

2009 **CORPORATE SOCIAL RESPONSIBILITY**



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Reporting Parameters

The framework we have used to measure and report our results has been adopted from the Global Reporting Initiative (GRI) G3 guidelines. This report is divided into four main sections: Associate Development and Wellness, Community Investment, Environmental Sustainability and Ethical Sourcing. We have limited the scope of this report to the following banner stores: the Bay, Zellers and Home Outfitters. FIELDS and Lord & Taylor have been excluded from this report.

Reporting period:	February 1, 2009 to January 31, 2010
Date of most recent previous report:	July 2008
Reporting cycle:	Annual
Contact point for questions re CSR:	corporate.communications@hbc.com
Scope of operations:	HBC operates in every province of Canada and sources merchandise globally.
Report content: HBC reports on the four areas of its operations that have the greatest impact on our stakeholders:	I. Associate development and wellness II. Community investment III. Environmental sustainability IV. Ethical sourcing
Data measurements:	
Associate development and wellness	Number of stores in each banner by province
	Number of associates by province
	Associates celebrating long service milestones
	O.P.A.L. training statistics
	Workplace injuries
Community investment	Focusing donations on three key areas over the past five years
Environmental sustainability	Waste diversion % by operational space
	Percentage of stores with building automation systems (BAS)
	Percentage of stores with lighting retrofits
Ethical sourcing	Number of factories audited sorted by country
	Hours of work and overtime

Corporate Overview

Hudson's Bay Company (HBC) is the Canadian retail entity of Hudson's Bay Trading Company (HBTC). Founded in 1670, the Hudson's Bay Company operates the Bay, a major department store, Zellers, a mass merchandise format, Home Outfitters, a kitchen, bed and bath specialty store, and value-priced FIELDS stores.

HBC is a privately held company governed by a Board of Directors that is chaired by Richard Baker, Governor, Hudson's Bay Company. The board is supported by a strong senior management team who carries out the day-to-day operations of the organization. HBC's head offices are located in Toronto and Brampton and are supported by regional offices throughout Canada.

With more than 500 retail outlets and over 50,000 associates in Canada, Hudson's Bay Company banners provide Canadians with stylish, quality merchandise at great value and with a dedicated focus on exceeding customer expectations.



Number of stores in each banner by province

Banner	Province										Total Stores
	ON	PEI	NF	NB	AB	SK	MB	QC	NS	BC	
The Bay	34	0	0	1	15	2	3	17	3	18	93
Home Outfitters	32	0	0	0	9	2	3	10	2	11	69
Zellers	119	2	3	11	27	8	8	54	13	32	277
											439

* Fields stores are excluded from this chart

As a diversified general merchandise retailer, we specialize in high fashion merchandise and apparel, accessories and soft home categories at the Bay; mass merchandise at great value at Zellers; and every-day-great kitchen, bed and bath solutions at Home Outfitters.

It is our goal to foster and enhance sustainable business practices throughout our organization and ensure that we maintain legal and ethical standards. We are continually working towards creating efficient, productive and sustainable solutions, while also striving to operate in an environmentally conscious manner. We are committed to providing our associates with a work environment in which they will continue to grow and achieve their aspirations. We have an extensive record of community support through the activities of the HBC Foundation. Our associates, community investment, the environment and ethical sourcing are our four main areas of responsibility as an organization, which will be discussed in further detail in this report.

A Message from Richard Baker



At the Hudson's Bay Company, our CSR efforts are focused on four key areas where we believe we can make a difference: our environment, our people, our communities and in the ethical sourcing of our products. Our aim is to operate a successful company with minimal impact on our environment, while ensuring a positive effect on our people and our communities. This report outlines our 2009 efforts to run our business in a sustainable way that benefits the environment, our customers and our associates while giving back to the communities in which we operate.

Key Achievements

Over the past year, we've made great progress reducing our environmental footprint. In 2009, we eliminated unnecessary paper production by moving to paperless pay statements, resulting in the elimination of approximately 1.3 million pieces of paper being produced and distributed to over 500 HBC locations every two weeks. We continually monitor energy consumption in stores and encourage customers to use reusable shopping bags in place of single use plastic shopping bags.

