, a risk exists that our employees, associates or agents could, in contravention of our policies, engage in business practices prohibited by Canadian, U.S., German and Belgian laws and regulations applicable to us, such as the *Foreign Corrupt Practices Act*. We maintain policies prohibiting such business practices and have in place anti-corruption compliance programs designed to ensure compliance with these laws and regulations. Nevertheless, we remain subject to the risk that one or more of our employees, associates or agents, including those based in or from countries where practices that violate such laws and regulations or the laws and regulations of other countries may be customary, will engage in business practices that are prohibited by our policies, circumvent our compliance programs and, by doing so, violate such laws and regulations. Any such violations, even if prohibited by our internal policies, could have a material adverse effect on our businesses and results of operations.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could have a material adverse effect on our businesses and results of operations.

International financial reporting standards and related accounting pronouncements, implementation guidelines, and interpretations with regard to a wide range of matters that are relevant to our businesses, including, but not limited to, revenue recognition, investments, merchandise inventories, vendor rebates and other vendor consideration, impairment of long-lived assets, self-insurance liabilities, and income taxes are highly complex and involve many subjective assumptions, estimates and judgments by our management. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments by our management could significantly change our reported or expected financial performance.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

We are from time to time involved in legal proceedings and regulatory actions of a nature considered normal to our business. We believe that none of the litigation in which we are currently involved, or have been involved since the beginning of the most recently completed fiscal year, individually or in the aggregate, is material to our consolidated financial condition or results of operations.

In May 2011, a small PCB spill occurred from a rooftop transformer at the Montreal Downtown Hudson's Bay store. As a result, a small amount of PCBs was released into HBC drains and, ultimately, into the sewer. Remediation efforts were undertaken immediately. HBC worked with environmental consultants and remediation specialists, in conjunction with applicable regulatory authorities, to remediate as quickly and efficiently as possible. All PCB transformers at the location were subsequently replaced in late 2011 as part of a previously scheduled replacement project. As a result, we are not aware, and do not believe, that there is any further PCB risk at this location. In January 2014, the Company was charged with certain infractions under the *Canadian Environmental Protection Act*. The Company is currently defending such charges. See "Risk Factors – There are potential environmental liabilities relating to our owned and leased real property".

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set out below or as described elsewhere in this Annual Information Form, none of (i) the directors or executive officers of the Company, (ii) the shareholders who beneficially own or control or direct, directly or indirectly, more than 10% of the voting shares of the Company, or (iii) any associate or affiliate of the persons referred to in (i) and (ii), has or has had any material interest, direct or indirect, in any transaction within the three most recently completed fiscal years or during the current fiscal year, or in any proposed transaction that has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

The Board of Directors reviews and approves transactions between the Company on the one hand and a related party, such as our directors, officers, holders of more than 10 percent of our voting securities and their affiliates and associates, the immediate family members of any of the foregoing persons and any other persons whom the Board of Directors determines may be considered a related party, on the other hand. Prior to the Board of Directors' consideration of a transaction with a related party, the material facts as to the related party's relationship or interest in the transaction are disclosed to the Board of Directors, and the transaction is not considered approved by the Board of Directors unless a majority of the directors who are not interested in the transaction approve the transaction. We believe each of the transactions set forth below were made on terms no less favourable to us than could have been otherwise obtained from unaffiliated third parties.

