

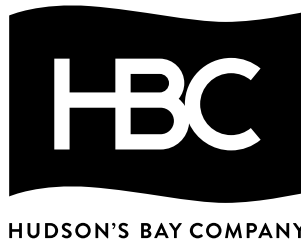


**NOTICE OF
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON JUNE 13, 2017
AND
MANAGEMENT INFORMATION CIRCULAR**

Our annual meeting of shareholders will be held at
**2:00 p.m. (Toronto time) on June 13, 2017 at
The Arcadian Loft, 8th Floor
401 Bay Street Toronto, Ontario, M5H 2Y4**

As a holder of common shares
of Hudson's Bay Company you have the right
to vote your shares, either by proxy or in
person, at the meeting.

April 24, 2017



NOTICE IS HEREBY GIVEN that the annual meeting (the “Meeting”) of the holders (the “Shareholders”) of common shares (“Common Shares”) of Hudson’s Bay Company (the “Company”) will be held at 2:00 p.m. (Toronto time) on June 13, 2017 at The Arcadian Loft, 8th Floor, 401 Bay Street, Toronto, Ontario M5H 2Y4 for the following purposes:

- (1) to receive the audited consolidated financial statements of the Company for the fiscal year ended January 28, 2017, together with the auditors’ report thereon;
- (2) to elect the directors of the Company who will serve until the next annual Shareholders meeting or until their successors are appointed;
- (3) to appoint the auditors of the Company and to authorize the directors to fix their remuneration;
- (4) to approve the non-binding advisory resolution on executive compensation described in the Company’s management information circular (the “Circular”); and
- (5) to transact such other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

Accompanying this Notice of Meeting are: a copy of the Circular, a form of proxy or voting instruction form for the Common Shares, the audited consolidated financial statements of the Company for the fiscal year ended January 28, 2017 and management’s discussion and analysis thereon. These materials, as well as the Company’s annual information form dated April 28, 2017, can also be viewed under the Company’s profile on the SEDAR website at www.sedar.com and on the Company’s corporate website at www.hbc.com.

The Company’s board of directors (“Board of Directors”) has fixed the close of business on May 1, 2017 as the record date for determining Shareholders entitled to receive notice of, and to vote at, the Meeting and any adjournment or postponement of the Meeting. Only Shareholders of record at that time will be entitled to vote at the Meeting, or any adjournment or postponement thereof.

As a Shareholder of the Company, it is very important that you read the accompanying materials carefully and then vote your Common Shares, either by proxy or in person, at the Meeting.

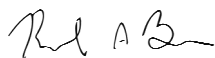
Registered shareholders are requested to complete, date, sign and return (in the return envelope provided for that purpose) the form of proxy enclosed in this package. You may also vote your Common Shares by proxy by appointing another person to attend the Meeting and vote your Common Shares for you. To be valid, the enclosed form of proxy must be signed and received by the proxy department of the Company’s transfer agent, TSX Trust Company, by mail at 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1, on the internet at www.voteproxyonline.com or by facsimile at 416-595-9593 not later than 5:00 p.m. (Toronto time) on June 9, 2017, or if the Meeting is adjourned or postponed, prior to 5:00 p.m. (Toronto time) on the second business day preceding the date of the Meeting, or any adjournment(s) or postponement(s) thereof. Failure to properly complete or deposit a proxy may result in its invalidation. Shareholders who have voted by proxy may still attend the Meeting.

Most Shareholders do not hold their Common Shares in their own names. Such Common Shares may be beneficially owned by you but registered either: (a) in the name of an intermediary such as a bank, trust company, securities dealer or broker, or the trustee or administrator of a self-administered RRSP, RRIF, RESP, TFSA or similar plan, or (b) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.) or its nominee, of which the intermediary is a participant. If your Common Shares are shown in an account statement provided to you by your intermediary, in almost all cases, your Common Shares will not be registered in your name in the records of the Company. Only proxies deposited by registered Shareholders can be recognized and acted upon at the Meeting. As a result, if you hold your Common Shares

through a broker or other intermediary, we urge you to complete only the voting instruction form provided by your broker or other intermediary or provide your voting instructions to your broker or other intermediary by other acceptable methods. Please read the instructions regarding how to vote at, or attend, the Meeting under “General Proxy Matters— Non-Registered Shareholders” in the Circular.

Dated at Toronto, Ontario, this 24th day of April, 2017.

By order of the Board of Directors,

A handwritten signature in black ink, appearing to read "Richard Baker". The signature is written in a cursive style with a large initial "R" and "B".

Richard Baker
Governor and Executive Chairman

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ADDENDA

MANDATE OF THE BOARD OF DIRECTORS.....	APPENDIX "A"
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HUDSON'S BAY COMPANY MANAGEMENT INFORMATION CIRCULAR

This management information circular (the "Circular") is furnished by management of Hudson's Bay Company in connection with the solicitation of proxies for use at the annual meeting of shareholders (the "Meeting") to be held on June 13, 2017 at 2:00 p.m. (Toronto time) at The Arcadian Loft, 8th Floor, Toronto, Ontario M5H 2Y4 or any adjournment(s) or postponements(s) thereof, for the purposes set forth in the notice of meeting (the "Notice of Meeting").

In this document, "you" and "your" refer to the shareholders of Hudson's Bay Company ("Shareholders"). "We", "us", "our", the "Company" and "HBC" refer to Hudson's Bay Company. The information in this Circular is presented as at April 24, 2017, unless indicated otherwise. All references in this Circular to "Fiscal 2016" are to the Company's fiscal year ended January 28, 2017, references to "Fiscal 2015" are to the Company's fiscal year ended January 30, 2015 and references to "Fiscal 2014" are to the Company's fiscal year ended February 1, 2014.

No person has been authorized to give any information or to make any representation in connection with any other matters to be considered at the Meeting other than those contained in this Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

NOTICE TO SHAREHOLDERS NOT RESIDENT IN CANADA

The Company is established under the laws of Canada. The solicitation of proxies involves securities of a Canadian issuer and is being effected in accordance with applicable corporate and securities laws in Canada. The proxy rules under the *United States Securities Exchange Act of 1934*, as amended, are not applicable to the Company or this solicitation. Accordingly, this solicitation is not being effected in accordance with such U.S. laws. Shareholders should be aware that the requirements applicable to the Company under Canadian laws may differ from requirements under corporate and securities laws relating to corporations in other jurisdictions.

The enforcement by investors of civil liabilities under U.S. federal securities laws or the securities laws of other jurisdictions outside of Canada may be affected adversely by the fact that the Company is formed under the laws of Canada and that certain directors and officers are not residents of the United States. You may not be able to sue the Company or its directors or officers in a Canadian court for violations of U.S. or other foreign securities laws. It may be difficult to compel the Company to subject itself to a judgment of a court outside of Canada.

NO SECURITIES REGULATORY AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

REPORTING CURRENCY

The Company presents its consolidated financial statements in Canadian dollars. In this Circular, references to "\$", "Cdn\$", "dollars" or "Canadian dollars" are to Canadian dollars. Amounts are stated in Canadian dollars unless otherwise indicated.

GENERAL PROXY MATTERS

As a Shareholder, it is very important that you read the information contained herein carefully and then vote your common shares in the capital of the Company ("Common Shares"), either by proxy or voting instruction form or by attending the Meeting.

Date, Time and Place of Meeting

The Meeting is scheduled to be held on June 13, 2017 at 2:00 p.m. (Toronto time) at The Arcadian Loft, 8th Floor, 401 Bay Street, Toronto, Ontario M5H 2Y4 for the purposes set forth in the Notice of Meeting. The Company reserves the right to adjourn or postpone the Meeting if considered appropriate by the board of directors of the Company ("Board of Directors" or "Board").

Record Date

The Board of Directors has fixed the close of business on May 1, 2017 as the record date (the "Record Date") for the Meeting. Only Shareholders of record at the close of business on the Record Date will be entitled to notice of the Meeting or any adjournment or postponement thereof, and to vote at the Meeting. No Shareholder who becomes a Shareholder of record after that time will be entitled to vote at the Meeting, or any adjournment or postponement thereof.

Quorum

A quorum of Shareholders is present at a meeting of Shareholders if the holders of not less than five percent (5%) of the shares entitled to vote at the meeting are present in person or represented by proxy, irrespective of the number of persons actually present at the meeting.

Solicitation of Proxies

Your proxy is solicited by the management of the Company. The information contained in this Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of the Company to be used at the Meeting and for the purposes set forth in the Notice of Meeting. It is expected that the solicitation will be primarily by mail but proxies may also be solicited personally by telephone or other electronic means by management of the Company, including its directors and officers. The Company has retained D.F. King Canada to act as proxy solicitation agent. In connection with these services, D.F. King Canada will receive approximately \$25,000 for its assistance and will be reimbursed for its reasonable out-of-pocket expenses. All costs of the solicitation will be borne by the Company.

Mailing of Meeting Materials

Meeting materials are being mailed to Registered Shareholders (as defined herein) through our transfer agent TSX Trust Company and to Non-Registered Shareholders (as defined herein) through their intermediaries. The Company intends to pay for intermediaries to forward to objecting beneficial owners under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* such meeting materials and Form 54-101F7 — *Request for Voting Instructions Made by Intermediary*.

Registered Shareholders

You are a registered Shareholder if your name appears on your share certificate ("Registered Shareholder"). If you are a Registered Shareholder of Common Shares, a proxy form is included in this package.

If you are a Registered Shareholder, you can vote in person at the Meeting or by proxy. Voting by proxy means that you are giving the person or people named on your proxy form (a "Proxyholder") the authority to vote your shares for you at the Meeting or any adjournment or postponement thereof.

How to Vote in Person

If you intend to be present and vote in person at the Meeting, you do not need to complete or return your proxy form. At the Meeting, you should see a representative of TSX Trust Company, the Company's transfer agent.

How to Vote by Proxy

Complete and return the enclosed form of proxy in the return envelope provided. The proxy must be executed by the Shareholder or the attorney of such Shareholder, duly authorized in writing. Voting by proxy means that you are giving your Proxyholder(s) the authority to vote your shares for you at the Meeting or any adjournment or postponement thereof. A proxy form is included in this package.

If you vote by proxy, the directors and officers who are named on the proxy form will vote your shares for you, unless you appoint someone else to be your Proxyholder. You have the right to appoint a person or company of your choice who need not be a Shareholder to represent you at the Meeting other than the persons designated in the enclosed form of proxy. If you appoint someone else, he or she must be present at the Meeting to vote your shares.

Write the name of the person you are appointing in the space provided. Complete your voting instructions and date and sign the form. Make sure that the person you appoint is aware that he or she has been appointed as your Proxyholder and attends the Meeting. At the Meeting, he or she should see a representative of TSX Trust Company.

If you are voting your shares by proxy, the Company's transfer agent, TSX Trust Company, must receive your signed proxy by mail at 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1, on the internet at www.voteproxyonline.com or by facsimile at 416-595-9593, not later than 5:00 p.m. (Toronto time) on June 9, 2017, or, if the Meeting is adjourned or postponed, prior to 5:00 p.m. (Toronto time) on the second business day preceding the day of the Meeting, or any adjournment(s) or postponement(s) thereof. Failure to properly complete or deposit a proxy may result in its invalidation. The time limit for deposit of proxies may be waived by the Chairman of the meeting in his sole discretion without notice.

The shares represented by any proxy received by management will be voted for or against or withheld from voting, as the case may be, by the persons named in the enclosed form of proxy in accordance with the direction of the Shareholder appointing them. **In the absence of any direction to the contrary, it is intended that the shares represented by proxies received by management will be voted on any ballot "FOR": (1) the election of each of the directors referred to in this Circular; (2) the re-appointment of the auditors of the Company with remuneration to be fixed by the directors; and (3) the non-binding advisory resolution on executive compensation.**

How to Change Your Vote

A Registered Shareholder executing the enclosed form of proxy may revoke it at any time before it has been exercised by:

- completing a proxy form that is dated later than the proxy form being revoked and mailing or faxing it to TSX Trust Company so that it is received before 5:00 p.m. (Toronto time) on June 9, 2017;
- sending a revocation notice in writing to the Corporate Secretary of the Company at its registered office so that it is received at any time up to and including the last business day before the date of the Meeting. The notice can be from the Shareholder or the authorized attorney of such Shareholder; or
- requesting from the chairman of the Meeting in writing that your proxy be revoked.

Non-Registered Shareholders

You are a Non-Registered Shareholder if your bank, trust company, securities dealer, broker or other intermediary holds your Common Shares for you ("Non-Registered Shareholder"). In that case, you will likely not receive a proxy form.

If you are a Non-Registered Shareholder, your Common Shares are likely held in the book-entry system operated by CDS Clearing and Depository Services Inc. ("CDS"). If so, they will not be registered in your name on our records. Unless you instruct your nominee to vote in accordance with their request for voting instructions, they are generally prohibited from voting your shares, as shares should only be voted upon instructions of the beneficial holder. You may vote your Common Shares in person at the Meeting or through your nominee by following the instructions provided to you by them.

If you are not sure whether you are a Registered Shareholder or a Non-Registered Shareholder, please contact the Company's transfer agent, TSX Trust Company at 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1 or by e-mail at TMXEInvestorServices@tmx.com.

How to Vote by Voting Instruction Form

Applicable regulations in Canada require brokers and other intermediaries to seek voting instructions from Non-Registered Shareholders in advance of the Meeting. Every broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Non-Registered Shareholders in order to ensure that their shares are voted at the Meeting. Sometimes, the proxy supplied to a Non-Registered Shareholder by its broker is identical to that provided to CDS, as the Registered Shareholder. However, in order for such proxy to be valid, it must be properly executed by the financial intermediary holding the shares and returned to TSX Trust Company, the Company's transfer agent, prior to

the proxy deposit deadline of 5:00 p.m. (Toronto time) on June 9, 2017, or, if the Meeting is adjourned or postponed, prior to 5:00 p.m. (Toronto time) on the second business day preceding the date of the Meeting, or any adjournment(s) or postponement(s) thereof. The majority of brokers now delegate responsibility to Broadridge Financial Solutions, Inc. (“Broadridge”) for obtaining instructions from clients. Broadridge typically mails a scannable voting instruction form in lieu of a proxy form to Non-Registered Shareholders and provides appropriate instructions respecting voting of shares to be represented at the Meeting. Voting instruction forms sent by Broadridge can be completed:

By Internet using your 16-digit control number:

- Go to www.proxyvote.com;

By telephone using your 16-digit control number:

- Shareholders with their shares held in a Canadian brokerage account, toll free at 1-800-474-7493 (English) or 1-800-474-7501 (French), or
- Shareholders with their shares held in a U.S. brokerage account, toll free at 1-800-454-8683;

By mail:

- Using the enclosed envelope.

For telephone and Internet voting, Non-Registered Shareholders will need the 16-digit control number found on their voting instruction forms. Non-Registered Shareholders who have lost or misplaced their voting instruction form can still vote by obtaining a new 16-digit control number from their bank, trust company, securities dealer, broker or other intermediary.

Non-Registered Shareholders who receive voting instructions from their intermediary other than those contained in the voting instruction form sent by Broadridge should carefully follow the instructions provided by their intermediary to ensure their vote is counted.

Subject to the terms of your voting instruction form, if you do not specify how you want your Common Shares voted, they will be voted “FOR”: (1) the election of each of the directors referred to in this Circular; (2) the re-appointment of the auditors of the Company with remuneration to be fixed by the directors; and (3) the non-binding advisory resolution on executive compensation.

We do not have access to the names or holdings of our Non-Registered Shareholders. That means you can only vote your Common Shares in person at the Meeting if you have instructed your nominee to appoint you as proxyholder. To do this, write your name in the space provided on the voting instruction or proxy authorization form provided by your nominee and follow the instructions of your nominee.

If you are a Non-Registered Shareholder and wish to vote in person at the Meeting, please review the voting instruction form provided to you or contact your broker or agent well in advance of the Meeting to determine how you can appoint yourself to do so. At the Meeting, you should see a representative of TSX Trust Company.

How to Change your Vote

A Non-Registered Shareholder may revoke a voting instruction or proxy authorization form given to an intermediary at any time by written notice to the intermediary, except that an intermediary may not act on a revocation of a voting instruction or proxy authorization form or of a waiver of the right to receive meeting materials and to vote that is not received by the intermediary in sufficient time prior to the Meeting.

Exercise of Discretion by Proxyholders

The enclosed form of proxy and any voting instructions submitted confer discretionary authority upon the persons named therein with respect to matters not specifically mentioned in the Notice of Meeting but which may properly come

before the Meeting or any adjournment(s) or postponement(s) thereof and with respect to amendments to or variations of the matters identified in the Notice of Meeting. As at the date hereof, management of the Company knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting and routine matters incidental to the conduct of the Meeting. If any further or other business is properly brought before the Meeting, it is intended that the persons appointed as proxy will vote on such other business in such manner as such persons then consider being proper.

How the Votes are Counted

TSX Trust Company counts and tabulates the votes. It does this independent of us to make sure that the votes of individual Shareholders are confidential. TSX Trust Company refers proxy forms to us only when:

- it is clear that a Shareholder wants to communicate with management;
- the validity of the form is in question; or
- the law requires it.

Questions and Assistance in Voting

If you have any questions about the information contained in this Circular or require assistance in completing the form of proxy or voting instruction form, please contact our proxy solicitation agent:

D.F. KING

North American Toll Free Phone:
1-800-232-0316

Banks, Brokers and collect calls: 1-201-806-7301
Toll Free Facsimile: 1-888-509-5907
Email: inquiries@dfking.com

VOTING SHARES AND PRINCIPAL SHAREHOLDERS

The authorized capital of the Company 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 had 182,251,145 Common Shares issued and outstanding and no Preferred Shares issued and outstanding.

Voting Rights

The Common Shares carry one vote per share for all matters coming before the Shareholders.

Unless a different majority is required by law or under the Company’s articles of amalgamation (“Articles”), resolutions to be approved by Shareholders require approval by a simple majority of the total number of votes of all Common Shares cast at a meeting of Shareholders at which a quorum is present with holders of Common Shares entitled to one vote per share.

The Shareholders are entitled to receive notice of any meeting of Shareholders of the Company, and to attend and vote at those meetings, except those meetings at which holders of a specific class of shares are entitled to vote separately as a class under the *Canada Business Corporations Act*.

Ownership of Common Shares

The following table shows the name of each person or company who, as at the date hereof, owned of record, or who, to the Company's knowledge, owned beneficially, directly or indirectly, or controlled or directed more than 10% of the Common Shares.

Based on public filings as of the date hereof, the following table shows the name of each person or company who owned of record, or who, to the Company's knowledge, owned beneficially, directly or indirectly, or controlled or directed more than 10% of the Common Shares.

Name	Number of Securities	Percentage of Votes
L&T B (Cayman) Inc. ⁽¹⁾	32,265,147	17.7%
Hanover Investments (Luxembourg) S.A. ⁽²⁾	32,250,510	17.7%
2380162 Ontario Limited ⁽³⁾	23,022,236	12.6%
Abrams Capital Management, L.P. ⁽⁴⁾	22,642,470	12.4%

Notes:

- (1) The Common Shares beneficially owned by L&T B (Cayman) Inc. ("L&T B Cayman") and its joint actors 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, 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. Each of Messrs. William Mack, Lee Neibart, Richard Baker and Robert Baker (each a director of the Company) is a director and direct or indirect principal shareholder of L&T B Cayman 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 held by HBTC. 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.
- (2) Hanover Investments (Luxembourg) S.A. ("Hanover"), a company governed by the laws of Luxembourg, is indirectly wholly-owned and controlled by the Abu Dhabi Investment Council, an institution of the Government of the Emirate of Abu Dhabi.
- (3) 2380162 Ontario Limited, a wholly-owned subsidiary of Ontario Teachers' Pension Plan Board and successor in interest to H.S. Investment L.P. ("238 Ontario").
- (4) Abrams Capital Management, L.P. manages the investment portfolios of entities that have beneficial ownership of the Company's Common Shares.

