



2008 Corporate Social Responsibility Update

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Our Associates

The Hudson's Bay Company is one of Canada's largest employers with over 60,000 employees, referred to as "associates", located in stores, logistics centres and offices across the country. Our associates are on the front line, delivering great service to Canadians. It is our goal to provide them with an environment in which they will continue to grow and achieve their aspirations.

We support our associates through opportunities to learn and grow, career development, health and wellness benefits, and much more. We are a company of unlimited possibilities, and we aim to create a work environment in which each associate can use their talents and strengths to create extraordinary results every day.

We set high standards for our people at all levels. We provide structured feedback processes for our associates that include clearly defined goals, and regular meetings to track individual progress toward those goals. We want our associates to feel valued, and to know they are making a difference in positioning Hudson's Bay Company as the dominant Canadian retailer.

Benefits & Wellness

Our compensation and benefits packages are among the best in our industry. We provide a broad range of company-paid benefits to our associates including a pension plan, short and long term disability coverage, health and dental plan, and shopping discount.

In addition, our Associate Buying Club offers associates special discounts on products and services – everything from event and attraction tickets and movie passes to cell phone plans, fitness memberships, insurance, travel and more!

Our wellness program provides online and printed information and resources on such topics as nutrition, fitness, cancer prevention, mental health and day-to-day healthy living through our Associate website.

Long Service Program

Our Long Service Program celebrates associates who achieve important career milestones with our company. Long Service Awards are our way of saying thank you, and recognizing our associates for their significant contributions and dedication to the company's success and growth.

Long Service Awards recognize the contribution and dedication of associates who have established service milestones. At each milestone, associates are presented with a certificate, pin and token recognizing their commitment to Hudson's Bay Company. Associates celebrating 5, 10 or 15 years of service are presented with Hudson's Bay

Company Rewards Points while associates celebrating 20, 25 or 30+ years of service are recognized with a special selection of gifts from our online catalogue.

Learning and Growth

In order to stay relevant to the customer, and to keep pace with changing markets and emerging technologies, we continue to stay fresh by ensuring our associates have the skills and expertise they need. Our goal is to provide a continuous learning environment for all associates in all locations.

We offer instructor led training, online training, coaching and mentoring. Using our Hudson's Bay Company University website associates are connected to a platform that links individual goals and performance with enterprise goals and strategy.

In 2008 we introduced 80 "off the shelf" online courses, for general knowledge, and 71 in-house courses that were company specific. Our current online course catalogue contains over 450 courses. In 2008 online courses were accessed 203,411 times.

Open Lines of Communication

As a national retailer with over 600 stores across Canada, we regularly communicate with associates in every province on topics from corporate direction to individual milestones and accomplishments. Communications with our associates take many forms, including our corporate intranet, our exclusive employee website – Hbcassociate.com, town hall meetings throughout the year and much more.

**Hbc Associate**

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Moonlight Madness at Zellers is back!

August 24, 2009

We know you love a deal, so visit a Zellers store on Friday, **August 28th from 6:00pm – 11:00pm** to take advantage of incredible savings at Zellers Moonlight Madness event!

Zellers will have items throughout the store on sale for the duration of the event and will also be offering incredible hourly specials.

Plus earn 25,000 Hbc Rewards Points when you spend \$50 or more (before taxes) when you use your Hbc MasterCard or Hbc Credit Card. You can even grab dinner at the Zellers Family Restaurant on August 28th and enjoy a Chicken Finger Basket for only \$4.00. The restaurant will be open late – until 9:00pm – for your dining pleasure. Or, enjoy a delicious Rise and Shine breakfast at the Zellers Family Restaurant on August 29th from 8:00am – 10:00am (restaurant offers valid according to event dates for each province).