On February 25, 2014, the Company completed the Queen Street Sale, which is considered to be a related party transaction under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* because an affiliate of The Cadillac Fairview Corporation Limited is a related party of the Company by virtue of it being an affiliate of Ontario Teachers' Pension Plan Board, which indirectly holds the power to exercise control and direction over, and beneficial ownership of, more than 10% of the Company's outstanding voting shares. As part of this transaction Saks has also agreed to lease space in Toronto's Sherway Gardens from The Cadillac Fairview Corporation Limited, which lease is also considered to be a related party transaction. Previously, the Company had entered into store leases with The Cadillac Fairview Corporation Limited or its affiliates, for stores located at: Fairview Park in Kitchener, Ontario; Richmond Centre in Richmond, British Columbia; Chinook Centre and Market Mall, both in Calgary, Alberta; Polo Park Shopping Centre in Winnipeg, Manitoba; Masonville Place in London, Ontario; Markville Shopping Centre in Markham Ontario; Limeridge Mall in Hamilton Ontario; Fairview Pointe-Claire, in Pte-Claire, Quebec; Fairview Mall in Toronto, Ontario; Carrefour Laval in Laval, Quebec; Les Promenades St. Bruno in St. Bruno, Quebec and Les Galeries D'Anjou in Montreal Quebec. The leases contain representations and warranties, positive and negative covenants and events of default which, in each case, are customary to leases of this nature. The Company is in compliance with the covenants contained in the leases.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Our auditor is Deloitte LLP and its address is Bay Adelaide East, 22 Adelaide Street West. Suite 200, Toronto, Ontario, M5H 0A9.

The transfer agent and registrar for the Common Shares is TMX Equity Transfer Services, which can be contacted at its principal offices at 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1.

MATERIAL CONTRACTS

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which the Company has entered into since the beginning of the last fiscal year before the date of this Annual Information Form, entered into prior to such date but which contract is still in effect, or to which the Company is a party to. Each of the summaries below describes certain material provisions of the relevant material contract and is subject to, and qualified in its entirety by reference to, the relevant material contract, a copy of which is available on the SEDAR website at www.sedar.com.

Copies of the material agreements may be inspected during ordinary business hours at the Company's principal executive offices located at 401 Bay Street, Toronto, Ontario, M5H 2Y4 or may be found on SEDAR at www.sedar.com.

Initial Nominating Rights

Concurrently with the closing of its IPO, the Company, L&T B Cayman, and Hanover entered into a nominating rights agreement (the "Initial Nominating Rights Agreement"). Pursuant to the Initial Nominating Rights Agreement, for so long as L&T B Cayman (which for this purpose includes shareholders of L&T B Cayman to whom Common Shares are transferred) directly or indirectly beneficially owns a specified percentage of the Common Shares, the L&T B Cayman is entitled to nominate for election to the Board of Directors a specified number of directors at each annual meeting of the shareholders. Specifically, (i) if L&T B Cayman directly or indirectly beneficially owns greater than or equal to 25% of the outstanding Common Shares, L&T B Cayman has the right to nominate four directors; (ii) if L&T B Cayman directly or indirectly beneficially owns less than 25% but not less than 10% of the outstanding Common Shares, L&T B Cayman has the right to nominate two directors; and (iii) if L&T B Cayman directly or indirectly beneficially owns less than 10%, the Company will not be obligated to include any Hanover nominees among the Board of Director's nominees to be nominated at any further meetings.

Pursuant to the Initial Nominating Rights Agreement, (i) if Hanover directly or indirectly beneficially owns not less than 35% of the outstanding Common Shares, Hanover shall have the right to nominate four directors, provided that three of such nominees will be considered independent directors if elected to the Board of Directors (to the extent Hanover exercises its right to nominate four directors, the size of the Board of Directors shall be increased to twelve members); (ii) if Hanover directly or indirectly beneficially owns less than 35% but not less than 30% of the outstanding Common Shares, Hanover shall have the right to nominate three directors, provided that two of such nominees will be considered independent directors if elected to the Board of Directors; (iii) if Hanover directly or indirectly beneficially owns less than 30% but not less than 20%, Hanover shall have the right to nominate two nominees, provided that one of such nominees will be considered independent if elected to the Board of Directors; (iv) if Hanover directly or indirectly beneficially owns less than 20% but not less than 10%, Hanover shall have the right to nominate one nominee, and (v) if Hanover directly or indirectly beneficially owns less than 10%, the Company shall not be obligated to include any Hanover nominees among the Board of Director's nominees to be nominated at any further meetings.