CERTAIN SECURITYHOLDERS AGREEMENTS

The following are summaries of certain provisions of the agreements referred to below, which summaries are not intended to be complete. Reference is made to the Initial Nominating Rights Agreement (as defined herein) and the 238 Ontario Nominating Rights Agreement (as defined herein) filed under the Company's profile on the SEDAR website at www.sedar.com for a complete description and the full text of their provisions.

Initial Nominating Rights Agreement

Concurrently with the closing of the Company's initial public offering on November 26, 2012 (the "Initial Public Offering"), 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, 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 L&T B Cayman nominees among the Board of Director's nominees to be nominated at any further meetings.

In addition, 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 has 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 will 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 has 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 has 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 has the right to nominate one nominee, and (v) if Hanover 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.

238 Ontario Nominating Rights Agreement

In connection with its subscription for 30,673,530 Common Shares on November 4, 2013, the Company and 238 Ontario entered into a nominating rights agreement (the "238 Ontario Nominating Rights Agreement"). Pursuant to the 238 Ontario Nominating Rights Agreement, 238 Ontario is entitled to nominate one individual for election to the Board of Directors. 238 Ontario's nomination right expires if 238 Ontario ceases to own at least the lesser of 5% of the issued and outstanding Common Shares or 50% of 238 Ontario's 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).

BUSINESS OF THE MEETING

Financial Statements

The audited consolidated financial statements of the Company for the fiscal year ended January 28, 2017 ("Fiscal 2016"), together with the auditors' report thereon, will be placed before the Meeting. These audited consolidated financial statements, together with the management's discussion and analysis, are available under the Company's profile on the SEDAR website at www.sedar.com and on the Company's corporate website at www.hbc.com.

Election of Directors

The Articles state that the Company's Board of Directors must have a minimum of three and a maximum of fifteen directors. The Board of Directors is currently comprised of eleven directors. The persons identified in the section "Nominees for Election to the Board of Directors" will be nominated for election as directors; all such nominees are presently directors of the Company. Each director is expected to hold office until the next annual meeting of Shareholders. The directors are elected annually and, unless re-elected, retire from office at the end of the next annual meeting of Shareholders. The nomination of directors for election is subject to the Company's Advance Notice By-Law (as defined herein). See "Corporate Governance — Nomination of Directors — Advance Notice By-Law".

The Company has adopted a majority voting policy. In an uncontested election of directors, any director nominee who receives more votes "withheld" than "for" must submit his or her resignation promptly. The Board of Directors must accept such resignations except in situations where exceptional circumstances would warrant the director continuing to serve on the Board of Directors. The Board of Directors must also announce its decision to either accept or reject the resignation in a press release within 90 days, including the reasons for rejecting the resignation, if applicable.

Unless a proxy specifies that the Common Shares it represents should be withheld from voting in respect of the election of directors or voted in accordance with the specification in the proxy, the persons named in the enclosed form of proxy intend to vote FOR the election of each of the director nominees listed in this Circular.

Appointment of Auditors

At the Meeting, Shareholders will be asked to re-appoint the firm of Deloitte LLP to hold office as the Company's auditors until the close of the next annual meeting of Shareholders and to authorize the Board of Directors to fix their remuneration.

Deloitte LLP has served as auditors of the Company since August 2008. Deloitte LLP has advised the Company that it is independent in accordance with the rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

Unless a proxy specifies that the Common Shares it represents should be withheld from voting in respect of the appointment of auditors or voted in accordance with the specification in the proxy, the persons named in the enclosed form of proxy intend to vote FOR the re-appointment of Deloitte LLP as auditors of the Company and the authorization of the directors of the Company to fix their remuneration.

Additional details with respect to external auditor fees for past services can be found in the section “Audit Committee Information” of the Company’s annual information form dated April 28, 2017 (“Annual Information Form”), which can be viewed under the Company’s profile on the SEDAR website at www.sedar.com or on the Company’s corporate website at www.hbc.com.

Non-Binding Advisory Vote on Executive Compensation

The Company compensates its executives in a way that is, in the view of the Board of Directors, fair, competitive and linked to performance. The Company strives to provide executive compensation disclosure which meets or exceeds the regulatory requirements and is complete, clear and understandable and in sufficient detail to assist Shareholders in forming a reasoned judgment about the Company’s approach to executive compensation. See “Executive Compensation Discussion and Analysis”. The Board of Directors believes that it is important that Shareholders have an opportunity to make their views on the Company’s approach to executive compensation known to the Board of Directors.

As such, the Company is providing its Shareholders with an opportunity to express their views on the Company’s approach to executive compensation as disclosed in this Circular. While this vote is non-binding, it gives Shareholders an opportunity to provide valuable input to our Board of Directors.

At the Meeting, Shareholders will be asked to consider the following non-binding advisory resolution:

Resolved that on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, the shareholders accept the approach to executive compensation disclosed in the Company’s management information circular delivered in advance of the 2017 annual meeting of shareholders.

The Board of Directors will take the results of this vote into account when it considers future compensation policies and issues. We will also examine the level of Shareholder interest and the comments we receive and consider the best approach and timing for soliciting feedback from Shareholders on our approach to executive compensation in the future.

Unless a proxy specifies that the Common Shares it represents should be voted against the non-binding advisory resolution on executive compensation or voted in accordance with the specification in the proxy, the persons named in the enclosed form of proxy intend to vote FOR the non-binding advisory resolution on executive compensation.

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS


Description of Proposed Director Nominees

Eleven directors are to be elected at the Meeting, each of whom is to hold office until the end of the next annual meeting of Shareholders or until their successors are elected or appointed.

All nominees have established their eligibility and willingness to serve as directors. As of the date hereof, management of the Company does not expect that any of the nominees will be unable to serve as a director. However, if, for any reason, at the time of the Meeting any of the nominees are unable to serve and unless otherwise specified, it is intended that the persons designated in the form of proxy will vote in their discretion for a substitute nominee or nominees.

The nomination of directors is subject to the Initial Nominating Rights Agreement and the 238 Ontario Nominating Rights Agreement. See “Certain Securityholders Agreements.”

The following table sets out certain information regarding each of our director nominees.

 <p>RICHARD BAKER, 51 New York, United States</p> <p>Director Since: April 2006 Governor and Executive Chairman Not Independent</p>	<p>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 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.</p> <p>Mr. Baker serves or has served on several councils and advisory boards at Cornell University 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.</p> <p>Mr. Baker is a graduate of Cornell University.</p>			
	<p>Equity Ownership⁽¹⁾⁽²⁾</p>		<p>Public Board Membership During Last 5 Years</p>	
	Common Shares	DSUs ⁽³⁾	Retail Opportunity Investments Corporation	
	10,900,485	N/A		
	<p>Current Member of</p>			<p>Attendance in Fiscal 2016</p>
Board of Directors			5/5 (100%)	

Notes:

- (1) Includes equity that is beneficially owned, or controlled or directed, directly or indirectly, by such director nominee.
- (2) Messrs. William Mack, Lee Neibart, Richard Baker and Robert Baker each hold an indirect pecuniary interest in securities of the Company, which interest is described in the “Voting Shares and Principal Shareholders” section of this Circular.
- (3) Richard Baker and Gerald Storch are executive officers of the Company and will not be compensated for being directors and will not be eligible for the Company’s deferred share unit plan (“DSU Plan”). Messrs. Baker and Storch participate in the Company’s compensation plans (including the Amended RSU Plan and the Amended Option Plan), which are described in the “Executive Compensation Discussion and Analysis” section of this Circular.



ROBERT BAKER, 82
Connecticut, United States

Director Since: January 2012
Not Independent

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.

Equity Ownership ⁽¹⁾⁽²⁾		Public Board Membership During Last 5 Years
Common Shares	DSUs	N/A
7,091,339	58,286	
Current Member of		Attendance in Fiscal 2016
Board of Directors		5/5 (100%)



DAVID LEITH, 57
Ontario, Canada

Director Since: November 2012
Lead Director
Independent

David Leith is the Chair of the Board of the Investment Management Corporation of Ontario (IMCO). He is also a Director of Yellow Pages Limited. 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 graduated from the University of Toronto with a B.A. and holds a Masters degree from Cambridge University.

Equity Ownership ⁽¹⁾		Public Board Membership During Last 5 Years
Common Shares	DSUs	Manitoba Telecom Services Inc.
—	43,729	Yellow Pages Limited
		TransGlobe Apartment Real Estate Investment Trust
Current Member of		Attendance in Fiscal 2016
Board of Directors (Lead Director)		5/5 (100%)
Corporate Governance and Nominating Committee		3/3 (100%)
Audit Committee		7/7 (100%)



WILLIAM MACK, 77
New York, United States

Director Since: January 2012
Not Independent

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. 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 Northwell Health 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 holds a Bachelor of Science degree in business administration, finance and real estate from New York University.

Equity Ownership ⁽¹⁾⁽²⁾		Public Board Membership During Last 5 Years
Common Shares	DSUs	FCB Financial Holdings Inc.
944,364	58,286	
Current Member of		Attendance in Fiscal 2016
Board of Directors		5/5 (100%)



LEE NEIBART, 66
New York, United States

Director Since: January 2012
Not Independent

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 is 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.

Equity Ownership ⁽¹⁾⁽²⁾		Public Board Membership During Last 5 Years
Common Shares	DSUs	Real Estate Group of Ares Management LLC Retail Opportunity Investments Corporation
3,116,364	58,286	
Current Member of		Attendance in Fiscal 2016
Board of Directors		5/5 (100%)



DENISE PICKETT, 51
Ontario, Canada

Director Since: November 2012
Independent

Denise Pickett is President, U.S. Consumer 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.

Equity Ownership ⁽¹⁾		Public Board Membership During Last 5 Years
Common Shares	DSUs	
—	37,834	N/A
Current Member of		Attendance in Fiscal 2016
Board of Directors		5/5 (100%)
Audit Committee		7/7 (100%)
Human Resources and Compensation Committee		5/5 (100%)



WAYNE POMMEN, 38
Ontario, Canada

Director Since: March 2012
Independent

Wayne Pommen is the President and 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.

Equity Ownership ⁽¹⁾		Public Board Membership During Last 5 Years
Common Shares	DSUs	
3,100	40,106	N/A
Current Member of		Attendance in Fiscal 2016
Board of Directors		5/5 (100%)
Audit Committee (Chair)		7/7 (100%)



EARL ROTMAN, 61
Ontario, Canada

Director Since: March 2012
Independent

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 also a co-founder of Genuity Capital Markets, and became the Vice Chairman, Investment Banking, at Canaccord Genuity Corp. between 2010 and 2013 after it was acquired by Canaccord. Prior to co-founding Genuity Capital Markets, 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 attended the University of Toronto and holds an LLB from Osgoode Hall Law School. Mr. Rotman is a member of the Law Society of Upper Canada.

Equity Ownership ⁽¹⁾		Public Board Membership During Last 5 Years
Common Shares	DSUs	N/A
20,300	39,247	
Current Member of		Attendance in Fiscal 2016
Board of Directors		5/5 (100%)
Human Resources and Compensation Committee		5/5 (100%)



MATTHEW RUBEL, 59
Texas, United States

Director Since: November 2012
Independent

Matthew Rubel is the former President and CEO of Varsity Brands, where he served from 2016 to 2017. Previously, Mr. Rubel was a senior advisor to leading private equity firms, TPG Capital and TPG Growth as well as Roark Capital until 2016. Mr. Rubel was 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. He has led multiple other retail and trend related consumer brands globally.

Mr. Rubel serves on the board of directors of HSN, Inc. and as a Presidential Appointee to the White House Advisory Council on Trade Policy Negotiation. In the area of Digital Technology, Mr. Rubel is a Senior Advisor to Retail Next, Celect and First Insight. 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, the American Ballet Theatre and President's Council at the University of Miami as well as the Board of the University of Miami Business School.

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

Equity Ownership ⁽¹⁾		Public Board Membership During Last 5 Years
Common Shares	DSUs	SuperValu Inc.
11,785	41,300	HSN, Inc.
Current Member of		Attendance in Fiscal 2016
Board of Directors		5/5 (100%)
Human Resources and Compensation Committee (Chair)		5/5 (100%)
Corporate Governance and Nominating Committee		3/3 (100%)



GERALD STORCH, 60
New Jersey, United States

Director Since: June 2016

Chief Executive Officer
Not Independent

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, Inc., 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 its 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 earned a JD from Harvard Law School, a Master of Business Administration degree from Harvard Business School, and a BA from Harvard College.

Equity Ownership ⁽¹⁾		Public Board Membership During Last 5 Years
Common Shares	DSUs ⁽³⁾	
25,000	—	SuperValu Inc. Bristol-Myers Squibb Company
Current Member of		Attendance in Fiscal 2016
Board of Directors		5/5 (100%)



ANDREA WONG, 50
California, United States

Director Since: September 2014
Independent

Andrea Wong was the President of International Production, Sony Pictures Television, and President, International, Sony Pictures Entertainment from 2011 to 2017. In such roles, she was responsible for the studio’s international TV production business, overseeing creative teams outside the U.S. as well as 18 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 a Henry Crown Fellow at the Aspen Institute, serves as a Governor of the British Film Institute, is on the Advisory Council at the Stanford Graduate School of Business and is a Trustee of the Royal Academy of Arts.

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.

Equity Ownership ⁽¹⁾		Public Board Membership During Last 5 Years
Common Shares	DSUs	
—	27,857	Liberty Media Corporation Liberty Interactive Corporation
Current Member of		Attendance in Fiscal 2016
Board of Directors		5/5 (100%)
Corporate Governance and Nominating Committee (Chair)		3/3 (100%)

Cease Trade Orders or Bankruptcies

Other than as described below, none of the proposed directors:

- (a) is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, CEO or CFO of any company (including us) that:
 - (i) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, CEO or CFO; or
 - (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as a director, CEO or CFO;
- (b) is, as at the date of this Circular, or has been within 10 years before the date of this Circular, 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; or
- (c) has, within the 10 years before the date of Circular, 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 or executive officer.

On February 5, 2009, Fortunoff Holdings, LLC and Fortunoff Card Company, LLC (collectively “Fortunoff”) 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. Mr. Richard Baker was a manager of Fortunoff Holdings, LLC.

From February 2006 to the date of the company’s liquidation, Mr. Neibart was a director 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.

David Leith was appointed as a 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 (aka 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.

From December 10, 2013 to September 9, 2015, Mr. Wayne Pommen was a director of FirstOnSite G.P. Inc. (“FirstOnSite”), a portfolio company of TorQuest Partners and the general partner of FirstOnSite Restoration L.P. (“Restoration”). On April 21, 2016, less than one year after Mr. Pommen ceased to be a member of FirstOnSite’s board of directors, FirstOnSite filed for and obtained protection under the Companies’ Creditors Arrangement Act (CCAA). On May 9, 2016, FirstOnSite was granted an order approving the sale of substantially all of the business, assets and operations of Restoration.

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.

Penalties or Sanctions

None of the proposed directors of the Company has been subject to:

- (a) 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) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS

We are dedicated to ensuring that our executive compensation program is aligned with the Company’s financial and operating performance and the achievement of our strategic priorities and initiatives. We strive to provide fair and competitive compensation that rewards our executives for delivering enhanced shareholder value as well as strong operating results for the Company. Our goal with this Executive Compensation Discussion and Analysis section (the “CD&A”) is to present clear and comprehensive compensation disclosure for Shareholders and to communicate how our compensation programs are appropriately aligned with the Company’s performance.

Executive Summary

This summary provides an overview of key steps we made in Fiscal 2016 toward achieving our strategic priorities and initiatives as well as our executive compensation practices through the year. Our executive compensation philosophy and practices are described in greater detail in the appropriate sections of this CD&A.

How did we deliver on our strategic priorities and initiatives?

We are one of the largest department store retailers in the world based on our successful formula of growing through acquisitions, driving the performance of our high quality stores and their all-channel offerings, and unlocking the value of real estate holdings. In 2016, we faced a challenging and changing retail environment and achieved:

- Retail sales of \$14,455 million, an increase of \$3,293 million (29.5%) from Fiscal 2015;
- A 69.6% increase in digital sales (8.1% on a constant currency basis);
- A gross profit rate, as a percentage of retail sales, of 41.3%, reflecting an 80 basis point improvement; and
- Adjusted EBITDAR of \$1,353 million and Adjusted EBITDA of \$636 million (both non-IFRS measures defined later in this CD&A).

While we had both successes and challenges in our financial performance during the year, we maintained our focus on delighting our customers with exclusive product offerings and custom all-channel shopping experiences and by creating engaging retail destinations. We are committed to our ongoing evaluation of ways in which the Company may adapt to changes in the market to continue delivering the exceptional experience expected by our customers and being a leader in all-channel retail, enabling customers to shop whenever, wherever, and however they choose.

Through the year, our management team made great strides in delivering on our strategic priorities and initiatives and setting the stage for future successes in what continued to be a challenging period for the retail industry. Decisions were made with a primary focus on the long-term operational growth and success of the Company, which we currently believe will provide significant returns to Shareholders over the coming years.

In Fiscal 2016, we drove the growth of our business through acquisitions and organically by:

- bringing Saks Fifth Avenue and Saks OFF 5TH into Canada, with two Saks Fifth Avenue locations and nine Saks OFF 5TH locations opened in the country as at the end of the Fiscal 2016;
- announcing our plans to introduce the Hudson’s Bay and Saks OFF 5TH banners to the Netherlands and the Saks OFF 5TH banner to Germany, leveraging our existing European business infrastructure; and
- successfully completing our acquisition of Gilt Groupe Holdings, Inc. (“Gilt”), reflecting our ongoing focus on advancing our all-channel model while continuing to grow our off-price business through its integration with Saks Fifth Avenue OFF 5TH (“Saks OFF 5TH”) locations.

At the same time, we continued to focus on improving efficiencies and reducing expenses by:

- continuing our focus on decreasing SG&A expenses through the realignment of our North American operations and consolidation of key business functions; and
- implementing a state-of-the-art robotic fulfillment system in our Scarborough, Ontario distribution center, with an additional automated center scheduled to be operational in the U.S. in the spring of 2018, contributing to a seamless experience for customers and further supporting our all-channel capabilities.

How do we structure our executive compensation program?