In 2009, the Company also maintained its 'zero waste' status in our Simpson Tower office building in downtown Toronto, a status we have upheld since 2007. HBC is proud of this achievement and continued recognition that is based on standards set by the International Waste Alliance.

Challenging economic times predominated, creating a time when community and social funding was needed the most. During this period of economic uncertainty, HBC maintained its economic and social footprint, as we have in previous years, to ensure our Canadian value remained strong. HBC is proud to celebrate its long-standing connection with Canadians across the country through its various programs and fundraising initiatives. In 2009, HBC donated close to \$9,000,000 to support healthy families, build strong communities and inspire Canadians.

Looking Forward

Embracing sustainable business practices will remain a steadfast commitment for 2010 and beyond. Areas that we will continue to focus on are ensuring that we retain our 'zero waste' status in the Simpson Tower building, reducing our ecological footprint, monitoring the ethical sourcing of our products and scrutinizing our labour practices. The HBC Foundation will maintain its commitment to Canadian athletes through 2012 and we will continue to provide local and national funding to charitable organizations that uphold our distinct Canadian values.

It is through the support of our associates, our customers and the communities in which we operate that we are able to grow and prosper as a company. It makes good business sense for us to ensure we do everything in our power as an organization to be socially and ethically responsible so that all our stakeholders benefit. I am proud of the progress the Company is making and I'm pleased to showcase our sustainable business practices. Giving back to the communities we serve is a significant objective for both myself and for HBC. I look forward to sharing our progress with you in our next report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard Baker'.

Richard Baker

Governor, Hudson's Bay Company

Our Associates

The Hudson's Bay Company is one of Canada's largest employers with over 50,000 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 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.

Life Works

In 2009, HBC introduced LifeWorks - a confidential, web-based referral program - to help associates and retirees face everyday challenges and stay current on the latest health and wellness trends. LifeWorks also provides up-to-date information on:

- Child care
- Elder care/senior services
- Stress Management
- Financial and Legal counseling
- Alcohol and drug addiction treatment
- Health care
- Bereavement counseling
- Healthy living

LifeWorks is accessible to associates online or via phone 24/7 and is a great way to obtain confidential wellness information for themselves and their family members.



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 exclusive shopping discounts at our banner stores.

In addition, our HBC Associate Perks program offers associates special discounts on a wide range of products and services – everything from event and attraction tickets, movie passes, cell phone plans, fitness memberships, insurance, travel and much more!

Number of Associates by Province

Province	Total
AB	5,304
BC	7,259
MB	1,470
NB	932
NL	273
NC	1,444
ON	24,514
PE	195
QC	8,307
SK	1,071
Grand Total	50,818

* Fields associates are excluded from this chart

Associate Discount

HBC's associate discount benefit is Canada's premier associate discount program. This benefit helps associates save as they make purchases on basic household needs – from lipstick, TVs and designer shoes to discounts on sale and clearance items. We offer associates a discount on over 1.5 million goods and services purchased at the Bay, Zellers, Home Outfitters, Fields, HBC Online and HBC licensed departments coast-to-coast from their first day of employment. Each year, Hudson's Bay Company gives back over \$20 million in savings to our associates. Associates with five or more years of service also receive an additional five percent discount on HBC MasterCard and HBC Credit Card purchases during a two-week period in November.

Long Service Program

Hudson's Bay Company's Long Service Program celebrates associates who achieve important career milestones with the Hudson's Bay Company. Long Service awards are our way of saying thank you and recognizing our associates for their dedication and significant contributions to the Hudson's Bay Company's success and growth. In 2009, 5,883 associates celebrated long service milestones with the Hudson's Bay Company.



Associates celebrating long service milestones

Year	# of Associates
2007	6,608
2008	6,178
2009	5,883



5, 10 & 15 Years of Service Anniversaries:

Associates celebrating 5, 10 or 15 years of service are presented with a congratulatory letter on their anniversary date and bonus HBC Rewards Points based on their years of service.