HSILP Nominating Rights

In connection with its subscription for 30,673,500 Common Shares on November 4, 2013, the Company and 238 Ontario, entered into a nominating rights agreement (the "HSILP Nominating Rights Agreement"). Pursuant to the HSILP Nominating Rights Agreement, 238 Ontario will be entitled to nominate one individual for election to the Board of Directors. 238 Ontario's nomination right will expire if 238 Ontario ceases to own at least the lesser of 5% of the issued and outstanding Common Shares or 50% of the initial Common Shares (including any Common Shares underlying warrants, or other securities exercisable or exchangeable for, or convertible into, Common Shares, held by 238 Ontario).

Amended and Restated Shareholders Agreement

The Company, L&T B Cayman, Hanover, and 238 Ontario, among others, entered into a shareholders agreement (the "Amended and Restated Shareholders Agreement"), pursuant to which the Company granted demand registration rights to L&T B Cayman, Hanover, and 238 Ontario (or their permitted assigns), which enables such shareholders to require the Company to qualify by prospectus all or a portion of their Common Shares for a distribution to the public in Canada (the "Demand Registration"), provided such Demand Registration will result in a minimum offering size of $50.0 million. In accordance with the terms of the Amended and Restated Shareholders Agreement, the Company will not be obliged to effect collectively more than three Demand Registrations in any 12-month period, on behalf of L&T B Cayman and Hanover or more than three Demand Registrations in any 12-month period on behalf of 238 Ontario. The Company is entitled to defer, for valid business reasons, any such demand for a period of up to 90 days in certain circumstances, provided that the Company may not defer for a period of more than 120 days in any 12 consecutive months.

The Amended and Restated Shareholders Agreement also provides the shareholders party thereto and certain of their associates with incidental, or piggy-back, registration rights. Where the Company proposes to file a preliminary prospectus with respect to a distribution of Common Shares in Canada, the relevant shareholders and their associates will have the right to request that all or a portion of their Common Shares be included as a part of such distribution, subject to certain limitations, including customary underwriters' cutbacks. Where a relevant shareholder exercises one of its Demand Registrations, the other relevant shareholders and their associates will have piggy-back rights to participate in such distribution to the public on a pro rata basis. In the event that 238 Ontario exercises its registration rights, the Company has agreed to use reasonable best efforts to provide West Face (or funds managed by it) with piggy-back rights on 238 Ontario's demand for qualification or make other arrangements to provide substantially the same liquidity as the piggy-back rights would have provided.

The Company will pay all distribution expenses in connection with all Demand Registrations and piggy-back registrations, and all expenses incurred by the relevant shareholders in connection therewith, other than underwriting discounts, commissions and transfer taxes. L&T B Cayman and Hanover will have Demand Registration rights and piggy-back registration rights until L&T B Cayman, Hanover and 238 Ontario together hold, directly or indirectly, in the aggregate less than 10% of the issued and outstanding Common Shares for a continuous period of 180 days. 238 Ontario will have Demand Registration rights and piggy-back registration rights until 238 Ontario ceases to hold, directly or indirectly, in the aggregate greater than 1% of the outstanding Common Shares (including any Common Shares underlying warrants, or other securities exercisable or exchangeable for, or convertible into, Common Shares, held by 238 Ontario).

Pursuant to the Amended and Restated Shareholders Agreement, the Company granted 238 Ontario certain pre-emptive rights to purchase additional Common Shares or other securities convertible, exchangeable or exercisable for Common Shares provided that 238 Ontario holds at least 5% of the then outstanding Common Shares (including any Common Shares underlying warrants, or other securities exercisable or exchangeable for, or convertible into, Common Shares, held by 238 Ontario).

The Amended and Restated Shareholders Agreement imposes certain restrictions on transfers of Common Shares by the relevant shareholders, including to competitors of the Company or, in the case of 238 Ontario, to third parties who own or control more than 10% of the outstanding Common Shares prior to giving effect to the transaction or would own or control more than 15% of the outstanding Common Shares after giving effect to such transaction., Following November 26, 2014, such transfer restrictions ceased to apply to L&T B Cayman and Hanover. Any transfer restrictions cease to apply to 238 Ontario as of such time that 238 Ontario ceases to directly or indirectly own or control more than 5% of the outstanding Common Shares or as of such time L&T B Cayman, and its current shareholders to whom it transfers or distributes any Common Shares, collectively cease to directly or indirectly own more than 20% of the outstanding Common Shares.