Our compensation program is structured to ensure that executive compensation payouts are driven by strong Company operating performance and enhanced shareholder value. Our executives earn compensation that is made up of a combination of the following elements (though not all executives receive all elements on an annual basis):

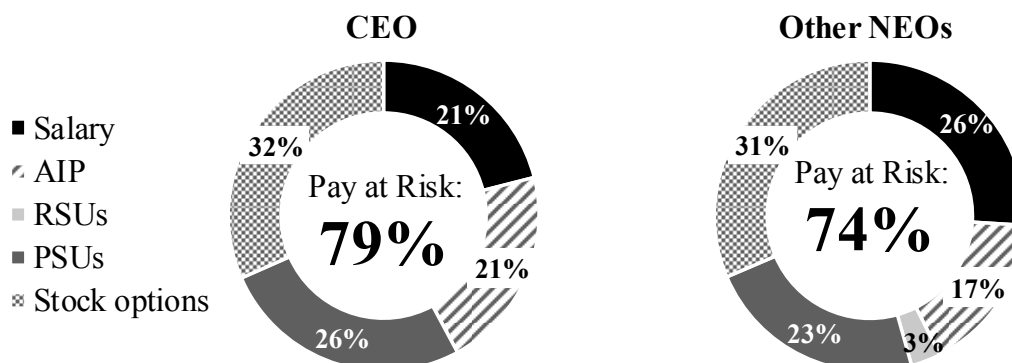
Compensation Component	Period	Objective	Pay-at-Risk	Page
Base Salary	Ongoing	Attract and retain executives with the knowledge and skills necessary to achieve our Company’s strategic priorities and initiatives.	N/A	24
Annual Incentive Plan (“AIP”)	1 year	Reward executives for the Company’s achievement of short-term financial objectives.	Payouts are based upon Adjusted EBITDA targets. No value will be paid out if performance thresholds are not met. For exceptional Company performance, payout can be a maximum of up to 200% of target.	24
Performance Share Units (“PSUs”)	3 years	Reward executives for the Company’s achievement of operating goals over a 1-year period and share price performance over a 3-year period.	75% based upon Adjusted EBITDA Rate targets and 25% based on Comparable Store Sales Growth targets. No PSUs will vest if performance thresholds are not met. For exceptional Company performance, units vesting can be a maximum of 200% of target. The value of each unit vesting is dependent on the share price.	30
Restricted Share Units (“RSUs”)	1 to 3 years	Reward long-term growth in share price and ensure employee retention.	The value of each unit vesting is dependent on the share price.	32

Compensation Component	Period	Objective	Pay-at-Risk	Page
Performance Restricted Share Units (“RSUs”)	5 to 7 years	One-time grant made in Fiscal 2015 to select executives. Reward for the creation of exceptional shareholder value over a 5-year period, with the delivery of units deferred for up to an additional 2 years.	The vesting of PRSUs is dependent upon the achievement of 10% annualized total shareholder return (“TSR”) over a 5-year performance period, with the possibility of additional adjustments based on TSR performance relative to peers. The value of PRSUs is dependent upon the achievement of various performance goals, none of which have been satisfied since the grant date, as well as the share price.	34
Stock Options	Up to 10 years	Align Shareholder and executive interests by rewarding sustainable, long-term share price growth.	The value realized is entirely dependent on the increase in share price after the grant date. May be subject to performance price hurdle.	26
Pension	Ongoing	Attract and retain executives by providing a form of income security upon retirement.	N/A	34
Perquisites and other benefits	Ongoing	Attract and retain healthy and engaged executives.	N/A	34

What portion of executive compensation was “at risk” in Fiscal 2016?

In order to further align the interests of our Shareholders and Named Executive Officers (“NEOs”), a significant portion of the target annual total direct compensation of our executives (i.e., the targeted sum of base salary, AIP, PSUs, RSUs and stock options (each where provided)) is contingent on meeting Company performance goals, with the “at risk” components of our CEO and other NEOs’ compensation representing 79% and 74% of target annual total direct compensation in Fiscal 2016, respectively.

Fiscal 2016 NEO target annual total direct compensation mix



How do we mitigate risk through our compensation program?

The Human Resources and Compensation Committee (the “HRCC”) conducted a formal assessment of the implications of risks associated with the Company’s compensation policies and practices in Fiscal 2016, and has determined that the current structure of the Company’s executive compensation arrangements does not create any risks that would be reasonably likely to have a material adverse effect on the Company. Our executive compensation program is designed with the intention of dissuading executive officers from exposing the Company to inappropriate or excessive risks.

Highlights of key governance and risk-mitigating practices include, among others:

What we do

- | | |
|---|--|
| ✓ We ensure a significant portion of compensation provided to our NEOs is contingent on performance. | ✓ We have minimum share ownership guidelines requiring senior executives and directors to own equity interests in the Company. |
| ✓ We defer a substantial portion of our NEO compensation to foster a focus on sustainable long-term performance. | ✓ We have clawback provisions on our AIP and equity compensation plans in situations of certain errors and misconduct. |
| ✓ We set performance criteria based on our business plan, using a mix of earnings and sales metrics as well as share price performance and shareholder return. | ✓ We encourage cross-membership between the HRCC and other board committees to promote information sharing. |
| ✓ We cap our incentive opportunities to discourage excessive risk-taking. | ✓ Our HRCC is comprised entirely of independent directors who regularly meet <i>in camera</i> without management present and who seek the advice of outside experts, as appropriate. |
| ✓ We offer AIP, PSU and stock option opportunities annually, as well as RSUs for the Governor and Executive Chairman, NEOs and senior executives of the Company which incorporate complementary performance metrics covering different time horizons of performance and risk. | ✓ We provide Shareholders with an annual advisory “say on pay” vote. |

What we do not do

- | | |
|---|---|
| ✗ We do not provide executives with significant fixed compensation. | ✗ We do not allow insiders (including employees and directors) to purchase financial instruments designed to hedge or offset share price decreases in connection with our compensation plans. |
| ✗ We do not re-price underwater stock options. | ✗ We do not provide excessive annual benefits or perquisites. |
-

What key changes were made to the executive compensation program in Fiscal 2016, and what were the performance outcomes?

- We reviewed our peer groups to ensure that they continue to reflect our competitive market for executive talent. As a result of this review and in consideration of our continued growth, the HRCC approved refinements to the companies included in our peer groups;
- None of our NEOs received base salary increases during Fiscal 2016;
- We implemented a clawback provision for the AIP, as defined in greater detail under the “Annual Incentive Plan” section below;
- The Company did not meet our threshold performance levels under the AIP, which was based on Adjusted EBITDA performance over the fiscal year. As such, we did not provide any AIP payouts to the NEOs;
- The PSUs granted in Fiscal 2014 will not vest, as our Adjusted EBITDA Rate performance and Comparable Store Sales Growth (as defined under the “Performance Share Unit” section below) over the 3-year performance period covering fiscal years 2014-2016 did not meet threshold performance values;
- The HRCC approved a PSU structure that provides value for EBITDA Rate performance and Comparable Store Sales Growth over a one-year period and stock price performance over a three-year period, as defined in greater detail under the “Performance Share Unit” section below. The change to a one-year measurement period for our operating performance was made to provide a more reliable time horizon for setting ambitious and realistic performance targets in a challenging and ever-changing retail environment, while continuing to have a three-year vesting period maintains executives’ focus on our long-term share price performance. The PSUs granted in Fiscal 2016 will not vest and no value will be paid out after Fiscal 2018, as our performance in Fiscal 2016 did not meet threshold performance levels approved by the HRCC;
- The vesting schedules of stock options and RSUs were adjusted in 2016 from 3-year cliff vesting (i.e., vesting in full at the end of a 3-year period) to 3-year ratable vesting (i.e., 1/3 vesting on each of the first three anniversaries of the grant date) in order to better align with common market practices in the broader U.S. retail market and to ensure that we offer a competitive and attractive compensation package; and
- Reflective of our financial and share price performance during the year, our NEOs received minimal value from “at risk” compensation elements. The Company did not provide AIP payouts, PSUs granted in Fiscal 2016 will not vest and stock options granted during the year were underwater at the end of Fiscal 2016.

How do we engage Shareholders on our compensation policies and practices?

We believe it is important that Shareholders have an opportunity to express their views on the Company’s approach to executive compensation to the Board of Directors. We have undertaken a shareholder advisory vote on our approach to executive compensation (a “Say on Pay” vote) every year since our Initial Public Offering, with the following results:

Year	Say on Pay endorsement
2016	97.1%
2015	97.4%
2014	99.2%
2013	98.7%

In 2017, the Company is again seeking the input of Shareholders by holding an advisory vote on its approach to executive compensation. Although this vote is non-binding, it gives Shareholders an opportunity to provide valuable input to our Board of Directors.

Executive Compensation

Introduction

The following discussion describes the significant elements of our executive compensation program, with particular emphasis on the rationale and process for determining compensation payable to the CEO, the CFO and, other than the CEO and the CFO, each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity (collectively, the “Named Executive Officers” or “NEOs”).

The NEOs for Fiscal 2016 were:

- **Gerald Storch**, *Chief Executive Officer*;
- **Paul Beesley**, *Chief Financial Officer*;
- **Richard Baker**, *Governor and Executive Chairman*;
- **Donald Watros**, *President, HBC International*; and
- **Brian Pall**, *President of Real Estate*.

Our compensation philosophy and objectives

Our compensation philosophy focuses on providing market competitive target total direct compensation which is benchmarked against the median of our defined peer groups (which are presented further below). Our intention is to adopt industry best practices and to provide competitive and appropriate compensation to our executives based on the following overarching objectives:

- aligning the interests of the Company’s executives and its Shareholders;
- rewarding executives for strong operating performance and achieving enhanced shareholder value;
- retaining and motivating our executives;
- attracting new talent to the Company; and
- creating a strong and direct link between the Company’s compensation program and its short-term and long-term strategic priorities and initiatives.

The Company does not publicly disclose certain forward-looking and other specific corporate objectives set under the current plans in situations in which the disclosure of such information, which reflects our confidential business plans, could result in competitive harm, and/or is inconsistent with the way which we are required to publicly disclose our financial results.

Compensation review process and Human Resources and Compensation Committee governance

The HRCC is responsible for, among other matters, reviewing and making recommendations to the Board of Directors concerning the compensation of the Company’s directors and NEOs. The HRCC is comprised of Matthew Rubel (Chair), Earl Rotman and Denise Pickett, each of whom is independent within the meaning of applicable securities laws. The Board of Directors has approved the adoption of a written charter describing the mandate of such committee, a copy of which is posted in the Corporate Governance section of our Company’s corporate website at www.hbc.com.

Each member of the HRCC has held or currently holds senior leadership positions in various organizations, has obtained direct experience relevant to executive compensation in those capacities and has the skills and experience that enable the HRCC to make decisions on the suitability of the Company’s compensation policies and practices. For more information regarding the professional background and experience of each member of the HRCC, please refer to the section entitled “Nominees for Election to the Board of Directors – Description of Proposed Director Nominees” of this Circular.

The HRCC assists the Board of Directors in fulfilling its oversight responsibilities with respect to, among other things:

- the establishment of key human resources and compensation policies, including all incentive and equity-based compensation plans;
- the determination of compensation for the Governor and Executive Chairman, the CEO, and the rest of the executive leadership team, which includes the CFO and the other NEOs;
- the review of performance goals and objectives for the Governor and Executive Chairman and the CEO, and the assessment of their performance relative to these goals;
- the review of succession planning related to the Governor and Executive Chairman and the CEO;
- the compensation of directors;
- the determination of minimum share ownership guidelines for directors, the Governor and Executive Chairman, the CEO and the executive leadership team as well as monitoring compliance with those guidelines;
- the preparation of our CD&A and other executive compensation disclosure; and
- other duties as laid out in the charter or as may be assigned to the HRCC by the Board from time to time.

The HRCC also evaluates whether the executive compensation program is properly aligned with Shareholder interests and the Company’s business objectives.

HRCC meetings are followed by *in-camera* sessions attended by HRCC members and the compensation consultant without management present, as well as separate *in-camera* sessions for HRCC members only. In addition to these meetings, the Chair of the HRCC regularly discusses human resources and compensation policies and practices with the Company’s senior management, including the Executive Vice President, Human Resources.

Role of the compensation consultant

Korn Ferry Hay Group, Inc. (“Hay Group”) has served as the independent compensation consultant to the Board of Directors and the HRCC since Fiscal 2014, with the mandate to assist the HRCC with the design of its executive and non-employee director compensation practices.

Hay Group’s mandate as independent advisor includes reviewing the Company’s peer groups, assessing executive compensation, director compensation and accompanying practices and providing support with other elements of the Company’s executive compensation program at the request of the HRCC. In Fiscal 2016, these other elements included a risk assessment of incentive compensation programs in which the Governor and Executive Chairman, the CEO, and the rest of the executive leadership team participate, a review of severance and change-in-control practices, a review of the HRCC charter, and assessment of the competitiveness of management proposals for the recruitment of new executive leadership team members, among others.

The aggregate fees billed to the Company, or any of its affiliates, by its compensation consultant for Fiscal 2015 and Fiscal 2016 for services relating to determining compensation for the Company’s directors and officers, and for all other services, are as set out below:

	<u>Fiscal 2016 Consultant Fees</u>	<u>Fiscal 2015 Consultant Fees</u>
Hay Group		
Executive Compensation-Related Fees.....	\$544,285	\$649,821
All Other Fees.....	\$8,757 ⁽¹⁾	\$17,005 ⁽¹⁾

Notes:

(1) Includes fees related to compensation surveys and reports.

Market positioning and benchmarking process

In Fiscal 2016, Hay Group worked with the Company to conduct market reviews of our executive compensation program as it pertains to the Governor and Executive Chairman, the CEO, and the rest of the executive leadership team. Reviews were conducted to ensure that our compensation policies and practices are aligned with our compensation philosophy and competitive market for executive talent. The HRCC will assess the need for future reviews and may engage Hay Group or other compensation consultants to conduct such additional reviews, as necessary, from time to time.

Our targeted positioning regarding annual total direct compensation is generally around the median of the market (50th percentile) given consideration to the peer groups in place for Fiscal 2016. Actual compensation provided to our executives may be higher or lower to reflect differences in experience and expertise, individual and Company performance and each individual's potential to contribute to our future growth.

Our peer groups are intended to provide a balanced and objective view of broader compensation practices within our competitive market. The structure of our peer groups, comprised of a U.S. Retail Industry group used as the primary peer group for executive and director compensation analysis, a Canadian Retail Industry group used as a supplementary peer group, and two additional groups used for reference purposes only, remains consistent with Fiscal 2015. However, some changes were made to the organizations included in our primary and supplementary peer groups for Fiscal 2016 to ensure that comparators remain appropriate in light of our global footprint and continued growth.

The primary and supplementary groups reflect other retailers in the U.S. and Canada which were selected based on their comparability to the Company in size, structure and international presence, among other factors. The two additional reference peer groups are intended to provide broader perspective on organizations with similarity to certain aspects of our operations and structure. We believe these peer groups are appropriate given the organizations with which we compete for talent as well as those we consider to be our primary business competitors.

Our Fiscal 2016 peer groups are as follows:

Peer Group	Relevance
U.S. Retail Industry (Primary)	Provides perspective on direct industry competitors' pay practices, design and trends. <i>Primary peer group includes:</i> Ascena Retail Group, Inc., Dillard's Inc., Foot Locker, Inc., The Gap, Inc., J.C. Penney Co., Inc., Kohl's Corp., L Brands, Inc., Macy's Inc., Neiman Marcus Group LTD LLC, Nordstrom, Inc., Ross Stores, Inc., Williams-Sonoma, Inc.
Canadian Retail Industry (Supplementary)	Provides a view of compensation in the Canadian marketplace for retail companies, but not necessarily direct industry competitors. <i>Supplementary peer group includes:</i> Alimentation Couche-Tard Inc., Canadian Tire Corp. Ltd., Empire Co. Ltd., Loblaw Companies Ltd., Metro, Inc.

While we focused on the U.S and Canadian Retail Industry peer groups for compensation benchmarking in Fiscal 2016, the HRCC may consider the pay practices of the following reference peer groups from time to time in consideration of the diversity of our business operations.

Peer Group	Relevance
North American Retail REITs (Reference)	Provides a view of compensation in U.S. and Canadian retail REITs and diversified REITs with retail assets as an additional reference point in light of the Company's real estate holdings and joint ventures.

Peer Group	Relevance
	<i>Reference peer group includes:</i> Artis REIT, Brixmor Property Group Inc., CREIT, Choice Properties REIT, Cominar REIT, Crombie REIT, Cousins Properties Inc., Smart REIT

Select Canadian Holding Companies

(Reference)	Provides additional reference data that may be considered for select roles or functions in consideration of HBC’s multiple strategic drivers. <i>Reference peer group includes:</i> Brookfield Asset Management Inc., George Weston Ltd., Onex Corp.
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Elements of Our Compensation Program in Fiscal 2016

Overview

Our executive compensation program consists primarily of three main elements: base salary, an annual incentive plan (or AIP) and long-term equity-based incentive compensation plans. The following section describes the different compensation components offered to NEOs, which all together define the executive compensation program and provide pay packages which are intended to meet the objectives of the Company’s compensation philosophy.

(a) Short-Term Plans

Base Salary

General Design Summary	Objectives
<ul style="list-style-type: none"> • Market-competitive fixed rate of pay • Value determined based on the scope of each executive’s responsibilities and prior experience, while taking into account competitive market compensation within our relevant peer groups • Reviewed annually and increased from time to time based on the executive’s success in meeting or exceeding Company and individual objectives as well as market competitiveness factors, as necessary • Can be adjusted as warranted throughout the year to reflect promotions or other changes in the scope or breadth of an executive’s role or responsibilities, as well as for market competitiveness 	<ul style="list-style-type: none"> • Attract and retain executives with the knowledge and skills required to achieve our Company’s strategic priorities and initiatives • Recognize individual performance, experience and level of responsibility

Annual Incentive Plan (“AIP”)

General Design Summary	Objectives
<ul style="list-style-type: none"> • Annual cash-based incentive • Targets are set as a percentage of base salary, reflective of the competitive marketplace in which we operate • To align reward with the Company’s operational performance, Adjusted EBITDA was used as the performance metric in Fiscal 2016 • Once the Company’s financial objectives are set and the annual business plan is approved each year, the HRCC 	<ul style="list-style-type: none"> • Motivate executives to aim for superior short-term performance • Reward executives for the achievement of annual business plans and performance

General Design Summary

Objectives

approves performance targets that are challenging but viewed as reasonably achievable to ensure appropriate motivation

- 25% of target is paid out if minimum threshold performance is achieved; no payouts are made if this threshold is not met or exceeded
- For superior performance, payouts can be a maximum of up to 200% of target
- The HRCC may also exercise discretion in determining the total amount paid out, given the Company's overall performance and an assessment of each NEO's individual achievements throughout the year
- Subject to clawback in situations of certain errors and misconduct

AIP payouts to NEOs in Fiscal 2016 were dependent on the Company's Adjusted EBITDA performance, measured at the enterprise-wide level for Messrs. Storch, Beesley, and Pall. Due to Mr. Watros' focus on our international operations, 80% of his AIP opportunity was dependent on the Adjusted EBITDA performance of HBC International, with the remainder dependent on enterprise-wide Adjusted EBITDA. Mr. Baker did not participate in the AIP in Fiscal 2016.

Payouts are dependent on the Company's financial performance against annually determined performance levels, with payouts corresponding to incremental performance above or below target calculated using linear interpolation. Targeted performance levels for Adjusted EBITDA for Fiscal 2016 and the accompanying AIP payout at each level are summarized in the table below. As our Fiscal 2016 results were below the threshold established for the year, no AIP was paid out to NEOs.