News

- Franco Sarto is making personal appearances at the Bay ([Sep 11, 2009](#))
- Hbc Rewards Card Day at Canada's Wonderland ([Sep 11, 2009](#))
- Gold Medal Service Honours ([Sep 11, 2009](#))
- Attend Zellers Golf Tournament ([Sep 11, 2009](#))
- Hbc Rewards Offer: Message Board ([Sep 11, 2009](#))
- Hbc Rewards Offer: Hbc Signature Point Blanket ([Sep 11, 2009](#))
- Speed-skating team presented with Hbc logo emblazoned jackets ([Sep 11, 2009](#))
- The Bay presents Samba Days ([Sep 11, 2009](#))
- Adding an element of excitement to Moonlight Madness ([Sep 11, 2009](#))
- Zellers Moonlight Madness Success! ([Sep 11, 2009](#))

Earning Our Stripes

In 2007, Hudson's Bay Company began a five-year partnership with Gallup they've changed it to just 'Gallup' to measure the engagement levels of associates and customers on an ongoing basis. This program, called Earning Our Stripes, asks associates 12 core questions each year to determine how they feel about working at Hudson's Bay Company. Our associates across Canada participate in an annual survey online, on paper or by phone.

The survey allows us to gain a deeper understanding of our associates' engagement levels, which links to their ability to stay relevant to the customer and drive our financial growth.

Safe and Healthy Workplace

The premise is simple: when our associates believe we are genuinely interested in their health and well-being, they are more likely to deliver outstanding customer service. Through regular communication, active associate involvement, continuous improvement of systems, procedures and training, and immediate reaction to incidents, we will provide a safe working and shopping environment.

Total Health is a concept adopted by Hudson's Bay Company that is designed to improve personal and organizational health. Through designated Total Health Champions, information, support and communication is focused on the key drivers of health and safety: injury prevention, wellness promotion, and absence management. This approach is working.

Health and Safety Highlights

Our Vision
Zero Injuries Our commitment to Zero Injuries remains strong and unchanged. We continue to integrate health and safety into all aspects of our business. Here are some highlights of our 2008 results:

- A 9 % improvement in total reported injuries vs 2007
- An 18% improvement in lost-time injuries vs 2007
- More than 50% of all stores and distribution centres achieved our goal of zero lost-time injuries in 2008

Partners in Injury Reduction Award in Alberta

Partners in Injury Reduction (PIR) is a volunteer incentive program that encourages workplace health, safety and disability management. Hudson's Bay Company took part in an online workforce survey intended to measure the effectiveness of our health and safety program. We received a Certificate of Recognition for exceeding the required criteria as set out by WCB. Pictured below are representatives from our Alberta area stores accepting this award.



Ontario Safety Groups Award

Hudson's Bay Company received an award from the Workplace Safety and Insurance Board (WSIB) in 2008. The Safety Group program is a WSIB initiative through which companies can reduce injuries and improve health and safety education of associates using a five-step program.



Newfoundland and Labrador PRIME Award



PRIME, Newfoundland and Labrador's Workplace Health, Safety and Compensation Commission's employer incentive program, recognizes employers for their good practices in the areas of health & safety, and accommodating disabled associates.

Empowernet: Wellness and Information Network (WIN)

Empowernet: WIN is a confidential online resource library and information service designed to help associates balance work-life challenges and stay current on the latest health and wellness trends. Associates can connect to practical solutions on today's most pressing issues, including:

- Bereavement counselling
- Child care / Elder care/senior services
- Credit/debt counselling
- Health care
- Alcohol and drug addiction treatment

Hudson's Bay Company Foundation

Inspiring Canadians

Supporting Canadian Athletes

Hudson's Bay Company continued its efforts to support Canadian athletes in 2008 with a donation of \$2.9 million. These funds were directed to athletic organizations such as Own the Podium, to elite training facilities across Canada and to 200 athletes, who received individual bursaries of \$5,000 each. This donation is part of the Company's ongoing commitment to Canada's athletes. To date Hudson's Bay Company has donated \$8.7 million and has proudly supported 446 Canadian athletes.