HBC Revolving Credit Facility

Prior to entering into the Global ABL on February 5, 2016 (see below for details), HBC was party to a revolving credit facility with Bank of America, N.A. (through its Canadian branch), as administrative agent and collateral agent (the "HBC Revolving Credit Facility"). As of January 30, 2016, HBC had a balance of nil under the HBC Revolving Credit Facility and HBC was in compliance with all covenants contained in the HBC Revolving Credit Facility.

The HBC Revolving Credit Facility had a total availability of $600 million (reduced from $750 million pursuant to an amendment dated December 17, 2014, which also extended the maturity date to December 17, 2019). The HBC Revolving Credit Facility was subject to a borrowing base, based predominantly on eligible inventory of HBC (excluding Lord & Taylor Acquisition Inc. ("L&T Acquisition") and its subsidiaries and any real estate subsidiaries) and eligible credit card receivables of HBC and certain of its subsidiaries (excluding L&T Acquisition and its subsidiaries and any real estate subsidiaries). The HBC Revolving Credit Facility bore interest based on various rates depending on which facility was utilized, including the Canadian prime rate, CDOR rate, U.S. index rate and LIBOR rate. The HBC Revolving Credit Facility was available to finance working capital requirements, capital expenditures or other general corporate purposes and to make certain restricted payments, investments and repayments of indebtedness, and could be drawn in both U.S. and Canadian dollars. As the HBC Revolving Credit Facility was available for and used to finance working capital requirements, capital expenditures and other general corporate purposes, it is classified in the consolidated balance sheets as part of current loans and borrowings.

The HBC Revolving Credit Facility contained restrictive covenants customary for credit facilities of this nature, including restrictions on the incurrence of indebtedness, restrictions on capital expenditures and restrictions on payments to affiliates and shareholders. It also included events of default and representations and warranties that are customary for credit facilities of this nature.

The HBC Revolving Credit Facility was secured by a first priority security interest over all inventory and accounts receivable in Canada.

This revolving credit facility, which had no balance as of January 30, 2016, was terminated and replaced by the Global ABL (see below for details).

U.S. Revolving Credit Facility

Prior to entering into the Global ABL on February 5, 2016 (see below for details), L&T Acquisition was party to a revolving credit facility with Bank of America, N.A., as administrative agent and collateral agent as of November 4, 2013 (the "U.S. Revolving Credit Facility"). As of January 30, 2016, L&T Acquisition owed U.S. $331 million under the U.S. Revolving Credit Facility. L&T Acquisition was in compliance with all covenants contained in the U.S. Revolving Credit Facility.

The U.S. Revolving Credit Facility provided a U.S. $1.1 billion revolving line of credit through November 4, 2018 (increased from U.S. $950 million pursuant to an amendment dated December 17, 2014) and refinanced revolving credit facilities previously in place for Saks and Lord & Taylor. This revolving credit facility was subject to a borrowing base, based predominantly on eligible inventory and accounts receivable of Lord & Taylor, Saks and their respective subsidiaries (other than real estate subsidiaries). The U.S. Revolving Credit Facility was available to finance working capital needs, capital expenditures, operating activities and to support the issuance of standby letters of credit. The U.S. Revolving Credit Facility had multiple interest rate charge options that were based on the U.S. prime rate, Federal Funds rate and LIBOR. As the U.S. Revolving Credit Facility was available for and used to finance working capital requirements, capital expenditures and other operating activities, it has been classified in the consolidated balance sheets as part of current loans and borrowings. However, the Company was not required to repay the balance outstanding as at January 30, 2016 until the maturity date of November 4, 2018.

The U.S. Revolving Credit Facility contained restrictive covenants customary for credit facilities of this nature, including restrictions on the incurrence of indebtedness, financial maintenance covenants, and restrictions on payments to affiliates and shareholders. It also included events of default and representations and warranties that are customary for credit facilities of this nature.

The U.S. Revolving Credit Facility was secured by a first priority security interest over all inventory and accounts receivables in the United States (L&T Acquisition and Saks and certain of their respective subsidiaries).