	Performance Objectives				Fiscal 2016 Performance
	Below Threshold	Threshold	Target	Maximum	
Adjusted EBITDA ^{(1),(2)} in millions	<\$725	\$725	\$875	\$1,025 and above	\$636
Potential AIP Payout	No payout	25% of target payout	100% of target payout	200% of target payout	No payout

Notes:

- (1) Adjusted EBITDA was used as the primary AIP performance metric in Fiscal 2016. EBITDA is a non-IFRS measure that we use to assess our operating performance. EBITDA is defined as Net Earnings (Loss) before finance costs, income tax (expense) benefit and depreciation and amortization expense. Adjusted EBITDA is defined as EBITDA adjusted to exclude: (A) certain non-cash items which include: (i) share of net loss in joint ventures, (ii) gain on contribution of assets to joint ventures, (iii) gain on sale of investments in joint ventures, (iv) dilution gains from investments in the joint ventures, (v) non-cash pension expense, (vi) impairment and other non-cash items, and (vii) non-cash share based compensation expense and other (B) normalization adjustments which include: (i) business and organization restructuring/realignment charges; (ii) merger/acquisition costs and expenses; (iii) normalization adjustments, including those related to purchase accounting, if any, related to transactions that are not associated with day-to-day operations and joint venture adjustments.

Adjusted EBITDA for the purposes of AIP calculations is defined as Adjusted EBITDA excluding the impact of changes in foreign exchange rate. For more details regarding the Company's calculation of Adjusted EBITDA, refer to the Company's management's discussion and analysis for Fiscal 2016 which is available under the Company's profile on SEDAR at www.sedar.com and on the Company's corporate website at www.hbc.com.

- (2) Disclosed performance levels reflect enterprise-wide Adjusted EBITDA. 80% of Mr. Watros' AIP opportunity for Fiscal 2016 was dependent upon the performance of HBC International. Due to the ongoing growth of HBC International and the competitive nature of the global retail environment, we believe disclosure of specific Adjusted EBITDA targets for the business unit would seriously prejudice the Company's interests. Consistent with our target-setting methodology for enterprise-wide performance and evidenced by the lack of payout, we believe targets for Fiscal 2016 for HBC International were set at challenging levels.

The following table outlines the threshold, target, and maximum potential payouts under the AIP for the NEOs participating in the AIP in Fiscal 2016 as well as the actual payouts.

Name and Principal Position	Fiscal 2016 AIP Potential and Actual Payouts (as a % of base salary)			
	Threshold <i>25% of target</i>	Target	Maximum <i>200% of target</i>	Actual
Gerald Storch <i>Chief Executive Officer</i>	25%	100%	200%	0%
Paul Beesley <i>Chief Financial Officer</i>	20%	80%	160%	0%
Donald Watros <i>President, HBC International</i>	18.75%	75%	150%	0%
Brian Pall <i>President of Real Estate</i>	20%	80%	160%	0%

(b) Long-Term Plans

In Fiscal 2016, long-term incentives for NEOs were comprised of the instruments described below. The value of long-term incentive grants provided to each NEO is based on their performance during the year, their potential contribution to advancing the Company’s strategic initiatives, and their compensation targets, which have been developed in consideration of our compensation philosophy. While previous long-term incentive grants provide context related to the alignment between NEOs and Shareholders as well as retentive hold, our long-term incentive awards are forward-looking and the HRCC does not heavily consider previous grants when determining the value and structure of long-term incentive grants.

Stock Options

Concurrent with the Company’s Initial Public Offering, the Company adopted a stock option plan, which was subsequently amended and restated (the “Amended Option Plan”) at the Company’s 2015 Annual and Special Meeting of Shareholders (the “2015 Meeting”). Pursuant to the Amended Option Plan, options to purchase Common Shares may be granted to officers, employees, directors (subject to certain limitations) and consultants of the Company and its affiliates. The following discussion is qualified in its entirety by the text of the Amended Option Plan and/or an individual grant agreement.

The Amended Option Plan is administered by the Board of Directors, which may delegate this responsibility to a committee of the Board of Directors. The terms of these grants are established by the Board of Directors and/or the HRCC at the time of granting. It is the Company’s intention to grant stock options on an annual basis. However, to ensure that executives are only rewarded for sustainable and adequate share price growth following the Initial Public Offering, a one-time initial grant of options was made at time of the Initial Public Offering to NEOs who were employed with the Company at that time, which approximated annual grants which would have otherwise been provided in years one to three following the Initial Public Offering (the “Initial Options”).

General Design Summary

Objectives

Ongoing annual grants

- Options granted in Fiscal 2016 vest ratably over a 3-year period (1/3 on each of the first 3 anniversaries of the grant date)
 - Annual option grants made prior to Fiscal 2016 cliff vest 100% on the 3rd anniversary of the date of grant
 - 7-year term
 - In the event that a NEO is terminated for cause, options are forfeited immediately (whether vested or unvested)
 - In the event of a voluntary resignation without good cause, unvested options are immediately forfeited and vested options are forfeited after 45 days
 - In the event of a termination without cause or resignation with good reason, unvested options will vest on a *pro-rata* basis, as set out in the applicable grant agreement, on the termination date and vested options are forfeited after 45 days
 - Subject to clawback in situations of certain errors and misconduct
- Designed to align executives with Shareholder interests, including sustainable increases in share price over the long term

Initial 3-year grant — non-recurring grant

- One-time up-front option grants at the closing of the Initial Public Offering with ongoing annual grants resuming after 3 years
 - One-third of the total grant value subject to a share price performance hurdle whereby share price has to exceed the exercise price by 50%
 - 50% of the Initial Options were scheduled to vest on the 4th anniversary of the date of grant, and the remaining 50% will vest on the 5th anniversary of the date of grant (subject to the share price performance hurdle, as applicable)
 - 10-year term
 - In the event that a NEO is terminated for cause, Initial Options are forfeited immediately (whether vested or unvested)
 - In the event of a voluntary resignation or termination without cause, Initial Options are forfeited after 45 days (whether vested or unvested), subject to a pro rata vesting schedule if the NEO is terminated without cause prior to the completion of five years of service following the date of the grant
 - Subject to clawback in situations of certain errors and misconduct
- Designed to align executives with Shareholder objectives, including sustainable increases in share price over the long-term and other performance conditions
 - Grants which are performance-conditioned ensure an appropriate return for Shareholders

The maximum number of Common Shares reserved for issuance under the Company's equity-based incentive compensation plans, including the Amended Option Plan and the Amended RSU Plan (described below), is 15% of the Company's issued and outstanding Common Shares from time to time (calculated on a non-diluted basis). A total of approximately 27,337,672 million Common Shares (representing 15% of the issued and outstanding Common Shares as of the date hereof) may therefore be issued for the purpose of the Amended Option Plan, the Amended RSU Plan and any other equity-based incentive compensation agreements (the "Total Reserve"). To the extent options terminate for any reason prior to exercise in full or are cancelled or are exercised, the Common Shares subject to such options shall be added back to the Total Reserve and such Common Shares will again become available for grant under the Amended Option Plan and the Amended RSU Plan the whole without increasing the Total Reserve. As of the date hereof, a total of 17,757,858 options have been granted and are exercisable for Common Shares, such number representing 9.74% of the Common Shares issued and outstanding as of the date hereof.

The number of Common Shares issued within any one year period, issuable at any time to insiders of the Company, or issued to any one participant (including an insider) at any time, under all equity-based incentive compensation arrangements of the Company cannot exceed 10% of the number of Common Shares in the capital of the Company that are outstanding from time to time (calculated on a non-diluted basis). In addition, subject to customary exceptions, the number of Common Shares issuable to non-employee directors of the Company, including Common Shares issuable pursuant to other equity-based incentive compensation arrangements, shall not exceed 0.25% of the Common Shares issued and outstanding from time to time (calculated on a non-diluted basis). The total fair market value of an annual grant of options to any individual non-employee director shall not exceed more than \$100,000 worth of Common Shares.

All options have an exercise price determined and approved by the Board of Directors at the time of grant, which shall not be less than the market value of the Common Shares at such time. For purposes of the Amended Option Plan, the fair market value of the Common Shares shall be: (i) if the grant is made during a black-out period (a period self-imposed by the Company during which designated employees cannot trade the securities of the Company), the average closing price of the Common Shares on the TSX for the three trading day period following the last day of such black-out period, and (ii) if the grant is made outside a black-out period, the average closing price of the Common Shares on the TSX for the five trading day period ending on the last trading day before the day on which the option is granted.

Unless otherwise determined by the Board of Directors in its discretion at any time prior to or after the following events and in any option agreement, the right to exercise vested options granted pursuant to the Amended Option Plan will expire on the earliest to occur of the following: (i) seven years from the date of grant (or ten years for the Initial Options), (ii) 365 days from the date of the optionee's death (with any unvested options held by the optionee on the date of death immediately vesting), (iii) 45 days from the date of the optionee's voluntary resignation, (iv) 45 days from the termination of the optionee's employment without cause (with any unvested options held by the optionee on the optionee's termination date vesting on a *pro-rata* basis, as set out in the optionee's grant agreement), and (v) immediately, in the case of termination of the optionee's employment or term in office for cause (together with any vested options). For greater certainty, any options that were not exercisable at the time of occurrence of events contemplated above immediately expire and are cancelled on such date. In the event of the optionee's approved retirement or permanent disability, the unvested options will continue to vest in accordance with the vesting schedule and the vested options are exercisable for three years following retirement or declaration of permanent disability (or two years for the Initial Options).

In the event of a change of control event, including a reorganization of the Company, an amalgamation of the Company, an arrangement involving the Company, a take-over bid (as that term is defined in the *Securities Act* (Ontario)) for all of the Common Shares or the sale or disposition of all or substantially all of the property and assets of the Company, the Board of Directors may make such provision for the protection of the rights of the optionees as the Board of Directors in its discretion considers appropriate in the circumstances, including, without limitation, changing the vesting schedule for the options and the date on which any option expires or providing for substitute or replacement options of similar value from the acquiring or surviving entity. In addition, if an optionee is terminated without cause or resigns with good reason within one year following a change of control, unvested options or replacement equivalents become fully vested and any vested options (including any options that vest on the termination date) are exercisable within a 45-day period following termination or resignation, as applicable.

The Amended Option Plan also provides that appropriate adjustments, if any, will be made by the Board of Directors in connection with a stock dividend or split, a reclassification, reorganization or other change of shares, consolidation, distribution, merger or amalgamation, in order to maintain the optionees' economic rights in respect of their options in connection with such change in capitalization, including adjustments to the exercise price or the number of

Common Shares to which an optionee is entitled upon exercise of options, or permitting the immediate exercise of any outstanding options that are not otherwise exercisable.

The Board of Directors may amend the Amended Option Plan or any option at any time without the consent of the optionees provided that such amendment shall (i) not adversely alter or impair any option previously granted except as permitted pursuant to the terms of the Amended Option Plan, (ii) be in compliance with applicable law and be subject to any regulatory approvals including, where required, the approval of the TSX, and (iii) be subject to shareholder approval, where required, by law or the requirements of the TSX or the Amended Option Plan, provided however that shareholder approval shall not be required for the following amendments and the Board of Directors may make any changes which may include but are not limited to:

- amendments of a “housekeeping” nature;
- a change to the provisions;
- a change to the effect of termination of a participant’s employment or cessation of a participant’s directorship;
- an amendment to the cashless exercise, whether or not such feature provides for a full deduction of the number of underlying securities from the Total Reserve;
- the addition of a form of financial assistance and any amendment to a financial assistance provision which is adopted;
- a change to advance the date on which any option may be exercised under the Amended Option Plan; and
- the addition of a deferred or restricted share unit or any other provision which results in optionees receiving securities while no cash consideration is received by the Company.

In addition, the Board of Directors may, subject to regulatory approval, discontinue the Amended Option Plan at any time without the consent of the optionees provided that such discontinuance shall not materially and adversely affect any options previously granted under the Amended Option Plan.

For greater certainty, the Board of Directors shall be required to obtain shareholder approval to make the following amendments:

- any increase in the maximum number of Common Shares issuable from treasury under the Amended Option Plan, including an increase to the maximum number of Common Shares or a change from a fixed maximum percentage of Common Shares to a fixed maximum number, other than an adjustment pursuant to a change in capitalization;
- any reduction in the exercise price of any option after the options have been granted or any cancellation of an option and the substitution of that option by a new option with a reduced price, except in the case of an adjustment pursuant to a change in capitalization;
- any extension of the expiry date of any option, except in case of an extension due to a black-out period;
- any increase in the maximum number of Common Shares that may be issued to (i) insiders and their associates; or (ii) any one insider and his/her associates under the Amended Option Plan or any other proposed or established share compensation arrangement of the Company in a one-year period, except in the case of an adjustment pursuant to a change in capitalization;
- any amendment which would permit options granted under the Amended Option Plan to be transferable or assignable other than for normal estate settlement purposes;
- a change to the eligible participants of the Amended Option Plan, including a change which would have the potential of broadening or increasing participation by insiders; and
- any amendment to the amendment provisions of the Amended Option Plan,

provided that Common Shares held directly or indirectly by insiders benefiting from the amendments shall be excluded when obtaining such shareholder approval, if required by the rules of the TSX.

Except as specifically provided in an option agreement approved by the Board of Directors, options granted under the Amended Option Plan are not assignable or transferable and may only be exercised during the lifetime of the optionee by such optionee (except that an optionee may transfer options to a company in respect of which the optionee is the sole

shareholder, a family or retirement savings trust for bona fide tax planning purposes or a registered retirement savings plan or a registered retirement income fund).

Performance Share Units

Concurrent with the Initial Public Offering, the Company established a performance share unit plan which was subsequently amended by the Board as of April 1, 2016 (the "PSU Plan"). The PSU Plan forms part of the Company's long-term incentive compensation arrangements available for executives and other employees. The Board of Directors has delegated the administration of the PSU Plan to the HRCC, including the authority to grant PSUs to eligible persons and to determine the terms, including the limitations, restrictions, vesting period and performance conditions, if any, upon such grants. The following discussion is qualified in its entirety by the text of the PSU Plan and/or an individual grant agreement.

General Design Summary

Objectives

- | | |
|---|--|
| <ul style="list-style-type: none">• Typically an annual grant of notional shares• PSUs granted in Fiscal 2016 vest based on 1-year performance goals relative to specified Adjusted EBITDA Rate (75% weighted) and Comparable Store Sales Growth (25% weighted) targets, and are subject to an additional 2-year mandatory holding requirement• PSUs granted prior to Fiscal 2016 vest at the end of a three-year period, contingent on the same performance goals described above measured over the three-year performance period• Target PSU awards are earned when weighted average Adjusted EBITDA Rate and Comparable Store Sales Growth performance is 100% of target• 25% of target is paid out if minimum threshold performance is achieved; no payouts are made if this threshold is not met or exceeded• For superior performance, payouts can be a maximum of up to 200% of target• PSUs are generally settled in Common Shares acquired in the market• Dividend 'equivalents' are reinvested notionally into additional PSUs (effective for grants made in Fiscal 2016 and future grants)• Payout will occur no later than December 31st of the third year following the grant date• Subject to clawback in situations of certain errors and misconduct | <ul style="list-style-type: none">• Retain and reward executives for sustained achievement of superior operating goals and share price performance• For Mr. Baker, who does not participate in the AIP, the inclusion of operating measures in the PSU Plan provides a link to sustainable operating performance• In order to align with the Company's operational performance, performance goals are based on earnings and sales targets• Since the value of the PSUs will be based on actual share price at the end of a three-year period, they further align the interests of executives and Shareholders |
|---|--|

Fiscal 2016 PSU targets

Fiscal 2016: Adjusted EBITDA Rate⁽¹⁾ Performance (weight 75%):

<u>Performance Level</u>	<u>Payout (% of Target Number of PSUs)</u>
Threshold (Target less 1%).....	25%
Target (100% of Target).....	100%
Maximum (Target exceeded by 0.5% or more).....	200%

Fiscal 2016: Comparable Store Sales Growth⁽²⁾ (weight 25%):

<u>Performance Level</u>	<u>Payout (% of Target Number of PSUs)</u>
Threshold (Target less 3.9%).....	25%
Target (100% of Target).....	100%
Maximum (Target exceeded by 2% or more).....	200%

Notes:

- (1) Adjusted EBITDA Rate is defined as Adjusted EBITDA as a percentage of retail sales.
- (2) Comparable Store Sales Growth is defined as sales on a year-over-year basis from stores operating for at least 13 months and includes digital sales and clearance store sales. The calculation for Comparable Store Sales Growth performance is based on continuing operations from the time the PSU targets were established.

As a result of the Company's Adjusted EBITDA Rate and Comparable Store Sales Growth performance in Fiscal 2016, none of the PSUs granted in the year will vest.

Fiscal 2014-2016 PSU payouts

The PSUs vesting based on performance over the period from Fiscal 2014 to Fiscal 2016 used three-year Adjusted EBITDA Rate (75% weighted) and Comparable Store Sales Growth (25% weighted) as performance metrics. Based on the Company's performance over the three-year period, none of the PSUs granted in Fiscal 2014 will vest.

The grant of PSUs in Fiscal 2016 and prior years will not entitle the participant to exercise any voting rights or exercise any other right that attaches to ownership of Common Shares. PSUs which have been granted to the participant and which do not vest in accordance with the PSU Plan shall be forfeited by the participant and cancelled without payment, and the participant will have no further right in such PSUs.

Pursuant to the terms of the PSU Plan, in the event of a participant being terminated without cause, unvested PSUs held by the participant will vest *pro-rata* on the participant's termination date based on the period of active employment during the performance period of the award. Payment will be subject to the achievement of performance targets in accordance with the PSU Plan. If the participant retires or becomes permanently disabled, unvested PSUs held by the participant will continue to vest *pro-rata* according to the original vesting schedule based on the period of active employment during the performance period of the award. If the participant is terminated with cause or voluntarily resigns without good reason, all unvested PSUs held by the participant will be forfeited. All PSUs immediately vest upon a participant's death.

In the event of a change of control transaction, including a reorganization of the Company, an amalgamation of the Company, an arrangement involving the Company, a take-over bid (as that term is defined in the *Securities Act* (Ontario)) for all of the Common Shares or the sale or disposition of all or substantially all of the property and assets of the Company, outstanding PSUs may be substituted by or replaced with PSUs of the continuing entity on the same terms and conditions as the original PSUs. In addition, if a participant is terminated without cause or resigns for good reason within two years following a change of control event, unvested PSUs or replacement equivalents held by the participant will become fully vested.

The Board of Directors reserves the right, in its sole discretion, to amend, suspend or terminate the PSU Plan, any PSUs granted pursuant to the PSU Plan, or any portion thereof at any time, in accordance with applicable legislation.

The assignment or transfer of PSUs, or any other benefits under the PSU Plan, shall not be permitted other than by operation of law or the other terms of the PSU Plan.

Restricted Share Units

Concurrent with the Initial Public Offering, the Company established a restricted share unit plan which was subsequently amended and restated at the 2015 Meeting and by the Board in 2016 (the "Amended RSU Plan"). The Amended RSU Plan is one of our long-term incentive compensation arrangements for executives and other employees, pursuant to which restricted share units may be granted to directors, officers, employees, and consultants of the Company and its affiliates. The following discussion is qualified entirely by the text of the Amended RSU Plan and/or an individual grant agreement.

The Amended RSU Plan is administered by the Board of Directors, which will determine, from time to time, the eligibility of participants to participate in the Amended RSU Plan, when RSUs will be awarded, the number of RSUs to be awarded, the vesting criteria for each award of RSUs and all other terms and conditions of each award, in each case in accordance with applicable securities laws and stock exchange requirements.