Funding Breakdown

- \$1 million handed out to Canadian athletes
- \$300,000 to Own the Podium, an initiative supporting athletes training for the Olympic Winter Games
- \$300,000 to Road to Excellence, an initiative supporting athletes training for the Summer Olympic Games
- \$300,000 to the Canadian Paralympic Foundation
- \$400,000 to the Commonwealth Games, Canada
- \$300,000 to the Pacific Institute for Sports Excellence training centre (Victoria)
- \$50,000 to Canadian Sport Centre Ontario
- \$50,000 to Canadian Sport Centre Manitoba
- \$50,000 to Canadian Sport Centre Saskatchewan
- \$50,000 to Canadian Sport Centre Calgary
- \$50,000 to Canadian Sport Centre Atlantic
- \$50,000 to Centre National Multisport (Montreal)

Hbc Run for Canada – \$2 million

In 2008, Hudson's Bay Company hosted the Hbc Run for Canada; a 10k run, 3k walk and a 1k kids' run on Canada Day. The event draws everyone from competitive runners to families looking to spend the day with some of Canada's top athletes.



In addition to raising funds through event registration and pledge sheets, Hudson's Bay Company stores raised money through local fundraisers. Stores also invited Hbc-supported athletes (those receiving \$5,000 bursaries) to make more than 192 appearances, so that customers could interact with them and learn more about their sports.

The Hbc Run for Canada program also raised funds for athletes through the sale of specially branded wristbands and paper cut-out maple leaves that were sold at checkout stations in all stores. The sales revenue from the wristbands and cut-outs totaled over \$1 million.

Hudson's Bay Company Golf Tournament and Spa for Canadian Athletes – \$500,000

On June 4th 2008, over 1000 Hudson's Bay Company senior executives, suppliers, vendors, volunteers and athletes raised \$500,000 by participating in our Annual Golf Tournament and Spa in support of athletes. The event took place at five ClubLink courses located west of Toronto. With 2008 being an Olympic year the tournament was presented with an Asian flair in celebration of the Beijing Summer Games.



Building Healthy Families

Canadian Breast Cancer Foundation (CBCF)

For the fifth straight year, Hudson's Bay Company has supported the Think Pink™ program by selling 'pink' inspired product in its family of stores during Breast Cancer Awareness Month in October. In 2008, the Company donated \$602,000 to the Canadian Breast Cancer Foundation, and our customers donated over \$118,000 worth of Hbc Rewards Points for a total of \$720,000. In addition, all Hudson's Bay Company stores and Hbc.com sold a selection of pink products, which included marquee items such as a pink oven mitts (Home Outfitters), Think Pink™ umbrella (the Bay) and a Think Pink™ votive candle (Zellers), raising over \$133,000.



During Breast Cancer Awareness Month the Bay partnered with Kruger Products to feature their collection of dresses made from Cashmere Bathroom Tissue. The dresses were designed and constructed from some of Canada's premier fashion designers. Dresses were featured in the Bay Queen Street & Montreal Downtown street front windows.



Canadian Centre for Abuse Awareness (CCAA)

For the second year in a row, Hudson's Bay Company was proud to direct funds to the CCAA for "Bear Hugs", a program aimed at providing blankets and bears to abused and neglected children in times of distress. Funds were raised by the sale of hoodies and pajamas in Bay and Zellers stores across Canada. The sales campaign raised more than \$63,000, a 21% increase over 2007! We also donated \$20,000 from proceeds raised through its annual Golf Tournament & Spa.

Creating Strong Communities

Canadian Women's Foundation (CWF)

Hudson's Bay Company continues to be a strong supporter of the Canadian Women's Foundation and its programs aimed at ending violence against women, moving low-income women out of poverty, and building strong, resilient girls. A partner since 2001, we have donated \$1.3 million in cash and in-kind gifts to support the CWF's "Violence Prevention Fund". Each Bay, Zellers and Home Outfitters store is also partnered with a shelter in its community. Over the holidays, store associates banded together to donate more than \$220,000 in Hbc gift cards to shelters in need. Shelters also received over \$260,000 to celebrate Mother's Day, while Bay stores held a Mother's Day cosmetics gala to raise an additional \$52,000.

Giving Day

On November 2, 2008, Bay stores across Canada held the Giving Day, a one day shopping event designed to help schools and community groups raise much needed funds.

Over 1,000 organizations participated in the campaign, by ordering Giving Day tickets, free of charge, to sell to their donors, partners and special friends. Tickets were sold for \$5 each and groups were able to keep 100% of the resulting proceeds. On event day, ticket holders were then treated to 15% off most purchases in store, as well as entry into an exclusive contest.