Subsequent to the year-end, this revolving credit facility was repaid in full and replaced by the Global ABL (see below for details).

Global ABL

On February 5, 2016, the Company entered into a senior secured asset-based revolving credit facility (the "Global ABL"), with Bank of America, N.A., as the administrative agent and collateral agent replacing the HBC Revolving Credit Facility and the U.S. Revolving Credit Facility existing at January 30, 2016. The Global ABL of U.S. $1.9 billion has a maturity date of February 5, 2021 with key terms that are consistent with the credit facilities existing at January 30, 2016. The Global ABL is divided into three tranches consisting of: (i) a U.S. subfacility, (ii) a Canadian subfacility and (iii) a German subfacility, and is subject to a borrowing base, based predominantly on eligible inventory and accounts receivable of HBC, L&T Acquisition, Saks, GALERIA Kaufhof GmbH ("Kaufhof") and certain of their respective subsidiaries (other than real estate subsidiaries). The Global ABL is available on a revolving basis to, among other things, finance working capital needs, capital expenditures, operating activities and to support the issuance of standby letters of credit. The Global ABL has multiple interest rate charge options that are based on the U.S. prime rate, Federal Funds rate, LIBOR rate, Canadian prime rate, CDOR rate, and European LIBOR rate.

The Global ABL contains restrictive covenants customary for credit facilities of this nature, including restrictions on the incurrence of indebtedness, financial maintenance covenants, and restrictions on payments to affiliates and shareholders. It also includes events of default and representations and warranties that are customary for credit facilities of this nature. HBC is in compliance with all covenants contained in the Global ABL.

The Global ABL is secured by a first priority security interest over all inventory and accounts receivable in Canada (HBC), the United States (L&T Acquisition and certain of their subsidiaries) and Germany (Kaufhof and certain of its subsidiaries).

U.S. Term Loan B

On September 30, 2015, in connection with the closing of the Kaufhof Acquisition, the Company entered into a U.S. $1.085 billion senior secured term loan facility with Bank of America, N.A., as the administrative agent (the "U.S. Term Loan B"). As of January 30, 2016, the Company owed U.S. $500 million under the U.S. Term Loan B. The Company is in compliance with all covenants contained in the U.S. Term Loan B.

The U.S. Term Loan B matures on September 30, 2022 and carries an interest rate of LIBOR (with a LIBOR Floor) plus 3.75% per annum. The U.S. Term Loan B is subject to mandatory prepayments.

The U.S. Term Loan B contains restrictive covenants customary for credit facilities of this nature, including restrictions on the incurrence of indebtedness, financial maintenance covenants, and restrictions on payments to affiliates and shareholders. It also includes events of default and representations and warranties that are customary for credit facilities of this nature.

The U.S. Term Loan B is secured by a second priority security interest over inventory and accounts receivable, a first priority security interest over substantially all other assets of the Company and certain of its subsidiaries (excluding real estate subsidiaries) as well as a pledge of the shares of certain subsidiaries of the Company and certain of their subsidiaries.

Yorkdale Mortgage

On May 22, 2013, the Company entered into an agreement with Murray & Company Holdings Limited for a $50 million mortgage (the "Yorkdale Mortgage"). The Yorkdale Mortgage matures on May 22, 2023, bears interest at 4.89% per annum over a 25 year amortization schedule and is secured by a first mortgage of a leasehold interest of the Hudson's Bay store at the Yorkdale Shopping Centre in Toronto, Ontario. The proceeds of the Yorkdale Mortgage were used to partially prepay the then-existing HBC senior term loan facility. On December 1, 2014, Murray & Company Holdings Limited assigned the Yorkdale Mortgage to GMI Servicing Inc.

On November 25, 2015, the Yorkdale Mortgage was assumed by an entity related to the RioCan-HBC JV.

Saks Mortgage

On December 3, 2014, the Company amounted the closing of a U.S. $1.25 billion, 20-year mortgage loan, on the ground portion of the Company's Saks Fifth Avenue flagship property in New York City, located at 611 Fifth Avenue with a syndicate of lenders. The mortgage is secured by the first mortgage lien on the fee interest in the property, together with all ground lease rents, profits and revenue. The Saks Mortgage contains restrictive covenants, events of default and representations and warranties that are customary for credit facilities of this nature.