General Design Summary

Objectives

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| <ul style="list-style-type: none"> • Limited granting by the Company to select NEOs in Fiscal 2016; grants may be annual or one-time • RSUs granted in Fiscal 2016 vest ratably over a 3-year period (1/3 on each of the first 3 anniversaries of the grant date) • RSUs granted prior to Fiscal 2016 cliff vest 100% on the 3rd anniversary of the date of grant • Dividend 'equivalents' are reinvested notionally into additional RSUs • Subject to clawback in situations of certain errors and misconduct | <ul style="list-style-type: none"> • Provides certain executive participants with compensation that is aligned with the growth and development of the Company • Encourages participants to remain with the Company |
|--|--|

As discussed previously under the heading "Stock Options", a total of approximately 27,337,671 million Common Shares (representing 15% of the issued and outstanding Common Shares as of the date hereof) may be issued for the purpose of the Amended RSU Plan, the Amended Option Plan, and any other equity-based incentive compensation agreements. As of the date hereof, a total of 3,527,588 RSUs (including PRSUs discussed below) have been granted and upon vesting will be settled by the issuance of Common Shares, such number representing approximately 1.94% of the issued and outstanding Common Shares as of the date hereof.

The number of Common Shares issued within any one year period, issuable at any time to insiders of the Company, or issued to any one individual (including insiders) under all equity-based incentive compensation arrangements of the Company cannot exceed 10% of the number of Common Shares in the capital of the Company that are outstanding from time to time (calculated on a non-diluted basis). In addition, subject to customary exceptions, the number of Common Shares reserved for issuance to non-employee directors of the Company upon settlement of RSUs, including Common Shares issuable pursuant to other equity-based incentive compensation arrangements, shall not exceed 0.25% of the Common Shares issued and outstanding from time to time (calculated on a non-diluted basis). The total fair market value of an annual grant of RSUs to any individual non-employee director shall not exceed more than \$150,000 worth of Common Shares.

The terms of any particular grant need not be identical to any other grant, and the Board of Directors may amend, suspend, or terminate the terms of any grant, or the terms of the Amended RSU Plan itself (subject to certain restrictions), without shareholder approval. Each RSU granted under the Amended RSU Plan will entitle the participant to a Common Share, provided that: (i) the participant is continuously employed by or in service with the Company, or any of its affiliates,

from the date or the effective date of such grant until vested, and (ii) all other terms and conditions of the grant have been satisfied.

The grant of RSUs will not entitle the participant to exercise any voting rights or any other right that attaches to ownership of Common Shares. RSUs that have been granted to a participant and that do not vest in accordance with the Amended RSU Plan shall be forfeited by the participant and cancelled without consideration, and the participant will have no further right in such RSUs.

Pursuant to the Amended RSU Plan, if a participant is terminated with cause or voluntarily resigns without good reason, all unvested RSUs held by the participant will be forfeited. In the event of the participant's retirement or disability, the unvested RSUs held by the participant will continue to vest *pro-rata* according to their vesting schedule based on the time actually employed by the Company over the performance period of the award. In the event the participant is terminated by the company without cause, the participant's unvested RSUs will vest *pro-rata* on the participant's termination date based on the time actually employed by the Company over the performance period of the award. All RSUs will immediately vest upon a participant's death.

In the event of a change of control transaction, including a reorganization of the Company, an amalgamation of the Company, an arrangement involving the Company, a take-over bid (as that term is defined in the *Securities Act* (Ontario)) for all of the Common Shares or the sale or disposition of all or substantially all of the property and assets of the Company, outstanding RSUs may be substituted by or replaced with RSUs of the continuing entity on the same terms and conditions as the original PSUs. In addition, if a participant is terminated without cause or resigns with good reason within two years following a change of control, unvested RSUs or replacement equivalents become fully vested on the participant's termination date.

The Board of Directors reserves the right, in its sole discretion, to amend, suspend or terminate the Amended RSU Plan and any RSUs granted pursuant to the Amended RSU Plan in accordance with applicable legislation, without obtaining the approval of the Company's Shareholders, including, without limitation: (i) to make amendments of a "housekeeping" nature, including amendments to the Amended RSU Plan necessary to comply with applicable law or the requirements of any regulatory authority or stock exchange and any amendment to the Amended RSU Plan to correct any ambiguity, defective provision or error or omission therein; (ii) to amend the period for payment of vested RSUs, vesting or other payment provisions of the Amended RSU Plan; or (iii) to make any other amendment that does not require shareholder approval under applicable laws or stock exchange rules.

For greater certainty, the Board of Directors shall be required to obtain shareholder approval to make the following amendments:

- any increase in the maximum number of Common Shares that may be issuable from the treasury under the Amended RSU Plan;
- a change to the eligible participants of the Amended RSU Plan, including a change which would have the potential of broadening or increasing participation by insiders; and
- any amendment to the amendment provisions of the Amended RSU Plan,

provided that Common Shares held, directly or indirectly, by insiders benefiting from the amendments shall be excluded when obtaining such shareholder approval, if required by the rules of the TSX.

The assignment or transfer of RSUs, or any other benefits under the Amended RSU Plan, shall not be permitted other than by operation of law or the other terms of the Amended RSU Plan.

Performance Restricted Share Units

To ensure ongoing alignment with the Company's compensation philosophy, reward for the creation of extraordinary shareholder value and recognize the evolving structure of the Company, special one-time grants of PRSUs were made under the Amended RSU Plan to the NEOs in Fiscal 2015.

General Design Summary

- One-time grants of performance-contingent RSUs made under the Amended RSU Plan to select executives who are in leadership positions that are most essential to the achievement of transformative growth and exceptional Shareholder returns over the performance period
- Cliff-vesting on the 5th anniversary of the date of grant if the threshold of 10% annualized (or 61% cumulative) TSR over the 5-year performance period is met
- No units vest if the 10% annualized TSR threshold is not achieved
- Units vesting may be further adjusted upward or downward at the sole discretion of the HRCC based on TSR performance relative to the Company's peers
- Delivery of shares issued in respect of vested PRSUs is deferred up to 2 years following the end of the performance period with semi-annual installments
- Subject to clawback in situations of certain errors and misconduct

Objectives

- Provides reward for achieving sustained exceptional returns for Shareholders over a long-term period, and zero value if transformative growth is not achieved
- The use of both absolute and relative TSR rewards for returns to Shareholders and provides for upward or downward adjustments if the Company outperforms or underperforms its peers, respectively
- TSR, a market-based metric, complements the operational metrics measured by PSUs, providing a well-rounded pairing of performance-vesting LTI
- Since the value of PRSUs will be based on actual share price at the end of the five-year performance period, they further align the interests of executives and Shareholders
- Encourages participants to remain with the Company through the entire performance period as well as the additional 2-year post-vesting deferral period

PRSUs were designed to deliver value only if exceptional shareholder returns are generated over their 5-year performance period, as the Company must achieve a 10% annualized TSR threshold (translating to a 61% cumulative TSR increase) over the performance period. If this threshold of 10% annualized TSR is met, 100% of the target PRSUs will vest.

Additionally, to account for whether the Company materially over- or under-performed our peers, an adjustment may be made, subject to the discretion of the HRCC, based on the assessment of TSR relative to approved peers at the time of vesting. If the Company's annualized TSR is in the top quartile of peers, the HRCC may adjust the number of PRSUs vesting upward by up to 25%. Conversely, if the Company's annualized TSR is in the bottom quartile of peers, the HRCC may adjust the number of PRSUs vesting downward by up to 75%.

To provide additional ongoing alignment with Shareholders and retentive impact, PRSUs are also subject to a post-vesting deferral period. Delivery of shares issued with respect to vested PRSUs is deferred for up to two years, with 25% of vested units delivered in each of four semi-annual installments beginning six months after the vesting date.

(c) Pension and Other Benefits

General Design Summary

- Pension Plans.....**
- Contributions made to defined contribution component of the Company pension plan, the accumulation of which including investment earnings will be used to provide income in retirement. Mr. Baker is the only NEO with assets in this Plan

Objectives

- Attract and retain executives by providing a form of income security upon retirement

General Design Summary

Objectives

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| <p>• Certain executives are also provided with a minimum guaranteed pension (under the defined benefits component of the Supplementary Executive Retirement Plan (the “DB SERP”) upon meeting minimum combined service and age criteria. The benefit payable is the different between the minimum guarantee and the annuity that could be purchased from the balance of a Notional Account (credited with notional contributions based on the provisions of the Executive Pension Plan and investment in the default investment fund)</p> <p>• Mr. Baker, Mr. Watros and Mr. Pall are the only NEOs who were members of the Company’s DB SERP in Fiscal 2016</p> <p>• Effective October 2015, service was frozen under the DB SERP</p> <p>• Certain executives participate in a defined contribution Supplementary Executive Retirement Plan where the Company notionally contributes a percentage of eligible earnings. All NEOs participated in this plan in Fiscal 2016</p> <p>Perquisites</p> <p>• Housing, company car or car allowance, financial counseling, clothing allowance, professional dues and club dues</p> <p>Other Benefits</p> <p>• Health, dental, life insurance, and long-term disability benefits</p> | <p>• Provide benefits above the limits of the Registered Pension Plan</p> <p>• Provide benefits above the limits of the other retirement Plans</p> <p>• Attract and retain executives</p> <p>• Attract and retain healthy and engaged executives</p> |
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Fiscal 2016 CEO Compensation

In Fiscal 2016, our CEO received a targeted compensation package according to the opportunity established in his employment agreement with the Company, the grant value of which is disclosed in the Summary Compensation Table to follow. This opportunity has been reviewed each year relative to our peer groups, as previously discussed in this document. Mr. Storch’s base salary (provided in USD) and AIP opportunity remained the same in Fiscal 2015 and 2016, and Fiscal 2016 was the first year in which Mr. Storch received his regular annual long-term incentive grants.

We believe the compensation realized and realizable from the 2016 compensation package is directly reflective of our focus on ensuring compensation is contingent on performance and providing a significant portion of pay “at risk,” as:

- No value was paid out under the AIP in Fiscal 2016;
- None of the PSUs granted in Fiscal 2016 will vest; and
- All stock options granted to Mr. Storch in Fiscal 2016 (as well as stock options granted in prior years) were underwater at the end of the fiscal year.

As a result of these outcomes, the only compensation realized by Mr. Storch in Fiscal 2016 was his base salary and minimal value from benefits and perquisites. However, he still has the opportunity to realize value from stock options over their 7-year term if our share price increases, which will maintain Mr. Storch’s focus on generating long-term shareholder value.

Executive Compensation Policy Changes for Fiscal 2017

In consideration of the challenging and changing retail environment and to support our business strategy going forward, the HRCC has approved changes to the Company's executive compensation policy for Fiscal 2017. These changes, as summarized below and to be described in greater detail in the 2018 Management Information Circular, primarily focus on ensuring our incentive compensation programs are structured such that they:

- Incentivize and reward for the creation of long-term shareholder value in this dynamic and challenging atmosphere; and
- Enable management to attract, retain, and motivate the right people to execute on the Company's strategic priorities and initiatives.

AIP The changes made to the AIP will increase the alignment of our short-term incentive plan with key measures of success over our seasonal business cycle, reflect a more balanced and holistic view of performance, and will better allow us to set meaningful targets in the uncertain retail environment.

Approved changes for the fiscal 2017 AIP include:

- Providing a portion of the AIP linked to strategic priorities, measured on an annual basis, which allows us to connect the award with shared metrics that reflect key aspects of our operational achievements during the fiscal year;
- The use of Adjusted EBITDAR (Adjusted EBITDA before third party rent expenses, cash rent to joint ventures and cash distributions from joint ventures) instead of Adjusted EBITDA as our primary financial performance metric, as we believe Adjusted EBITDAR best reflects the performance of the retail business following the creation of the real estate joint ventures;
- The introduction of sales as a financial objective (in addition to Adjusted EBITDAR), which provides a balanced focus between top-line and bottom-line performance to reward employees for the achievement of our growth goals; and
- The introduction of semi-annual performance cycles and payouts for financial metrics, allowing for a more timely link between performance and payout for participants and enabling more accurate target-setting.

Management and the HRCC will continue to evaluate the AIP and its performance metrics to assess the ongoing alignment with our preferred methods of evaluating Company success.

LTI For the fiscal 2017 LTI program, the HRCC approved the introduction of semi-annual vesting of stock options and RSUs over a 3-year vesting period, which strengthens the retentive hold of our equity program and allows us to be more nimble in adapting to and addressing talent pressures in this dynamic and challenging retail environment. This change will support our ability to connect compensation opportunity with the achievement of our strategic goals and long-term shareholder value.

Executive Share Ownership Guidelines

The Company has formalized minimum share ownership guidelines as part of its Corporate Governance Guidelines to further align the interests of senior executives with those of the Company's Shareholders. Under these guidelines, senior executives are expected to own eligible equity-based holdings with a value equal to a multiple of their base salary as determined by their position. The specific guidelines for each executive, as well as the time period in which share ownership guidelines are expected to be met, are set with a view towards market practices. The current guidelines are outlined in the table below, and each executive must satisfy these guidelines within 5 years of the later of: (i) the date of the Initial Public Offering, and (ii) the executive's date of hire.

Executive Level	Share Ownership Requirement
Governor and Executive Chairman, and CEO	5 times base salary
Executive leadership team members (including all other NEOs)	2 times base salary
Executive Vice Presidents	1 time base salary

Clawback Policy

AIP and equity-based compensation paid by the Company, or any of its Affiliates, is subject to clawback and recapture, to the extent permitted by law, if:

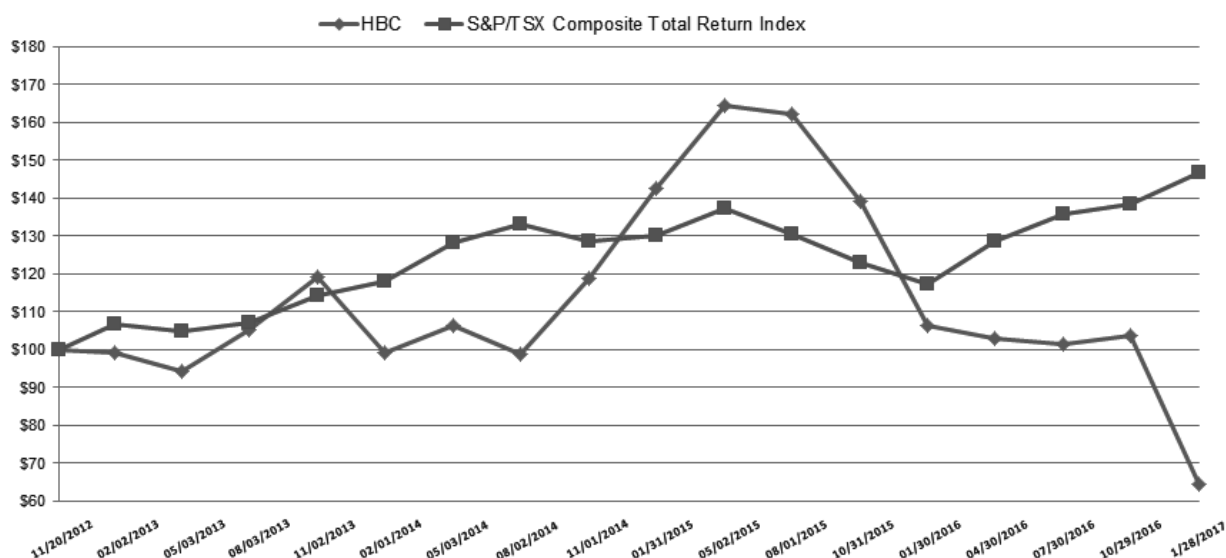
- (a) such amounts were based on the achievement of financial results that were subsequently materially revised (e.g., due to the restatement of the Company’s, or any of its Affiliates’, financial statements);
- (b) the participant engaged in grossly negligent or intentional misconduct that caused or substantially caused the need for the material revision; and
- (c) fewer awards (i.e., stock options, PSUs, RSUs or PRSUs) or a lesser cash value (i.e., AIP) would have been awarded or vested had the financial results been accurate.

Anti-Hedging Policy

All insiders (including employees and directors) are, under the terms of the Company’s Insider Trading Policy, prohibited from purchasing financial instruments designed to hedge or offset a decrease in the market value of shares, including shares granted as or underlying share-based compensation or otherwise held directly or indirectly by a NEO or a director.

Performance Graph

The following performance graph illustrates the cumulative return on a \$100 investment in HBC’s Common Shares made on November 20, 2012, being the date on which the Common Shares started trading on the TSX, compared with the cumulative return on the S&P/TSX Composite Total Return Index for the same period. It assumes reinvestment of all dividends during the covered period.



Date	HBC	S&P/TSX Composite Index
11/20/2012	\$100.00	\$100.00
2/2/2013	\$99.39	\$106.81
2/1/2014	\$99.36	\$118.21
1/31/2015	\$142.78	\$130.34
1/30/2016	\$106.36	\$117.45
1/28/2017	\$64.56	\$146.86

Fiscal 2016 represented the Company's fourth full fiscal year as a public company. As of January 28, 2017, the cumulative shareholder return on an investment in the Common Shares significantly trailed that of the S&P/TSX Composite Index (the "Index") (-35% compared to 46.86%). As evidenced by the graph above, the Index also outperformed the Common Shares for a majority of Fiscal 2016.

The retail environment experienced a downturn during the third and fourth quarters of Fiscal 2015 and has continued throughout Fiscal 2016. These events have contributed to higher levels of volatility for the Company's Common Shares when compared to the Index.

Total compensation for executive officers in Fiscal 2016 was generally similar to Fiscal 2015, once such amounts are normalized to account for prior years' one-time sign-on and special equity grants. Aside from base salaries, executive compensation reflects the Company's corporate performance objectives in the short and long term. Specifically, we believe the realized and realizable value of compensation provided to our NEOs during the year reflects the trends illustrated in the diagram above, as the Company did not achieve its performance targets for the AIP and therefore had no payouts to NEOs in Fiscal 2015 or Fiscal 2016, there will be zero vesting from the PSUs for the performance periods 2014-2016 and 2016, and all outstanding stock options were underwater at the end of Fiscal 2016. Please refer to the section "Fiscal 2016 CEO Compensation" on page 35 for additional discussion.

As our incentive plan targets are based upon a mix of earnings and other operational metrics, as well as shareholder return and share price performance, the Company believes that sustained financial and operational performance will lead to long-term shareholder value creation. As such, the Company anticipates that the total compensation realized by our executives will trend consistently with shareholder return.