The second annual Giving Day was a resounding success! Together, organizations were able to raise over \$330,000 to support their important work. Tickets for the Giving Day were also sold in Bay stores the week leading up to the event, raising over \$105,000 to support the work of the Hbc Foundation.

Environment

Private Label Packaging

In 2008, Hudson's Bay Company continued to monitor the amount of packaging used in hundreds of private label products, as well as the amount of environmentally harmful PVCs. Our goal is to reduce the amount of packaging and eliminate all PVCs used in it. To support this goal, we continue to use analytical software called Gems, which allows us to collect data on materials required for packaging products. In time, this will allow us to reduce GHG emissions created by the production and transportation of excess packaging.

Energy Consumption

All new Hudson's Bay Company stores are equipped with energy-efficient lighting and building automation systems (BAS). BAS are store-level energy control systems connected to a central web-based monitoring and tracking station. We also continue to retrofit our existing network of stores with same technology. Through these stations, we can monitor daily consumption and equipment failures, and work with individual stores to minimize our energy use.

Biodiesel Fleet

In 2006 Hudson's Bay Company partnered with Transport Canada and Energy Advantage to conduct a pilot project on the use of biodiesel in Hudson's Bay Company's transport trucks. Transport Canada has recently completed [a case study of this pilot](#) which is a great testament to the success of this project.



Zero Waste

Waste reduction and recycling continues to be a key focus for Hudson's Bay Company. In June 2007, our head office in downtown Toronto became the first office tower in Canada to be certified "zero waste" by Zero Waste International Alliance after a third-party audit performed by C.D. Sonter Environmental Consultants. This building achieved more than a 95 percent waste diversion rate from landfill.

We are proud to announce that in 2008 we were re-audited and have maintained the zero waste status in our downtown Toronto office. Two other main office buildings are currently running the same program as the downtown Toronto location.



In 2007 we piloted a zero waste program in seven of our stores and managed to achieve a 95% diversion rate. Due to the success of this program we now have this program running at twenty store locations throughout the Greater Toronto Area.

Through the program stores are able to recycle all cardboard, paper, plastic, metal and wood waste generated through their operations. Additionally, stores that operate a restaurant, or sell fresh foods through a neighborhood market are running an organics program where organics are sent to a composting facility. Although this program adds some complexity to stores operations they are far outweighed by the rewards. We are currently reviewing this program with other service providers in the hopes of eventually expanding nation wide.



Sustainable Stores

In 2007, we revealed our greenest store ever with the opening of Zellers in Waterdown, Ontario. In 2008, we continued down this path by opening new Zellers stores in Hamilton and Whitby, Ontario, as well as a renovation to a Bay store in Waterloo, Ontario.

Some of the sustainable building measures we implemented in these locations include:

- Two windmills, which generate enough electricity to power a house.
- Solar panels, which help light the store.
- A white roof which reflects and disperses heat.
- Touchless faucets and flushers, which reduce water use.
- HVAC – heating, ventilating and air conditioning units, which use no ozone depleting refrigerants.
- Kitchen exhaust control to reduce energy consumption used by ventilating fans.
- Exclusive usage of green products for cleaning the store.
- Return programs for rechargeable batteries and cell phones.
- A program to take back plastic shopping bags and to promote the use of reusable ones.
- Exterior signage that is LED illuminated.
- State of the art InterfaceFLOR covering (carpet) which is carbon neutral, with 40% recycled content and can be fully reclaimed.

These stores also feature a fully automated energy management system that is controlled remotely by our head office. The system allows for central control over the timing of indoor and outdoor lights, temperature control, CO2 reduction, humidity control, electricity consumption, remote lighting and more. This system allows us to raise temperatures and reduce lighting levels in the store during heat waves in response to energy conservation requests by the Province of Ontario.

We have also installed windmills at two of its existing locations Cloverdale Mall, Etobicoke, Ontario and the Meadowland Centre, Ancaster, Ontario.