All proceeds from the Saks Mortgage, net of associated fees and expenses, were utilized to permanently pay down U.S. $1.2 billion of the Senior Term Loan B. The Saks Mortgage is interest-only, with a fixed interest rate of 4.39%, and does not require any principal amortization over its 20 year term. The borrower, Saks Flagship Real Property LLS, is in compliance with the terms of its indebtedness to the lenders under the Saks Mortgage.

Lord & Taylor Mortgage

On September 7, 2012, LT 424 entered into the Lord & Taylor Mortgage. Lord & Taylor utilized the net proceeds of this loan, approximately U.S. $243 million, to reduce the balance of the then outstanding Lord & Taylor term loan.

Interest is charged on the Lord & Taylor Mortgage at a rate of LIBOR plus 3.0%. LT 424 has entered into interest rate swap arrangements, the effect of which is to fix the interest rate related to the Lord & Taylor Mortgage at 3.85%.

The Lord & Taylor Mortgage has no mandatory principal repayments during the first three years, with monthly amortization payments required during the final two years, based upon a 30 year straight-line amortization schedule with an interest rate of 7%. LT 424 has the ability to prepay the Lord & Taylor Mortgage with a fee to the lenders of 1% (2% fee after the initial two years decreased to 1% after three years). After September 10, 2016, prepayments can be made without a fee. Any prepayments are applied to reduce the then remaining scheduled installments.

The Lord & Taylor Mortgage contains customary representations and warranties, positive and negative covenants, reporting requirements and events of default. The borrower, LT 424, is in compliance with all covenants contained in the Lord & Taylor Mortgage. As security for the Lord & Taylor Mortgage, the Company granted a first priority mortgage in the Fifth Avenue Lord & Taylor property.

INTERESTS OF EXPERTS

Our current auditors are Deloitte LLP. Deloitte LLP has informed us that it is independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to Hudson's Bay Company may be found on SEDAR at www.sedar.com.

Additional information, including, without limitation, directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans will be contained in the Company's management information circular to be mailed and filed in connection with its annual meeting of shareholders scheduled to be held on June 3, 2016.

Additional financial information is provided in the audited consolidated financial statements and management's discussion and analysis of Hudson's Bay Company for the year ended January 30, 2016.

APPENDIX A
CHARTER OF THE AUDIT COMMITTEE

This charter (the "Charter") sets forth the purpose, composition, responsibilities and authority of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of Hudson's Bay Company ("Company").

1. Purpose

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

- Financial reporting and disclosure requirements;
- Implementation of an effective risk management and financial control framework;
- Administration of the Company's pension plans; and
- External and internal audit processes.

2. Composition and Membership

- The Board will appoint the members ("Members") of the Committee. The Members will be appointed to hold office until the next annual general meeting of shareholders of the Company or until their successors are appointed. The Board may remove a Member at any time and may fill any vacancy occurring on the Committee. A Member may resign at any time and a Member will automatically cease to be a Member upon ceasing to be a director. In the event of a vacancy on the Committee, the remaining members may exercise all of the powers of the Committee, so long as a quorum remains.
- The Committee will consist of at least three directors. Each Member will meet the criteria for independence and financial literacy established by applicable laws and the rules of any stock exchanges upon which the Company's securities are listed, including National Instrument 52-110 — Audit Committees.
- The Board will appoint one of the Members to act as the chair of the Committee (the "Chair"). The secretary of the Company (the "Secretary") will be the secretary of all meetings and will maintain minutes of all meetings and deliberations of the Committee. ff the Secretary is not in attendance at any meeting, the Committee will appoint another person who may, but need not, be a Member to act as the secretary of that meeting.