Summary Compensation Table

The following table sets out information concerning the compensation paid by the Company to the NEOs in Fiscal 2014, Fiscal 2015, and Fiscal 2016, as may be applicable:

Name and Principal Position	Year	Salary (\$)	Share-based Awards ⁽¹⁾ (\$)	Option-based Awards ⁽²⁾ (\$)	Non-equity Incentive Plan Compensation (\$)			All Other Compensation ⁽⁴⁾ (\$)	Total Compensation ⁽⁵⁾ (\$)
					Annual Incentive Plan	Long-term Incentive Plans	Pension Value ⁽³⁾ (\$)		
Gerald Storch	2016	1,580,280	1,971,833	2,254,955	—	N/A	153,433 ⁽⁶⁾	—	5,960,501
Chief Executive Officer	2015	1,555,080	3,652,294	—	—	N/A	124,406	—	5,331,780
	2014	96,238 ⁽⁶⁾	—	4,458,000	N/A	N/A	N/A	—	4,554,238

Name and Principal Position	Year	Salary (\$)	Share-based Awards ⁽¹⁾ (\$)	Option-based Awards ⁽²⁾ (\$)	Non-equity Incentive Plan Compensation (\$)			All Other Compensation ⁽⁴⁾ (\$)	Total Compensation ⁽⁵⁾ (\$)
					Annual Incentive Plan	Long-term Incentive Plans	Pension Value ⁽³⁾ (\$)		
Paul Beesley	2016	973,848	348,875	463,205	—	N/A	108,237	380,291	2,274,456
Chief Financial Officer	2015	899,989	1,799,752	469,764	—	N/A	107,833	—	3,277,338
	2014	555,509 ⁽⁶⁾	403,996	1,295,606	484,808	N/A	41,747	926,000	3,707,666
Richard Baker ⁽⁷⁾	2016	790,140	3,145,132	3,758,258	N/A	N/A	56,498	—	7,750,028
Governor and Executive Chairman	2015	777,540	10,604,581	3,887,700	N/A	N/A	117,104	—	15,386,925
	2014	600,000	2,669,234	—	N/A	N/A	103,930	—	3,373,164
Donald Watros	2016	1,580,280	1,375,990	438,462	—	N/A	45,103	—	3,439,835
President, HBC International	2015	1,555,080	1,460,920	—	—	N/A	(223,702)	—	2,792,298
	2014	1,281,675	835,866	—	1,016,424	N/A	758,263	—	3,892,228
Brian Pall	2016	1,086,443	458,658	438,462	—	N/A	91,088	60,577	2,135,228
President, Real Estate	2015	1,069,118	2,170,713	—	—	N/A	135,588	—	3,375,419
	2014	835,875	765,348	—	—	N/A	137,126	—	1,738,349

Notes:

- (1) Includes RSUs, PSUs and PRSUs granted in Fiscal 2014, Fiscal 2015 and Fiscal 2016, as applicable.
- (2) In Fiscal 2016, the value of the stock options is based on the Black-Scholes options pricing model, a common and widely-accepted valuation methodology, as described in greater detail below.
- (3) Pension value is calculated based on expected earnings until retirement, including annual service cost. This would include the change in the accrued obligation attributable to the impact of the differences between actual earnings (salary and AIP) for the year. The Company closed its Defined Benefits Plan effective October 1, 2015. As a result, pension value was adjusted to reflect, among other things, changes to discount rates which in certain cases results in negative numbers. Pension value also reflects compensation received pursuant to the Company's Supplementary Executive Retirement Plan. For greater detail, please refer to the "Defined Benefits Plan Table" and "Defined Contribution Plans Table" below.
- (4) Mr. Beesley's other compensation includes Relocation (\$360,538) and Auto Allowance (\$19,753); Mr. Pall's other compensation includes Tax Preparation (\$13,169), Auto Allowance (\$23,704) and Medical Allowance (\$23,704).
- (5) Compensation for all NEOs in Fiscal 2016 was provided in U.S. dollars. For the purposes of translating these amounts into Canadian currency for disclosure under the Summary Compensation Table, the conversion rate used for Fiscal 2016 was 1:1.3169 based on the average monthly exchange rates posted on the Bank of Canada website. Exchange rates for Fiscal 2015 and Fiscal 2014 are 1.2959 and 1:1.145, respectively, based on the average daily noon rate posted on the Bank of Canada website.
- (6) Fiscal 2014 represents partial salary based on their respective appointment dates.
- (7) Mr. Baker is also a director of the Company. Mr. Baker did not receive any additional fees in relation to his role as a director.

Valuation Disclosure for Share-based Awards

PSUs granted in Fiscal 2014, Fiscal 2015 and Fiscal 2016 were valued at \$17.61, \$28.34 and \$17.01, respectively, based on the market value of the Common Shares at the time of the grant. RSUs granted to Mr. Baker in Fiscal 2014, Fiscal 2015 and Fiscal 2016 were valued at \$17.61, \$28.34 and \$17.01 respectively. PRSU valuation includes a performance discount calculated by an independent third-party assessor. For greater detail regarding these awards, please refer to the section regarding the PSU Plan and the Amended RSU Plan under the heading “Elements of Our Compensation Program in Fiscal 2016– Long-Term Plans”.

Valuation Disclosure for Option-based Awards

The value of the stock options included under the heading in the Summary Compensation Table above is based on the Black-Scholes options pricing model, a common and widely-accepted valuation methodology. These amounts represent the grant date fair value of the options when granted. In Fiscal 2016, options granted were valued at \$4.47. The key assumptions used to determine the stock option value for Fiscal 2016 grants using the Black-Scholes Option Pricing Model included: expected average life of 5 years, expected share price volatility of 32.98%, expected dividend yield per dividend policy at the time of the grant, a risk-free rate of 0.66% and conversion to USD based on the trailing 12 month noon exchange rates posted on the Bank of Canada website at the time of the grant. This fair value on the date of grant does not differ from the fair value determined in accordance with International Financial Reporting Standards IFRS 2. For greater detail regarding these awards, please refer to the section “Elements of Our Compensation Program in Fiscal 2016– Long-Term Plans”.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards Table

The following table shows, as at January 28, 2017, and with respect to each NEO, the share-based awards that have not yet vested and option-based awards that have not yet been exercised.

Name	Award Type	Grant Year	Option-Based Awards			Share-Based Awards			
			Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options (\$)	Number of Shares or Units that have not Vested (#)⁽¹⁾	Market or Payout Value of Share Based Awards that have not Vested (\$)	Market or Payout value of vested Share Based Awards not paid out or distributed
Gerald Storch.....	PSU	2016	N/A	N/A	N/A	N/A	116,821	Nil	—
	Options	2016	527,859	17.01	Apr. 13, 2023	Nil	N/A	N/A	N/A
	PRSUs	2015	N/A	N/A	N/A	N/A	357,496	— ⁽²⁾	—
	Options	2014	890,868	23.58	Dec. 17, 2021	Nil	N/A	N/A	N/A
Paul Beesley.....	PSU	2016	N/A	N/A	N/A	N/A	20,733	Nil	—
	Options	2016	108,431	17.01	Apr. 13, 2023	Nil	N/A	N/A	N/A
	Options	2015	62,500	28.34	June 23, 2022	Nil	N/A	N/A	N/A
	PSUs	2015	N/A	N/A	N/A	N/A	9,226	125,871 ⁽³⁾	—
	PRSUs	2015	N/A	N/A	N/A	N/A	142,998	— ⁽²⁾	—
	Options	2014	244,736	17.00	June 24, 2021	73,421	N/A	N/A	N/A
	PSUs	2014	N/A	N/A	N/A	N/A	21,323	Nil	—

Name	Award Type	Grant Year	Option-Based Awards				Share-Based Awards		
			Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options (\$)	Number of Shares or Units that have not Vested (#) ⁽¹⁾	Market or Payout Value of Share Based Awards that have not Vested (\$)	Market or Payout value of vested Share Based Awards not paid out or distributed
Richard Baker.....	PSU	2016	N/A	N/A	N/A	N/A	155,761	Nil	—
	RSU	2016	N/A	N/A	N/A	N/A	31,151	322,724 ⁽³⁾	—
	Options	2016	879,765	17.01	Apr. 13, 2023	Nil	N/A	N/A	N/A
	Options	2015	627,615	23.90	Oct. 9, 2022	Nil	N/A	N/A	N/A
	PSUs	2015	N/A	N/A	N/A	N/A	70,563	962,697 ⁽³⁾	—
	RSUs	2015	N/A	N/A	N/A	N/A	25,522	264,408 ⁽³⁾	—
	PRSUs	2015	N/A	N/A	N/A	N/A	714,994	— ⁽²⁾	—
	PSUs	2014	N/A	N/A	N/A	N/A	113,571	Nil	—
	RSUs	2014	N/A	N/A	N/A	N/A	25,772	266,998 ⁽³⁾	—
	Options	2012	1,500,000	17.00	Nov. 26, 2022	Nil	N/A	N/A	N/A
Donald Watros.....	PSU	2016	N/A	N/A	N/A	N/A	81,774	Nil	—
	Options	2016	102,639	17.01	Apr. 13, 2023	Nil	N/A	N/A	N/A
	PRSUs	2015	N/A	N/A	N/A	N/A	142,998	— ⁽²⁾	—
	PSUs	2014	N/A	N/A	N/A	N/A	42,589	Nil	—
	Options	2012	375,000	17.00	Nov. 26, 2022	Nil	N/A	N/A	N/A
Brian Pall.....	PSU	2016	N/A	N/A	N/A	N/A	27,257	Nil	—
	Options	2016	102,639	17.01	Apr. 13, 2023	Nil	N/A	N/A	N/A
	PSU	2015	N/A	N/A	N/A	N/A	17,641	240,678 ⁽³⁾	—
	RSU	2015	N/A	N/A	N/A	N/A	10,532	109,112 ⁽³⁾	—
	PRSU	2015	N/A	N/A	N/A	N/A	142,998	— ⁽²⁾	—
	PSU	2014	N/A	N/A	N/A	N/A	28,392	Nil	—
	RSU	2014	N/A	N/A	N/A	N/A	15,534	160,932 ⁽³⁾	—
	Options	2012	375,000	17.00	Nov. 26, 2022	Nil	N/A	N/A	N/A

Notes:

- (1) The number of units also includes units issued as dividend equivalents recorded for each respective grant as applicable.
- (2) The value of PRSUs is dependent upon the achievement of various performance goals, none of which have been satisfied since the grant date. An independent third party assessor has calculated the fair value of each PRSU to be \$0.40 as of January 27, 2017. Based on this valuation, as of January 27, 2017, the fair value of the PRSUs held by each of Messrs. Storch, Beesley, Baker, Watros and Pall was \$142,998, \$57,199, \$285,998, \$57,199 and \$57,199, respectively.
- (3) Assumes payouts based on target performance for PSUs. Actual number of units vested may vary based on financial performance over the relevant measurement period. For the purposes of attributing market value to the Common Shares underlying the share based awards, the Company has used the closing price of its Common Shares on the TSX as at January 27, 2017, which was \$10.36. This amount may not represent the actual value of the share based awards which ultimately vest, if any, as the value of the Common Shares underlying any awards that could vest may be of greater or lesser value on vesting based on the market value of the Common Shares at that time. PSUs granted in Fiscal 2014 and Fiscal 2016 have not yet reached vest date, however the final payout value is known to be 0 and this has been reflected in the above table.

Incentive Plan Awards — value vested or earned during the year

Name	Option-based awards — Value vested during the year (\$)	Share-based awards — Value vested during the year (\$) ⁽¹⁾	Non-equity incentive plan compensation — Value earned during the year (\$) ⁽²⁾
Gerald Storch.....	—	—	—
Paul Beesley.....	—	—	—
Richard Baker.....	—	298,189	—
Donald Watros.....	—	111,809	—
Brian Pall.....	—	314,685	—

Notes:

- (1) Mr. Baker, Mr. Watros and Mr. Pall’s Fiscal 2013 PSU grants vested and were settled based on the fair market value of \$15.01 as of June 21, 2016. Mr. Pall’s Fiscal 2013 RSU grant vested and was settled based on the fair market value of \$15.01 as of June 21, 2016.
- (2) Total amounts earned are equal to the sum of the cumulative amounts shown in the “Non-equity incentive plan compensation” column in the Summary Compensation Table above.

Defined Benefit Plan Table

The Company has a Supplementary Executive Retirement Plan for certain of its designated senior executives, including certain NEOs. Benefits under this defined benefit plan are based on the employee’s years of service and the plan’s benefit formula. This supplementary plan to the Executive Pension Plan (discussed below) provides a minimum guaranteed pension to certain NEOs enrolled or notionally enrolled in the Executive Pension Plan once they meet vesting criteria (i.e., certain age and service requirements). Specifically, the plan provides a guaranteed pension equal to 1.8% of the average earnings (based on base salary and AIP to a maximum of target) of the highest consecutive 36 months, minus a proportion of the year’s maximum Canada/Quebec Pension Plan benefit. The pensions are payable for life, with a guarantee of 10 years’ payments and are reduced for retirement prior to age 63 (reduction rate of 3.6% for each year prior to the age of 63). Members are vested after 5 years of service and once the total of age and service equals 60 or more. The Company’s guaranteed obligation for service up to November 10, 2005 is secured by a trust fund for certain members (none of whom are NEOs). The ultimate pension from the defined benefit component of the SERP for the NEOs is the minimum guarantee less the life annuity which can be purchased with the balance of a Notional Account (which has been credited as though participating in the Executive Pension Plan and investing in the default investment fund). Effective October 1, 2015, service was frozen in such plan and a new supplementary defined contribution plan was created for contributions in excess of the government limit of the Executive Pension Plan (discussed below).

In respect of the NEOs, below is a table related to the Company's defined benefit plan:

<u>Annual benefits payable (\$)</u>							
<u>Name</u>	<u>Number of years of credited service (#)</u>	<u>At year end</u>	<u>At age 65</u>	<u>Opening present value of defined benefit obligation (\$)</u>	<u>Compensatory change⁽¹⁾ (\$)</u>	<u>Non-compensatory change⁽²⁾ (\$)</u>	<u>Closing present value of defined benefit obligation (\$)</u>
Gerald Storch.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Paul Beesley	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Richard Baker.....	2.7	18,000	18,000	286,000	(11,000)	23,000	298,000
Donald Watros.....	6.7	192,700	192,700	3,151,000	(103,000)	251,000	3,299,000
Brian Pall.....	3.0	32,800	32,800	504,000	(18,000)	33,000	519,000

Notes:

- (1) The compensatory change includes the change in the accrued obligation attributable to the impact of the differences between actual earnings (salary and AIP) for the year, and those assumed in the previous years' calculations. In certain cases, this resulted in negative pension values for certain NEOs in Fiscal 2016.
- (2) The non-compensatory change amount represents the change in the accrued obligation during the year attributable to items that are not related to salary and AIP, such as assumption changes and interest on the accrued obligation. The discount rate change (3.9% at start of year and 3.7% at end) had the biggest impact.

Defined Contribution Plans Table

The Company has a registered non-contributory Executive Pension Plan (in Canada) for designated senior executives, including Mr. Baker who is a suspended member. It is a defined contribution plan to which the Company contributes 10% (or for certain executive meeting age and service criteria 12% or 15%) of the executive's earnings (based on base salary and AIP to a maximum of target), subject to current limits set by the Income Tax Act. The accumulation of the contributions plus any investment income is used for income in retirement (ex. to purchase a life annuity). Members are vested immediately.

NEOs (except for Mr. Baker) participate in the Lord & Taylor 401(k) Retirement Savings Plan, which is available to all qualifying employees of Lord & Taylor. This is a defined contribution plan in which the Company may, on a discretionary basis, match contributions made by the participants. Contributions are subject to requirements and limitations of the U.S. Internal Revenue Service. The contributions made by the Company will vest over time, and will fully vest 100% after six years of service.

The Company provides a U.S. non-qualified plan for members of the executive leadership team which is a defined contribution plan to which the Company notionally contributes 8% of the executive earnings (based on base salary and AIP to a maximum of target). All NEOs participate in such plan.

In respect of the NEOs, below is a table related to the Company's defined contribution plans:

<u>Name</u>	<u>Accumulated Value at Start of Year (\$)</u>	<u>Compensatory (\$)</u>	<u>Accumulated Value at End of Year (\$)</u>
Gerald Storch.....	158,339	153,433	365,172
Paul Beesley	174,551	108,237	311,025
Richard Baker.....	101,473	67,498	176,825
Donald Watros.....	221,338	148,103	421,928
Brian Pall.....	550,317	109,088	790,373

Employee Agreements, Termination and Change of Control Benefits

The Company has written employment agreements with each of the NEOs and each NEO is entitled to receive compensation established by the Company as well as other benefits in accordance with plans available to other executives (including a car allowance, annual membership fees, vacation time, insurance and participation in the pension plans, as applicable).

Each executive employment agreement provides that the Company may terminate a NEO's employment at any time, without cause, by providing the NEO with notice of termination. If the NEO's employment is terminated by the Company without cause, or the NEO resigns with good reason, the NEO shall be entitled to the severance payments as outlined in the table below.

The following table sets out the estimated amounts that would be payable to each NEO (i) if his/her employment was terminated without cause, or if he/she resigned with good reason, or (ii) if the NEO's employment is terminated by the Company without cause or the NEO resigns with good reason, in each case, within two years following the consummation of a change of control transaction, or, in the case of stock options, within one year following the consummation of a change of control transaction.

Name	Termination Without Cause/ Resignation With Good Reason				Change of Control with Associated Termination ⁽¹⁾			
	Base Salary and AIP (\$) ⁽²⁾	Acceleration of Equity- Based Awards (\$) ⁽³⁾	Other Value	Total (\$)	Base Salary and AIP (\$) ⁽²⁾	Acceleration of Equity- Based Awards (\$) ⁽³⁾	Other Value	Total (\$)
Gerald Storch.....	3,160,560	—	—	3,160,560	3,160,560	1,210,266	—	4,370,826
Paul Beesley	973,848	—	—	973,848	973,848	531,282	—	1,505,129
Richard Baker.....	790,140	4,375,442 ⁽⁴⁾	—	5,165,582	790,140	4,375,442 ⁽⁴⁾	—	5,165,582
Donald Watros.....	1,580,280	—	—	1,580,280	1,580,280	1,288,401	—	2,868,681
Brian Pall.....	1,086,443	200,628	333,891 ⁽⁵⁾	1,620,961	1,086,443	1,029,318	333,891 ⁽⁵⁾	2,449,651

Notes:

- (1) Reflects incremental compensation payable by the Company triggered by a termination without cause or resignation with good reason following a Change of Control (i.e., "double trigger" Change of Control provision based on Fiscal 2016 year-end termination). No incremental compensation is paid and no outstanding equity units accelerate in vesting based solely on the occurrence of a Change of Control.
- (2) Reflects 12 months of salary continuation for all NEOs as well as a guaranteed bonus at target level for the year of termination for Mr. Storch only.
- (3) The incremental value related to the accelerated vesting of outstanding equity grants (where warranted based on relevant plan provisions, as described previously in this document) is calculated based on the closing price of our stock on the last trading day of Fiscal 2016 (\$10.36).
- (4) Per Mr. Baker's employment agreement, all outstanding RSUs and PSUs granted to Mr. Baker vest immediately upon termination without cause or resignation with good reason.
- (5) Per Mr. Pall's employment agreement, he is entitled to the following benefits upon termination (in addition to salary continuation and the acceleration of select equity grants): US\$200,000 payable monthly over the 12-month period following termination, an automobile allowance and other miscellaneous allowance payable monthly over the 12-month period following termination (\$18,000 USD for each allowance), applicable company matching from 12 months of continued participation in the Company's 401(k) plan, and 12 months of continued health benefits.

For termination and change of control related provisions relating to the long-term incentive plans, please refer to the relevant section under the heading "Compensation Discussion & Analysis."

In general, each executive employment agreement contains customary contractual provisions, including non-solicitation, non-competition and confidentiality covenants in favor of the Company. Additionally, Mr. Baker's executive employment agreement provides for specified equity grants to be made throughout the term of the agreement, irrespective of any changes to his employment status.

Director Compensation

The director compensation program is designed to attract and retain global talent to serve on the Company’s Board of Directors and committees, taking into account the risks and responsibilities of being an effective director. Our objective regarding director compensation is to follow best practices with respect to retainers, the format and weighting of the cash and equity components of compensation, and the implementation of share ownership guidelines. We believe the selected approaches have helped attract, and will help to attract and retain strong members for the Board of Directors who will be able to fulfill their fiduciary responsibilities without competing interests.

The total compensation for all Board of Directors positions is comprised of at least 65% deferred share units (“DSUs”), with the remainder being paid in cash. Directors may elect to receive up to 100% of their compensation in DSUs.

The fair market value of annual DSU grants represents the weighted average closing share price on the TSX for the five trading days prior to such issuance. Dividend ‘equivalents’ are reinvested notionally into additional DSUs. DSUs will only be paid out in the calendar year following the Director’s resignation, retirement from the Board of Directors, or death. The value of the amount paid out will be determined as the fair market value of the accrued amount.