Consumer Recycling Opportunities

Reusable Shopping Bags

In late 2007 we released a line of reusable shopping bags under its Global Mind brand and by the end of 2008 we have sold over 1,143,000 of these items. We offer our customers an incentive of 1,000 Rewards points on the purchase of these bags and 100 Rewards points each time they decline a shopping bag on their purchase regardless of what type of reusable bag they use. By giving our customers alternatives to single use plastic shopping bags, we help them to not use as many thus reducing the number going to landfill. This initiative has also helped us reduce the number of single use plastic bags issued to customers by approximately 14 % in 2008.



Rechargeable Battery Recycling

Through our partnership with the Rechargeable Battery Recycling Corporation's (RBRC) Call2Recycle™ program, we collected over 835 kg or 1,840 lbs of rechargeable batteries and cell phones in 2008. This is a 78% increase over 2007. This proves that by providing the means citizens will do the right thing and recycle. Thus keeping potentially toxic materials out of our nation's landfills, and helped to preserve natural resources.



Return to Retail Shopping Bag Programs

In 2008 we partnered with a number of communities in Ontario including the city of Sault Ste Marie and the Regions of York and Halton to participate in their return to retail program for single use plastic shopping bags. All bags collected by our company were sent for recycling. We are currently looking at options to roll this program out on a national level.

Ethical Sourcing

Hudson's Bay Company is committed to conducting business ethically, with integrity and transparency, from the way we source our merchandise to the way we treat our associates, our customers, and our business partners.

At the core of our ethics and compliance program is our Code of Business Conduct. This Code guides our business conduct, requiring honesty, integrity and appropriate respect of confidentiality in all of our business dealings.

Maintaining a sustainable supply chain

In 2008 we focused on the following objectives:

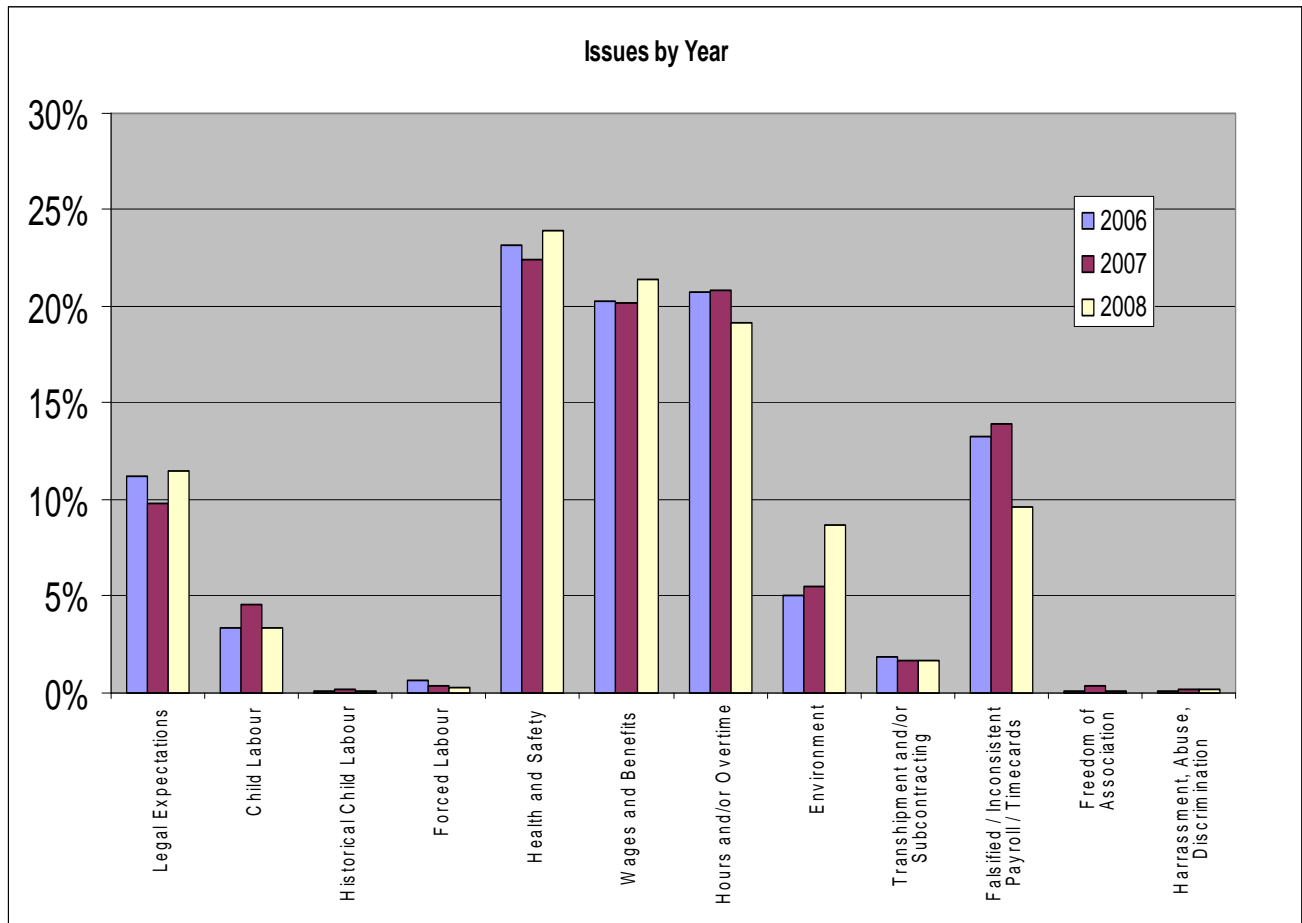
- All our suppliers producing private/captive branded participate in Hudson's Bay Company's social compliance program
- To ensure social compliance is integrated into our core business decisions and operations
- To induce change/improvement within factories and collaborate with other stakeholders where possible