3. Meetings

- Meetings of the Committee will be held at such times and places as the Chair may determine, but in any event not less than four (4) times per year.
- Twenty-four (24) hours advance notice of each meeting will be given to each Member orally, by telephone, by facsimile or email, unless all Members are present and waive notice, or if those absent waive notice before or after a meeting.
- Members may attend all meetings either in person, by videoconference or by telephone.
- At the request of the external auditors of the Company, the Chief Executive Officer or any person acting in such capacity, Head of Internal Audit or the Senior Vice President and Chief Financial Officer of the Company or any Member, the Chair will convene a meeting of the Committee. Any such

request shall set out in reasonable detail the business proposed to be conducted at the meeting so requested.

- The Chair, if present, will act as the chair of meetings of the Committee. If the Chair is not present at a meeting of the Committee the Members in attendance may select one of their members to act as chair of the meeting.

- A majority of Members will constitute a quorum for a meeting of the Committee.

- Each Member will have one vote and decisions of the Committee will be made by an affirmative vote of the majority. The Chair will not have a deciding or casting vote in the case of an equality of votes.

- Powers of the Committee may be exercised by written resolutions signed by all Members.

- The Committee may invite from time to time such persons as it sees fit to attend its meetings and to take part in the discussion and consideration of the affairs of the Committee.

- The Committee shall meet in camera without members of management in attendance for a portion of each meeting of the Committee.

- In advance of every regularly scheduled meeting of the Committee, the Chair, with the assistance of the Secretary, should prepare and distribute to the Members and others as deemed appropriate by the Chair, an agenda of matters to be addressed at the meeting together with appropriate briefing materials. The Committee may require officers and employees of the Company to produce such information and reports as the Committee may deem appropriate in order for it to fulfill its duties.

- The Committee may delegate any or all of its functions to any of its members or any sub-set thereof, or other persons, from time to time as it sees fit to the extent permitted by law.

4. Duties and Responsibilities

The Committee shall have the following responsibilities:

Financial Statements

- Review and recommend to the Board for approval, having regard to whether they are complete and consistent with information known to the Members, and reflect appropriate accounting principles as applicable:

    - the annual financial statements and annual Management Discussion and Analysis (“MD&A”);

    - the interim financial reports and interim MD&A; and

    - financial information contained in the Company's annual information form, earnings press releases and other financial information disclosed by the Company to any governmental body or the public.

- Ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from financial statements, other than the public disclosure in financial statements, MD&A and annual and interim earnings press releases and annual information form, and periodically assess the adequacy of those procedures.

- Review and assess the manner in which management develops interim financial information, and the nature and extent of internal and external auditor involvement.

Internal Controls

- Consider the effectiveness of the company's internal control system, including information technology security and control.

- Understand the scope of internal and external auditors' review of internal control over financial reporting, as applicable, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

- Oversee the work of the internal audit function, including organization, operations and independence.

- Review the performance of the Head of Internal Audit and approve his or her annual compensation and salary adjustment.

- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

- On a regular basis, meet separately with the Head of Internal Audit to discuss any matters that the Committee or internal audit believes should be discussed without other members of management present.

External Audit

- Review the performance and independence of the external auditors, and exercise final approval on the appointment or discharge of the auditors.

- Recommend to the Board the appointment and compensation of the Company's external auditor.

- Oversee the work of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting.

- Pre-approve all non-audit and audit-related services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Company or its subsidiary entities by the Company's external auditor, in keeping with the Company's Auditor Services Pre-Approval Policy.

- On a regular basis, meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.

- Consider and recommend to the Board if appropriate, major changes to accounting principles, policies and practices as suggested by the external auditors and/or management.

- Review, in the absence of management, the results of the annual external audit, the audit report thereon and the auditor's review of the related MD&A.

- Review all other material written communications between the external auditor and management, including the post-audit management letter containing the recommendations of the external auditor, management's response.

- Review any other matters related to the external audit that are to be communicated to the Committee under generally accepted auditing standards.

Pension

- Oversee the implementation, administration and governance of the Company's pension plans (the “Plans”) through the Company's pension sub-committee (the “Sub-committee”).

- Ensure that the Sub-committee has the adequate authority and resources to carry out its duties.

- Review and recommend to the Board for approval any proposals of the Sub-committee concerning amendments to the Plans or the funding and contribution requirements of the Plans.