Following best practice, the Company does not offer a meeting fee for directors. The total retainer is deemed to be full payment for the role of director. The exception to this approach would be in the event of a merger or acquisition, or other special circumstance that required more meetings than are typically required, in which case a “special” fee may be granted. Also, a retainer premium is provided to Committee Chairs and Members to reflect the additional time commitment, level of responsibility and skills required in those roles.

The Board of Directors believes that it is important that directors demonstrate their commitment to the Company’s performance through share ownership. The minimum share ownership requirement applicable to directors is three times the director’s annual board retainer (inclusive of a cash retainer and annual DSU grants, but exclusive of any additional compensation for Board of Directors service), with five years to achieve that guideline. Actual director equity ownership data are reported in the relevant section under the heading “Nominees for Election to the Board of Directors” of this Circular.

The fee schedule for the Company’s non-executive directors is as follows:

		Compensation (<u>\$</u>)
Board Retainer	Cash Retainer	70,000
	Annual DSU Grant	130,000
Additional Compensation for Board of Directors Service		
Lead Director.....	Additional Cash Retainer	20,000
	Additional DSU Grant	20,000
Committee Compensation.....	Chair Retainers	
	Audit Committee	30,000
	Human Resources and Compensation Committee	25,000
	Corporate Governance and Nominating Committee	20,000
	Member Retainers	
	Audit Committee	10,000
	Human Resources and Compensation Committee	7,500
	Corporate Governance and Nominating Committee	5,000

All directors are entitled to be reimbursed for expenses reasonably incurred by them in their capacity as directors.

Director Compensation Table

The following table sets out information concerning the Fiscal 2016 compensation paid by the Company to each director. In addition to being the Governor and Executive Chairman, Mr. Richard Baker is also a director of the Company. Information regarding Mr. Richard Baker's compensation can be found under the heading "Executive Compensation Discussion and Analysis – Summary Compensation Table." Mr. Richard Baker did not receive any additional fees in relation to his role as a director. Robert Baker, William Mack, and Lee Neibart elected to receive 100% of their cash retainers in DSUs.

Name	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Robert Baker.....	—	207,732	N/A	N/A	N/A	—	207,732
David Leith.....	95,250	165,366	N/A	N/A	N/A	—	260,616
William Mack.....	—	207,732	N/A	N/A	N/A	—	207,732
Lee Neibart.....	—	207,732	N/A	N/A	N/A	—	207,732
Denise Pickett.....	76,125	146,173	N/A	N/A	N/A	—	222,298
Wayne Pommen.....	80,500	154,593	N/A	N/A	N/A	—	235,093
Earl Rotman.....	78,750	151,235	N/A	N/A	N/A	—	229,985
Matthew Rubel.....	71,663	161,198	N/A	N/A	N/A	—	232,861
Andrea Wong.....	71,750	136,266	N/A	N/A	N/A	—	207,976

Outstanding Share-Based Awards and Option-Based Awards

The following table shows, as at January 28, 2017, and with respect to each director who is not an NEO, the share-based awards that have not yet vested and option-based awards that have not yet been exercised.

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options (\$)	Number of Shares or Units that have not Vested (#)	Market or Payout Value of Share-Based Awards that have not Vested (\$)	Market or Payout value of vested Share-Based awards not paid out or distributed ⁽¹⁾ (\$)
Robert Baker.....	N/A	N/A	N/A	N/A	—	—	404,226
David Leith.....	N/A	N/A	N/A	N/A	—	—	293,592
William Mack.....	N/A	N/A	N/A	N/A	—	—	404,226
Lee Neibart.....	N/A	N/A	N/A	N/A	—	—	404,226
Denise Pickett.....	N/A	N/A	N/A	N/A	—	—	250,857
Wayne Pommen.....	N/A	N/A	N/A	N/A	—	—	266,283
Earl Rotman.....	N/A	N/A	N/A	N/A	—	—	260,627
Matthew Rubel.....	N/A	N/A	N/A	N/A	—	—	280,279
Andrea Wong.....	N/A	N/A	N/A	N/A	—	—	155,597

Note:

- (1) For the purposes of attributing a market value to the Shares underlying the share-based awards, the Company has used the closing price of its Common Shares on the TSX as at January 27, 2017, which was \$10.36. This amount may not represent the actual value of the share-based awards upon distribution, as the value of the Shares underlying these awards may be of greater or lesser value on vesting based on the market value of the Common Shares at that time.

Incentive Plan Awards — value vested or earned during the year

Name	Option-based awards — Value vested during the year (S)	Share-based awards — Value vested during the year ⁽¹⁾ (S)	Non-equity incentive plan compensation — Value earned during the year (S)
Robert Baker.....	N/A	207,732	N/A
David Leith.....	N/A	165,366	N/A
William Mack.....	N/A	207,732	N/A
Lee Neibart.....	N/A	207,732	N/A
Denise Pickett.....	N/A	146,173	N/A
Wayne Pommen.....	N/A	154,593	N/A
Earl Rotman.....	N/A	151,235	N/A
Matthew Rubel.....	N/A	161,198	N/A
Andrea Wong.....	N/A	136,226	N/A

Note:

- (1) The DSUs are deemed to immediately vest upon being awarded. The purposes of attributing the value vested during the fiscal year, the Company has used the fair market value of the DSU on the date of issuance, which is calculated in accordance with the DSU Plan and is based on the market value of the Common Shares.

Indemnification and Insurance

The Company has a \$135 million director and officer insurance program as well as \$25 million in Side A coverage. In addition, the Company has indemnification agreements with each of its directors and officers. The indemnification agreements generally require that the Company indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to the Company as directors and officers, provided that the indemnitees acted honestly and in good faith and in a manner the indemnitees reasonably believed to be in, or not opposed to, the Company's best interests and, with respect to criminal and administrative actions or proceedings that are enforced by monetary penalty, the indemnitees had no reasonable grounds to believe that his or her conduct was unlawful. The indemnification agreements also provide for the advancement of defense expenses to the indemnitees by the Company.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The table below sets out the securities authorized for issuance from treasury under the Company's equity-based compensation plans as of January 28, 2017:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by securityholders...			5,501,007
Amended Option Plan.....	18,151,164	19.04	
Amended RSU Plan.....	3,598,169 ⁽¹⁾	N/A	
Equity compensation plans not approved by securityholders...			
Gilt Plan ⁽²⁾	87,262	N/A	
Total	21,836,595	19.04	5,501,007

Note:

- (1) Includes 1,953,687 Common Shares to be issued pursuant to RSUs and 1,644,482 Common Shares to be issued pursuant to PRSUs.
- (2) In connection with the Company's acquisition of Gilt Groupe Holdings, Inc. ("Gilt"), Gilt, as a wholly owned subsidiary of the Company, adopted Gilt's Amended and Restated 2007 Stock Incentive Plan, as amended (the "Gilt Plan") which, at the time of the closing of the acquisition, had an aggregate of 207,109 restricted stock units (the "Post-Closing Gilt RSUs") and certain unvested restricted stock units representing the right to receive cash (the "Cash RSUs") outstanding. Upon the adoption of the Gilt Plan, the Post-Closing RSUs were deemed to represent a right to acquire Common Shares of the Company. Other than the Post-Closing RSUs and the Cash RSUs, no further options, restricted stock units or other awards or grants of equity interests of Gilt remain outstanding under the Gilt Plan and no further grants of options, restricted stock units or other awards or grants of equity interests of Gilt shall be made under the Gilt Plan, notwithstanding any settlement, expiration or forfeiture of any Post-Closing Gilt RSUs and Cash RSUs.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors, executive officers, employees, former directors, former executive officers or former employees of the Company, and none of their associates, is or has within 30 days before the date of this Circular or at any time since the beginning of the most recently completed financial year been indebted to the Company or another entity whose indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar agreement or understanding provided by the Company, except for routine indebtedness.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this Circular, 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 since the commencement of the Company's most recently completed financial 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 and a related party, such as our directors, officers, holders of more than 10% 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. 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.

CORPORATE GOVERNANCE

General

The Board of Directors believes that sound corporate governance practices are essential to the proper management and operation of our business. This includes compliance with applicable regulatory requirements and best practices that go beyond the requirements mandated by regulation.

To comply with these various standards and achieve best practices, we have adopted comprehensive corporate governance policies and procedures. Our key policies and documents include the following:

- Corporate Governance Guidelines
- Code of Business Conduct
- Mandate of the Board of Directors
- Whistleblower Policy
- Charters of the various committees of the Board of Directors, including the Audit Committee, the HRCC, and the CGNC
- Disclosure Policy
- Insider Trading Policy

The Charters for the Audit Committee, the CGNC and the HRCC, as well as copies of select key policies and related documents can be found on the Company's corporate website at www.hbc.com.

Board of Directors

Independence

Following the Meeting, the Board of Directors is contemplated to be comprised of eleven directors, a majority of which are considered independent. Pursuant to National Instrument 52-110 — *Audit Committees*, as amended from time to time ("NI 52-110"), an independent director is generally one who is free from any direct or indirect relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with a director's independent judgment. David Leith, Denise Pickett, Wayne Pommen, Earl Rotman, Matthew Rubel and Andrea Wong are considered to be independent directors. As of the date of this Circular, Richard Baker, Robert Baker, William Mack, Lee Neibart and Gerald Storch are not considered to be independent. Richard Baker and Gerald Storch are not considered independent because of their positions as the Governor and Executive Chairman of the Company and the Chief Executive Officer of the Company, respectively. Robert Baker, being an immediate family member of Richard Baker, who is the Governor and Executive Chairman, is also not considered to be independent. Lee Neibart is the Chief Executive Officer of HBS Global Properties, the Company's U.S. joint venture with Simon Property Group, and as such is not considered independent.

The Company has taken steps to ensure that adequate structures and processes have been put in place to permit the Board of Directors to function independently of management of the Company. As the Governor and Executive Chairman of HBC (the chair of the Board of Directors) is not an independent director, David Leith has been appointed as lead director in order to ensure appropriate leadership for the independent directors. The primary functions of the lead director are to (i) seek to ensure that appropriate structures and procedures are in place so that the Board of Directors may function independently of management of the Company; and (ii) lead the process by which the independent directors seek to ensure that the Board of Directors represents and protects the interests of all Shareholders.

In addition, the independent directors on the Board of Directors and each of the committees regularly hold *in-camera* sessions without non-independent directors or management present. The lead director conducts these sessions at board meetings and the chair of each committee conducts them at committee meetings.

Additional Information Related to the Independence of Earl Rotman

The Company has entered into vendor agreements (the "Vendor Agreements") with a global clothing brand company (the "Global Vendor") and its U.S. affiliate (the "U.S. Vendor", and together with the Global Vendor the "Vendor Companies"). The agreements entered into between the Vendor Companies and the Company relate to menswear and

womenswear sold in Saks and the Company's Department Store Group. Earl Rotman is the non-executive chairman of the U.S. Vendor and owns a non-controlling minority interest in the U.S. Vendor.

The relationship among Mr. Rotman, the Vendor Companies and the Company was considered carefully by the Board in making its assessment as to Mr. Rotman's independence for corporate governance purposes under applicable Canadian securities laws, as well as by the Audit Committee of the Board as part of its duty in reviewing related party transactions. In each case, the Board and the Audit Committee considered a number of factors in arriving at their separate assessments relating to the lack of any material relationship that could reasonably be expected to affect Mr. Rotman's independence or otherwise give rise to a conflict of interest. These factors include, among others: the lack of materiality/significance to the Company of the supplier relationship; the lack of materiality/significance of the financial benefit that may be derived by Mr. Rotman from his ownership interest in the Vendor Companies; the fact that Mr. Rotman is not involved in any operating aspect of the business of the Vendor Companies including in respect of their relationship with the Company; that Mr. Rotman has no involvement in negotiating the Vendor Agreements with the Company; and the fact that the Vendor Agreements were entered into at arm's length, having terms commensurate with similar arrangements or agreements with arm's length third parties.

More particularly, Mr. Rotman is not employed by either Vendor Company and only owns a non-controlling minority interest in the U.S. Vendor. The controlling shareholder of the U.S. Vendor is the Global Vendor. Mr. Rotman's investment in the U.S. Vendor represents an immaterial portion of his total net worth and any income or financial benefit that he may have directly or indirectly derived from the U.S. Vendor in the past, including for services rendered in his capacity as non-executive chairman of the U.S. Vendor, was not material to Mr. Rotman. Furthermore, in Fiscal 2016, Mr. Rotman did not receive any remuneration from the U.S. Vendor, including for his service as non-executive chairman.

The Vendor Companies, either alone or in aggregate, are not material or significant suppliers of the Company and the amount of product supplied by the Vendor Companies to the Company is not material or significant to the Company. In this respect, in Fiscal 2016, the Company generated net sales from products purchased from the Vendor Companies which represented approximately 0.02% of the Company's annual sales on a consolidated basis.

Other Board Memberships

Members of our Board of Directors are also members of the boards of other public companies. See "Nominees for Election to the Board of Directors — Director Nominees".

The CGNC is mandated with monitoring cases where members of the Board of Directors sit on the same board of another company and where two directors sit together on another board and are also members of the same board committee. Currently, only two of the Company's directors (and none of the Company's independent directors) sit on the same board of an outside reporting issuer. The CGNC does not believe that this common board membership impacts the ability of these directors to act in the best interests of the Company.

Currently, the following directors (or proposed directors) sit on the boards of the following public companies:

Company	Director	Committee Membership
Bristol-Myers Squibb Company	Gerald Storch	Audit; Compensation and Management Development
FCB Financial Holdings Inc.	William Mack	Nomination and Governance
Liberty Interactive Corporation	Andrea Wong	Compensation; Nominating and Corporate Governance
Liberty Media Corporation	Andrea Wong	Compensation; Nominating and Corporate Governance
Retail Opportunity Investments Corporation	Richard Baker; Lee Neibart	Audit (Lee Neibart)
SuperValu Inc.	Gerald Storch	_____
HSN, Inc.	Matthew Rubel	Chair of Governance and Nominating; Investment; Audit

Company	Director	Committee Membership
Yellow Pages Limited	David Leith	Chair of Corporate Governance and Nominating; Audit

Mandate of the Board of Directors

The Board of Directors is responsible for supervising the management of our business and affairs directly and through its committees. The responsibilities of the Board of Directors and each committee of the Board of Directors are set out in written mandates and charters, which are reviewed and approved annually. The Mandate of the Board of Directors is attached in Appendix “A” of the Circular.

The role of the Board of Directors is to act honestly and in good faith and act in the best interests of the Company, and each member of the Board of Directors must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Board of Directors is ultimately accountable and responsible for providing independent, effective leadership in supervising the management of the business and affairs of the Company. The responsibilities of the Board of Directors includes:

- adopting a strategic planning process;
- risk identification and ensuring that procedures are in place for the management of those risks;
- reviewing and approving annual operating plans and budgets;
- corporate social responsibility, ethics and integrity;
- reviewing the integrity of the CEO and the other executive officers and ensuring that the CEO and other executive officers create a culture of integrity;
- succession planning, including the appointment, training and supervision of management;
- delegations and general approval guidelines for management;
- monitoring financial reporting and management;
- monitoring internal control and management information systems;
- corporate disclosure and communications;
- adopting measures for receiving feedback from stakeholders; and
- adopting key corporate policies designed to ensure that the Company, its directors, officers and employees comply with all applicable laws, rules and regulations and conduct their business ethically and with honesty and integrity.

Under the mandate, the Board of Directors is entitled to engage outside advisers, at the Company’s expense, where, in the view of the Board of Directors, additional expertise or advice is required.

Diversity

The Board of Directors has formalized in writing its board diversity policy relating to the representation of women on the Board of Directors or in senior management positions as part of the Company’s Corporate Governance Guidelines. The Company is committed to equality of opportunity and to fostering a diverse and inclusive culture, especially at the Board and senior management level. The Company recognizes the importance and benefit of having a Board and senior management team comprised of highly talented and experienced individuals who reflect the diversity of the Company’s stakeholders, including its customers and employees, and the changing demographics of the communities in which the Company operates. As such, the CGNC or the HRCC, as the case may be, considers, among other things, the level of representation of women (along with other markers of diversity) and the benefits of diversity on the Board of Directors and in senior management positions in evaluating candidates and when making recommendations for nominees to the Board of Directors or senior management.

The Company ensures that its diversity policy is effectively implemented by annually reviewing and assessing the size, composition and operation of the Board, annually considering the recommendation of candidates for appointment or nomination to the Board based upon an assessment of the independence, skills, qualifications and experience of the candidate and, when required, engaging qualified external advisors to assist the Board of Directors in conducting a search for candidates that meet the Board's skills and diversity criteria. The Board measures the effectiveness of the policy by assessing whether the Board is composed of appropriately qualified members with a broad range of expertise relevant to the Company's business. The Board's commitment to diversity is evidenced by the fact that the Board formalized its diversity policy in Fiscal 2016, recently appointed Ms. Wong as Chair of the CGNC and two of the Company's independent directors are women, representing one third of the Company's independent directors.

Rather than instituting a specific target for the representation of women on the Board of Directors or in senior management positions, we believe that a merit based system for Board and senior management composition that uses objective criteria and gives due consideration to the benefits of diversity and the needs of the Board and senior management is more consistent with the mandate of the CGNC and the HRCC. As a result, while the emphasis on filling vacancies is on finding the best qualified candidates given the needs and circumstances of the Board of Directors or senior management, a nominee's gender, race, nationality or other attributes will be considered in his or her assessment.

As of the date hereof, there are two women on the Board of Directors. This represents 18% of the current eleven member Board and 33% of the Company's independent directors. All such directors are seeking re-election at the Meeting. In addition, three of the eighteen executive officers are women, representing approximately 17% of the Company's executive officers.

Term Limits

As described in the Company's Corporate Governance Guidelines, the Board of Directors has chosen not to establish fixed term limits for its directors. While the Board of Directors values the need foster renewal, objectivity, innovation and creativity, the Board of Directors recognizes the need to retain institutional knowledge, expertise and continuity. The Board of Directors is of the view that fixed term limits could discourage or restrict certain directors who have developed, over a period of service, increased experience, expertise and insight into the Company and who, therefore, can be expected to provide an increasing contribution to the Board of Directors. As a result, the Board of Directors encourages alternative means of ensuring Board renewal as opposed to the imposition of arbitrary thresholds and maintains a director skills matrix that identifies the skills and expertise required for the Board of Directors along with areas for growth and improvement. The Board of Directors also recognizes that turnover in Board membership is valuable to provide fresh ideas and views. As such, the CGNC is mandated to annually consider recommending changes to the composition of the Board of Directors.

Corporate Disclosure Policy

The Company has developed a corporate disclosure policy (the "Disclosure Policy") with the objective of reinforcing the Company's commitment to compliance with Canadian securities law obligations and the regulations and rules of the TSX, confirming the Company's existing disclosure policies, guidelines and procedures, seeking to ensure that directors, officers, employees, contractors and consultants of the Company understand their obligations to preserve the confidentiality of material information, promote effective communication with Shareholders and identify and set out the operations of the Company's disclosure committee.