In 2008 we changed how we review and assess suppliers, and how we communicate those results back to the business.

- We stopped prioritizing our suppliers based on their historical, existing, or new business relationship with Hudson's Bay Company.
- We changed our internal policy and process to include a clause related to social compliance within all merchant documents.
- We created a social compliance section on our internal website. Now all associates within Hudson's Bay Company can easily find out a supplier's social compliance status.

In keeping with the Global Mind principles, the key to maintaining a sustainable supply is to ensure clear communications with all stakeholders who are part of the supply chain. The social compliance program is focused on ensuring factories operate in a sustainable manner, and on improving their sustainable practices over time.

The chart below illustrates the main issues found in our factories for the past 3 years.



Number of factories audited in 2008:

	Status		
	Approved	Not approved	Grand Total
Total	1310	11	1321

Social Compliance

Hudson's Bay Company has recently realigned its Quality Assurance and Social Compliance processes to improve sourcing practices and quality of products. This new streamlined approach enables suppliers to easily follow our product development process.

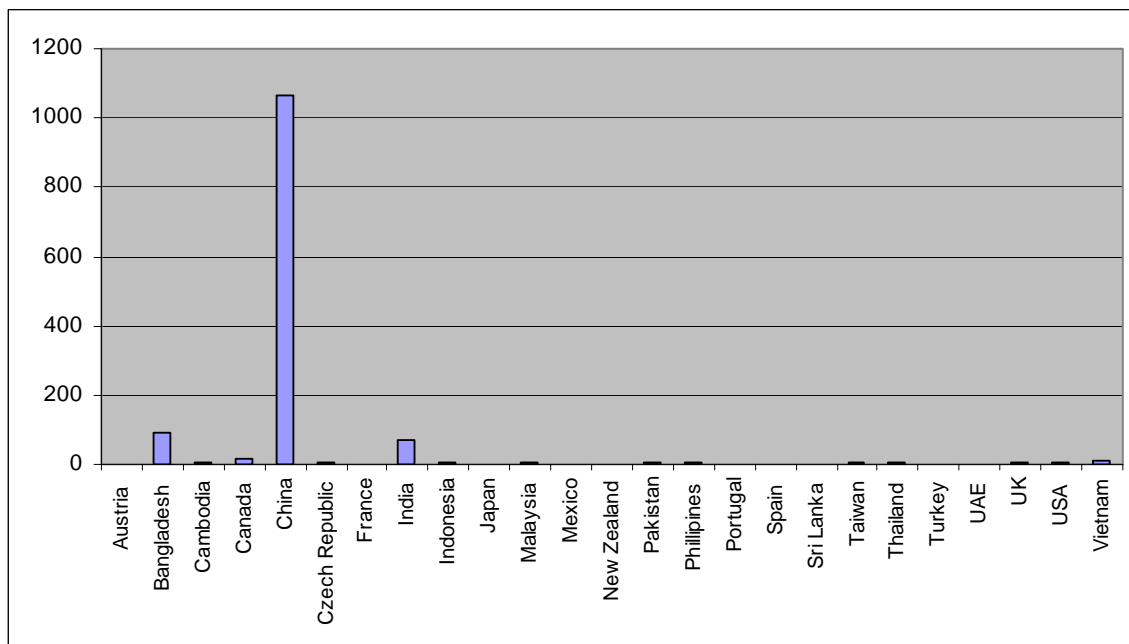
The objectives of streamlining the two processes include:

- Working collaboratively to develop desirable high quality products;
- Finding suppliers who share our value of high quality and ethical sourcing;
- Educating our suppliers on our standards and processes; and

- Promoting and maintaining a level of quality that meets or exceeds domestic and international regulations.

Hudson's Bay Company suppliers are required to submit social compliance information prior to production in the factory. We can then ensure that the factory meets the standards set out in our Code of Vendor Conduct. If the factory is found to have social compliance issues, they are able to correct these problems before the production of Hudson's Bay Company goods. All social compliance audit results are shared with the product development and Quality Assurance teams. This sharing of information ensures that there is full disclosure of factory information. As well, all teams in product development can also communicate with suppliers on issues of social compliance. By connecting quality assurance and social compliance, the supply chain becomes sustainable and allows for higher quality product for our customers.

Where we Source



Social Compliance Standards & Policy Manual

Our Social Compliance Standards & Policy Manual was revised in 2008 to incorporate a more comprehensive set of guidelines and expectations for our vendors and factories. Our goal was to clearly communicate the importance that each and every factory participates in our social compliance program prior to starting production without delaying the vendor set-up process. In order to help facilitate this process, we have integrated our Alternate Audit Policy to accept other brands and retailer's audit reports and social compliance program guidelines to help factories avoid being inundated with numerous audits but focus on remediation.

We also introduced a new grade method utilizing a percentage system to accurately capture the progress of the factory's continuous improvement over time. This improves the visibility of factory's audit result to our sourcing team by using this data in our vendor score card to assess overall rating of the factory.

VANOC

Hudson's Bay Company participated in various tutorial sessions collaborating with our licensee partners to contribute to overall improvement in the following subject matters:

- 2010 Ethical Sourcing Program
- 2010 Business Network
- 2010 Aboriginal Sourcing Program

As a Premier National Partner of the Vancouver 2010 Olympic Winter Games, we have reassessed our social compliance program to ensure that we are able to address various challenges and opportunities presented while working with vendors producing our Olympic merchandise. In order to fulfill this goal, we have revamped our Homeworking Policy to provide opportunities for the local employees and workers to communicate their statements and concerns in addition to validating documents to ensure that the vendors satisfy the social compliance requirements. We have also focused on working with our Business to Business sourcing team to ensure that the corporate promotional merchandise is verified for social compliance before the portfolio is presented to our potential clients. Our challenge continues to be found in small purchasing dollars as it impact vendor and factory's desire to commit to making improvements or even participate in an initial audit. In order to overcome this challenge, we have communicated the benefits of being an approved Hudson's Bay Company vendor and factory.

Internal Education

Hudson's Bay Company prides itself on educating not only external stakeholders about the social compliance program, but also internal stakeholders. Internal training takes two major forms. The first is a mandatory online course which details the basic tenets of the social compliance program and how we ethically source our products. The second way is through "lunch and learn" presentations whereby members of the social compliance team visit different areas of the company and give a short presentation on the social compliance policies in the company and how these policies need to be implemented. This ensures that all associates are aware of the social compliance program and are able to speak to vendors about it as well as guaranteeing that social compliance is a part of all our business decisions.