- Oversee the implementation by the Sub-committee of processes and procedures designed to ensure that;

    - clear, up-to-date information and appropriate investment options are made available to Plan members with respect to the self-directed defined contribution accounts established under the;

    - plan members have the resources necessary to make informed investment decisions;

    - the interpretation and administration of the Plans, including payment of benefits and other transaction are carrying out in compliance with applicable laws and applicable investment policies and guidelines;

    - investment performance, including that of the investment managers, is monitored and reviewed on a regular basis; and

    - all reports, certificates, statements or other documents are filed with the appropriate regulatory authorities as required.

- Receive, review and approve reports from the Sub-committee providing reasonable assurances that;

    - reasonable investment options are available to Plan members with respect to investment of funds in the Plans' defined contribution accounts; and

    - the pension benefits committed by the Company under the defined terms of the Plans are properly calculated and paid, and that the funds under the Plans are invested and managed prudently.

Risk

- Satisfy itself that the Company has implemented an appropriate enterprise risk management (“ERM”) framework for the management of the Company's risks, and that the ERM framework provides for: (i) the identification of significant risks to the Company or its business, including emerging risks; (ii) ERM governance and organization; (iii) processes to identify, report, measure, assess, control and monitor risk; and (iv) such other related ERM policies, procedures and frameworks as the Committee may determine to be advisable.

- Review policies and practices to control significant risks and review changes to the ERM framework recommended by senior executives of the Company.

Related Party Transactions

- Review all related party transactions other than those delegated to a special committee or independent committee of the Board against applicable legal and regulatory requirements, discuss with management the business rationale for the transactions, review applicable disclosures and report to the Board on all such transactions, if any, each quarter.

- Review and discuss with the Company's independent auditors the auditors' evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit in connection therewith.

Compliance

- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the Company or its subsidiaries of concerns regarding questionable accounting or auditing matters (the "Whistleblower Policy").

- Review the effectiveness of the Whistleblower Policy and follow-up (including disciplinary action) of any instances of non-compliance.

- Oversee investigations of alleged fraud and illegality relating to the Company's finances and review the findings of any examinations by regulatory agencies, and any external auditor observations.

Other Responsibilities

- Perform other activities related to this Charter as requested by the Board.

- Institute and oversee special investigations as needed.

- Approve the hiring of the Chief Financial Officer.

- Evaluate the Committee's and individual members' performance on a regular basis.

5. Oversight Function

The Committee's responsibilities with respect to financial reporting are as set forth in this Charter. It is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate or comply with applicable accounting standards, as applicable, and other applicable requirements. These are the responsibilities of management and the external auditors. The Committee, however, will consider whether these annual financial statements are complete, consistent with information known to Members, and reflect appropriate accounting principles.

The role of the Committee is to provide broad oversight of the financial, risk and control related activities of the Company, and are specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of the Company's financial information or public disclosure.

6. Reporting

The Chair should report to the Board at each Board meeting on the Committee's activities since the last Board meeting. As required by applicable rules and regulations, the Committee should report annually to shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by law. The Committee should also review any other report the Company issues that relates to the Committee's responsibilities.

7. Access to Information and Authority

The Committee shall be granted unrestricted access to all information regarding the Company that is necessary or desirable to fulfill its duties and all directors, officers and employees of the Company will be directed to cooperate as requested by Members. The Committee has the authority to retain, at the Company's expense, independent legal, financial and other advisors, consultants and experts, to assist the Committee in fulfilling its duties and responsibilities, including sole authority to retain and to approve any such firm's fees and other retention terms without prior approval of the Board. The Committee also has the authority to communicate directly with internal and external auditors.

8. Review of Charter

The Committee will, from time to time, review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration. The Board may, amend this Charter (as required).

The Board may, from time to time, and to the extent permitted by NI 52 110, permit departures from the terms of this Charter, either prospectively or retrospectively.

The terms of this Charter are not intended to give rise to civil liability on the part of the Company or its directors or officers to shareholders, security holders, customers, suppliers, competitors, employees or other persons, or to any other liability whatsoever on their part.