The Company's Audit Committee and the Board of Directors reviews the Company's financial statements and the contents of the Company's major disclosure documents, including the Company's Annual Information Form, the management discussion and analysis and associated press releases and management information circulars. The Board of Directors ensures that appropriate processes are in place for communicating with Shareholders and the investment community. These discussions are intended for the Board of Directors to be able to listen to its Shareholders and investment community and to explain to them otherwise publicly available material information. In this regard:

- procedures are in place to provide timely information to investors and potential investors regarding financial performance, primary risks and any other developments that have a significant impact on the Company, as well as procedures to respond to investor inquiries and concerns in a timely way;

- the Company maintains an investor relations contact person responsible for maintaining communications with the investment community in accordance with its policies and procedures and legal disclosure requirements;
- it is a policy of the Company that every Shareholder inquiry should receive a prompt response from the Company;
- the Governor and Executive Chairman, CEO and the CFO meet periodically with financial analysts and institutional investors;
- the Company maintains a web site containing investor relations materials; and
- quarterly earnings conference calls are held and access to these calls is made available to the public.

Position Descriptions

The Company has developed position descriptions for the Governor and Executive Chairman, the Chief Executive Officer and the Lead Director, which are described below.

(a) The Governor and Executive Chairman

Richard Baker is the Governor and Executive Chairman of the Company. The Governor's key responsibilities include, among others, duties relating to setting Board of Directors meeting agendas, chairing Board of Directors and Shareholder meetings, and director development.

(b) The Chief Executive Officer

Gerald Storch is the Chief Executive Officer of the Company. The CEO's key responsibilities include, among others, duties relating to the stewardship of the business and affairs of the Company in accordance with the strategic plan as approved by the Board of Directors, which includes duties and responsibilities related to leadership and governance, corporate social responsibility, business and organizational management, and risk management.

The Board of Directors will conduct an annual review of the position descriptions of each of the Governor and Executive Chairman and CEO. In addition, the HRCC will review and evaluate the performance of each of the Governor and Executive Chairman and the CEO against the pre-established performance goals, objectives and other factors which have been established by the committee and, if applicable, will recommend the changes to the Board of Directors.

(c) The Lead Director

In circumstances in which the Governor is also an executive officer and is therefore not independent, the Board of Directors will elect one of its independent members to be lead director. The lead director provides leadership to the independent directors, as applicable, and is responsible with the Governor to effectively manage the affairs of the Board of Directors and ensure the Board of Directors is properly organized and functions efficiently. The Lead Director's key responsibilities include, among others, ensuring the Board of Directors can function independently of management and the Company, protecting all Shareholders' and other stakeholders' interests, as appropriate, and ensuring the Board of Directors and all sub-committees operate efficiently.

Orientation and Continuing Education

The Board of Directors believes that ongoing education is important for maintaining a current and effective Board of Directors. The Company's Corporate Governance Guidelines provide that upon election to the Board of Directors, all new directors will be provided with a comprehensive orientation program aimed at familiarizing them with the Company's industry, strategic plans, significant risk management issues and financial standing, as well as to provide a full understanding of the role of the Board of Directors and its committees, the contribution individual directors are expected to make and the nature and operation of the Company's business. The program may include presentations from senior management and visits to operational facilities. The Board of Directors also encourages directors to participate in ongoing education, as well as participation in accredited director education programs. To this end, the CGNC is mandated with providing continuing

education opportunities for all directors so that individual directors may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the Company's business remains current.

In addition, the chair of each committee is responsible for coordinating orientation and continuing director development programs relating to a committee's mandate and the Governor Executive Chairman or the chair of a committee, as applicable, arranges for presentations to the board or a committee on topics in which directors have expressed an interest. In order to further illustrate the nature and operation of its business, the Company also periodically arranges tours of certain of the Company's stores for the Board of Directors.

Code of Business Conduct

The Board of Directors has adopted the Code of Business Conduct that applies to all directors, officers, and employees of the Company, including those employed by subsidiaries (collectively referred to as "Associates").

The objective of the Code of Business Conduct is to provide guidelines for maintaining the integrity, reputation, honesty, objectivity and impartiality of the Company, its subsidiaries and business units. Amongst other things, it addresses:

- conflicts of interest prohibitions and disclosure procedures;
- non-solicitation obligations;
- restrictions on the acceptance of gifts from third parties;
- protection and use of the Company's assets and opportunities;
- confidentiality of Company information and property;
- fair dealing with other people and organizations; and
- compliance with all laws and Company Policies.

The CGNC has the ultimate responsibility for the stewardship of the Code of Business Conduct. The directors, as part of their mandate, are responsible for satisfying themselves as to the integrity of the CEO and other executives and that the CEO and other executives create a culture of integrity throughout the organization. Procedures have been put in place to ensure that the Code of Business Conduct is communicated to all those subject to the policy. Associates must confirm compliance with the Code of Business Conduct by submitting a certificate of acknowledgement to the Company on an annual basis.

As part of our Code of Business Conduct, any person subject to the Code of Business Conduct is required to avoid and/or fully disclose interests or relationships that are harmful or detrimental to the Company's best interests or that may give rise to real, potential or the appearance of conflicts of interest. The Code of Business Conduct also provides for procedures that have been established to allow Associates to report breaches of the Code of Business Conduct or any illegal or unethical behaviour anonymously to their supervisor or to Company executives/directors.

The Code of Business Conduct has been filed with the Canadian securities regulatory authorities under the Company's profile on the SEDAR website at www.sedar.com and is also available on our Company's corporate website at www.hbc.com.

Whistleblower Policy

The Audit Committee is responsible for the review the effectiveness of the Whistleblower Policy and for any follow-up (including disciplinary action) regarding instances of non-compliance. A copy of the Whistleblower Policy is available on our Company's corporate website at www.hbc.com.

Nomination of Directors

The Company has a standing CGNC, all members of which are independent as described more particularly below under “Board of Directors Committees - Corporate Governance and Nominating Committee”. The committee has a charter which is available on our Company’s corporate website at www.hbc.com.

The CGNC has established procedures for the identification and nomination of new directors and reviews candidates for appointment or nomination to the Board of Directors based upon an assessment of the independence, skills, qualifications and experience of the candidate. After considering the obligations of the Company under the Initial Nominating Rights Agreement and the 238 Ontario Nominating Rights Agreement, the Company will consider a variety of factors when nominating new directors, including, the competencies and skills the Board of Directors, as a whole, should possess and which competencies and skills each existing director possesses, the competencies and skills each nominee will bring to the boardroom and whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board of Directors. The CGNC will then identify and recommend to the Board of Directors which individuals may be qualified to be director nominees at the next annual meeting of Shareholders, or otherwise. In addition, all directors are encouraged to identify possible candidates for nomination to the Board of Directors and the CGNC may retain an external search firm to assist with the identification and nomination of candidates, as required.

When evaluating potential directors or members of senior management, CGNC or the HRCC, as the case may be, considers individuals who are highly qualified based on their talents, experience, functional expertise, skills, character and personal attributes having regard to the Company’s current and future plans and objectives. These factors are also important to the Company with regard to succession planning for the Board of Directors and senior management.

As part of the director nomination process, the Board of Directors, assisted by the CGNC, considers a variety of key skills and competencies which are identified in the table below for each director nominee:

	Board/ Governance	Management/ Leadership	Retail Industry	Finance	Accounting	Strategy	Technology	Real Estate	Executive Compensation	Legal	Risk Management
Richard Baker	X	X	X	X	X	X		X			
Robert Baker			X	X		X		X		X	
David Leith	X	X		X	X	X			X		
William Mack	X	X		X		X		X			
Lee Neibart	X	X		X		X		X			
Denise Pickett	X	X		X		X	X		X		
Wayne Pommen	X			X	X	X	X		X		X
Earl Rotman	X	X	X	X	X	X		X	X	X	
Matthew Rubel	X	X	X	X		X			X		
Gerald Storch	X	X	X	X	X	X	X	X	X	X	X
Andrea Wong	X	X		X		X	X		X		X

Advance Notice By-Law

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 no 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 Company under its profile on SEDAR at www.sedar.com. The Advance Notice By-law is subject to annual review by the Board, and is updated from time to time to reflect changes required by securities regulatory agencies or stock exchange, or to conform to industry standards.

Board of Directors Committees

Audit Committee

The Audit Committee is composed of three directors, each of whom is financially literate and independent within the meaning of NI 52-110. The Audit Committee is composed of Wayne Pommen, David Leith and Denise Pickett. Mr. Pommen is the chair of the Audit Committee.

The mandate 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 chair reports to the Board of Directors at each Board meeting on the Audit Committee's activities since the last meeting. In addition, the Audit Committee is responsible for the Company's pension related matters including with respect to investment management, pension benefits administration, and the overall administration of the Company's pension plans and funds under the Company's previously constituted pension plans.

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.

The charter of the Audit Committee can be viewed on our Company's corporate website at www.hbc.com or in the Annual Information Form, which is available under the Company's profile on SEDAR at www.sedar.com.

Corporate Governance and Nominating Committee

The CGNC of the Company is composed of three directors: David Leith, Matthew Rubel and Andrea Wong, all of whom are independent. Ms. Wong acts as chair of the CGNC. The CGNC adopted a written charter describing the mandate of such committee.

The mandate of the CGNC is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to:

- developing corporate governance guidelines and principles for the Company;
- identifying individuals qualified to be nominated as members of the Board of Directors;
- the structure and composition of Board of Director committees; and
- evaluating the performance and effectiveness of the Board of Directors.

After first considering the obligations of the Company under the Initial Nominating Rights Agreement and the 238 Ontario Nominating Rights Agreement, and then the competencies and skills the Board of Directors, as a whole, should possess and which competencies and skills each existing director possesses, the competencies and skills each nominee will bring to the boardroom and whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board of Directors, the CGNC is responsible for identifying candidates qualified for board membership and recommending to the Board of Directors nominees to be placed before Shareholders at each annual meeting. In order to encourage an objective nomination process for new directors, the CGNC will consider potential candidates from a variety of sources and evaluate the suitability of such candidates using objective criteria to be determined by the CGNC. The CGNC is responsible for annually reviewing the performance of the Board of Directors and its committees against the objectives of their respective charters and mandates. In addition, it annually evaluates the contribution of the individual directors.

The CGNC ensures that the Company develops and implements an effective and efficient approach to corporate governance that enables the business and affairs of the Company to be carried out, directed and managed with the objective of enhancing shareholder value. Its mandate includes monitoring compliance with the Code of Business Conduct, and annually evaluating the principal corporate policies of the Company.

The charter of the CGNC can be viewed on our website www.hbc.com.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee (the "HRCC") is composed of Earl Rotman, Matthew Rubel and Denise Pickett, all of whom are independent. Mr. Rubel is the chair of the HRCC. The Board of Directors has approved the adoption of a written charter describing the mandate of the HRCC. The purpose of the HRCC is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to:

- the establishment of key human resources and compensation policies, including all incentive and equity-based incentive compensation plans;

- the performance evaluation of the Executive Chairman, CEO and the CFO, and determination of the compensation for the Executive Chairman, CEO, the CFO and other senior executives of the Company;
- succession planning, including the appointment, training and evaluation of senior management; and
- the compensation of directors.

The charter of the HRCC can be viewed on our Company's corporate website at www.hbc.com.

Board and Committee Attendance

For information related to director attendance, please refer to "Nominees for the Election to the Board of Directors" section of this Circular.

In-camera sessions: At each of the Board of Directors and committee meetings, *in-camera* sessions of the independent directors were held to permit members who are considered independent of management of the Company to meet without the presence of management.

Assessments of the Board of Directors

Under its mandate, the CGNC is required to conduct an annual assessment of the Board of Directors. Specifically, the committee will (i) review and assess the size, composition and operation of the Board of Directors to ensure effective decision making; (ii) review and assess the size, composition and chair of all of the committees of the Board of Directors; (iii) identify and review candidates for appointment or nomination to the Board of Directors based upon an assessment of the independence, skills, qualifications and experience of the candidate, and make recommendations to the Board of Directors for consideration. The CGNC may retain an external consultant to assist in conducting this assessment.

As part of the process each member of the Board completes a questionnaire to provide feedback on a variety of areas, including the overall effectiveness of the Board of Directors and Board committees, as well as composition, efficiency, relationship with management, risk and management oversight. In addition, the chair of the CGNC and the Lead Director may hold individual interviews with each director to discuss such director's performance and such director's assessment of the Board of Directors committees and other directors' performance. The results of these exercises are used to identify and remediate any issues or concerns as well as to assist in the general assessment of Board and committee performance and effectiveness.

In addition, all directors are free to make suggestions on improving the Board of Directors' practices at any time and are encouraged to do so. The CGNC receives comments and discusses any such comments at its next regular meeting. The chair of the CGNC then presents the committee's findings and recommendations to the Board of Directors, as needed.

OTHER BUSINESS

Management is not aware of any matter intended to come before the Meeting other than those items of business set forth in the attached Notice of Meeting. If any other matters properly come before the Meeting, it is the intention of the persons named in the form of proxy to vote in respect of those matters in accordance with their judgment.

NON-IFRS MEASURES

This Circular makes reference to certain non-IFRS measures, such as Adjusted EBITDA and Adjusted EBITDAR. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Such measures should not be construed as an alternative to other financial measures determined in accordance with IFRS. For reconciliations to the most comparable IFRS measure, please refer to the tables in the "Selected Consolidated Financial Information- Reconciliation Tables" section of the Company's management discussion and analysis for Fiscal 2016 filed under the Company's profile on the SEDAR website at www.sedar.com and on the Company's corporate website at www.hbc.com.

ADDITIONAL INFORMATION

If you have any questions that are not answered by this Circular, or would like additional information, you should contact your professional advisors. You can also contact TSX Trust Company, the Company's transfer agent, at 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1 or by e-mail at TMXEInvestorservices@tmx.com should you have any questions regarding voting of your Shares.

Copies of the Company's audited consolidated financial statements for the year ended January 28, 2017 together with the report of the auditors thereon, management's discussion and analysis of the Company's financial condition and results of operations for Fiscal 2016, the Annual Information Form of the Company, and this Circular are available free of charge under the Company's profile on the SEDAR website at www.sedar.com and on the Company's corporate website at www.hbc.com.

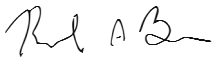
In order for Shareholder proposals intended to be considered at the 2018 annual meeting of Shareholders to be included in the information circular for such annual meeting, they must be received at the head office of the Company no later than December 31, 2017.

APPROVAL BY DIRECTORS

The content and the sending to the Shareholders of this Circular have been approved by the Board of Directors of the Company.

Dated at Toronto, Ontario, this 24th day of April, 2017.

By order of the Board of Directors,



Richard Baker
Governor and Executive Chairman

**APPENDIX “A”
HUDSON’S BAY COMPANY
MANDATE OF THE BOARD OF DIRECTORS**

Introduction

The board of directors (the “**Board**”) of Hudson’s Bay Company (the “**Company**”) is elected by the shareholders of the Company and is responsible for the stewardship of the Company. The purpose of this mandate is to describe the principal duties and responsibilities of the Board, as well as some of the policies and procedures that apply to the Board in discharging its duties and responsibilities.

Governor

The Governor of the Company (“**Governor**”) will be appointed by the Board, after considering the recommendation of the Corporate Governance and Nominating Committee, for such term as the Board may determine.

Independence

The Board will be comprised of a majority of independent directors, as established by applicable laws and the rules of any stock exchanges upon which the Company’s securities are listed, including section 1.4 of NI 52-110.

Where the Governor is not independent, the independent directors will select one of their numbers to be appointed lead director of the Board for such term as the independent directors may determine. If the Company has a non-executive Governor, then the role of the lead director will be filled by the non-executive Governor. The lead director will chair regular meetings of the independent directors and assume other responsibilities that the independent directors as a whole have designated.

Role and Responsibilities of the Board

The role of the Board is to act honestly and in good faith and act in the best interest of the Company, and each member of the Board must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Board is ultimately accountable and responsible for providing independent, effective leadership in supervising the management of the business and affairs of the Company. The responsibilities of the Board include:

- (a) adopting a strategic planning process;
- (b) risk identification and ensuring that procedures are in place for the management of those risks;
- (c) review and approve annual operating plans and budgets;
- (d) corporate social responsibility, ethics and integrity;
- (e) review the integrity of the Chief Executive Officer (“**CEO**”) and the other executive officers and ensure that the CEO and other executive officers create a culture of integrity;
- (f) succession planning, including the appointment, training and supervision of management;
- (g) delegations and general approval guidelines for management;
- (h) monitoring financial reporting and management;
- (i) monitoring internal control and management information systems;
- (j) corporate disclosure and communications;
- (k) adopting measures for receiving feedback from stakeholders; and
- (l) adopting key corporate policies designed to ensure that the Company, its directors, officers and employees comply with all applicable laws, rules and regulations and conduct their business ethically and with honesty and integrity.

Meetings of the Board

Meetings of the Board will be held at least quarterly, with additional meetings to be held depending on the state of the Company’s affairs and in light of opportunities or risks which the Company faces. After each meeting of the Board, the

independent directors will meet without the non-independent directors. In addition, separate, regularly scheduled meetings of the independent directors of the Board will be held at which members of management are not present.

The Board will delegate responsibility for the day-to-day management of the Company's business and affairs to the Company's senior officers and will supervise such senior officers appropriately.

The Board may delegate certain matters it is responsible for to Board committees, presently consisting of the Audit Committee, Corporate Governance and Nominating Committee, and Human Resources and Compensation Committee.

Strategic Planning Process and Risk Management

The Board will adopt a strategic planning process to establish objectives and goals for the Company's business and will review, approve and modify as appropriate the strategies proposed by senior management to achieve such objectives and goals. The Board will review and approve, at least on an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the Company's business and affairs.

The Board, in conjunction with management, will identify the principal risks of the Company's business and oversee management's implementation of appropriate systems to effectively monitor, manage and mitigate the impact of such risks in line with the Company's Risk Management Policy.

Succession Planning, Appointment and Supervision of Management

The Board will approve the succession plan for the Company, including the selection, appointment, supervision and evaluation of the Chief Executive Officer or any person acting in such capacity, and the other senior officers of the Company, and will also approve the compensation of the Chief Executive Officer or any person acting in such capacity, and the other senior officers of the Company.

Delegations and Approval Authorities

The Board will delegate to the Chief Executive Officer, or any person acting in such capacity, and senior management authority over the day-to-day management of the business and affairs of the Company.

Corporate Disclosure and Communications

The Board will seek to ensure that all corporate disclosure complies with all applicable laws, rules and regulations and the rules and regulations of the stock exchanges upon which the Company's securities are listed and the Corporate Disclosure Policy. In addition, the Board will adopt procedures that seek to ensure the security holders have a direct contact to independent directors in order to provide them with feedback on material issues.

Corporate Policies

The Board will adopt and monitor compliance of the policies and procedures, which are designed to ensure that the Company, its directors, officers and employees comply with all applicable laws, rules and regulations and conduct the Company's business ethically and with honesty and integrity. Principal policies consist of:

- Code of Business Conduct;
- Corporate Disclosure Policy;
- Corporate Governance Guidelines;
- Insider Trading Policy; and
- Whistleblower Policy.

Review of Mandate

The Corporate Governance and Nominating Committee will annually review and assess the adequacy of this mandate and recommend any proposed changes to the Board for consideration. The Board may, from time to time, amend this Mandate.

The Board may, from time to time, permit departures from the terms of this Mandate, subject to compliance with applicable law, either prospectively or retrospectively. The terms of this Mandate 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.

Dated: March 2017

Approved by: Corporate Governance and Nominating Committee
Board of Directors



Any questions and requests for assistance may be directed to Hudson's Bay Company's proxy solicitation agent:

D.F. KING

North American Toll Free Phone:
1-800-232-0316

Banks, Brokers and collect calls: 1-201-806-7301
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