20, 25, 30+ Years of Service Anniversaries:

Associates celebrating 20, 25 or 30+ years of service with the Hudson's Bay Company are recognized with a congratulatory letter on their anniversary date and the presentation of a gift. Associates are able to make a gift selection from a range of gift options based on their years of service. In 2009, HBC introduced a new online website for associates to select from a large selection of long service awards merchandise, including HBC Signature items.

Learning and Growth

At HBC, we recognize the importance of ensuring our associates have all of the necessary skills that allow them to be successful in their given field. Hudson's Bay Company University's (HBCU) goal is to provide a continuous learning environment for all associates in all locations.

We offer instructor led training, e-Learning through our in-house Online Personal Approach to Learning (O.P.A.L.) Management System, Virtual Classroom facilities and support for all system implementations. Twenty percent of our associates are trained through management training programs and five percent of our associates are trained through other methods of presentation.

We are constantly striving to use proven best practices to offer our associates the required training and learning they need to succeed. Through the University's website, associates are connected to a platform that links individual goals and performance with the Company's goals and strategies.

Our courses cover diverse topics such as product knowledge, system training, business development, personal development and health and safety. Associates receive additional training such as our Code of Business Conduct and our Associate Charter of Rights and Responsibilities - both at time of hire and throughout their employment with the Company.

Open Lines of Communication

As a national retailer with over 500 stores across Canada, we communicate with home office and store associates on a regular basis. We provide associates with messages from our senior leadership team, corporate direction, associates' milestones and achievements, and more. Communication with associates takes on many different forms, including the intranet, extranet, our weekly e-Newsletter, voicemail and e-mail messages and daily in-store huddles.



Number of OPAL training courses taken by HBC associates

Year	# of Courses Completed
2007	167,115
2008	152,084
2009	284,001

My HBC

In 2009, we launched a new personalized HR portal to all HBC associates that provides them with paperless pay statements and secure access to personal compensation resources, corporate news, special offers and health and benefits information. This portal is available to our entire associate population and is accessible 24/7 from their home or workplace.





HBCnet

Our corporate intranet is an important communication vehicle, providing associates with up-to-the-minute corporate news, need-to-know information, exclusive invites to events and special offers. During 2009, over 1,283 news items were communicated online. Our intranet also features a special associate recognition section where we recognize exceptional customer service in the field. Twenty-seven associates were recognized for their service excellence in 2009 with a feature article on our intranet.

Our 'Let's Discuss' forum provides associates with a mechanism to provide feedback and share newsworthy information with colleagues. A highlight in 2009 included submissions from 100 HBC Olympic torchbearers who blogged about their Torch Relay experiences from coast-to-coast.

In 2009, we replaced our printed associate magazine – HBC Life – with a more environmentally friendly online version available on our intranet. HBC Life online provides associates with news and information about brands, product launches and happenings across all Hudson's Bay Company banners.

Associate Engagement: Earning Our Stripes

At HBC, we recognize the value of having associates who are connected to the work they do and have pride and passion for the company they work for. To measure engagement levels and better understand how our associates feel about working at Hudson's Bay Company, we conduct a regular survey with our 50,000 plus associates in partnership with Gallup.

Our Earning Our Stripes survey gives associates the opportunity to provide confidential feedback about how connected they feel to their job, their banner and HBC. In spring 2009, results were rolled out from our fall 2008 survey. Notable improvements included a dramatic increase in associate engagement scores across the Company compared to the 2007 survey, rising 12 percentile points – almost double the average increase in scores experienced by companies in the Gallup retail database.

We believe this demonstrates the commitment and passion our associates have for our Company and the desire they have to see us succeed. Stores that saw an increase in their engagement scores also experienced greater financial performance and sales. The next Earning Our Stripes survey takes place in September 2010, and results will be communicated in early 2011.





Vancouver Olympic Games

As a Premier National Partner of the Vancouver 2010 Olympic & Paralympic Winter Games, the Company focused on engaging associates in the Games during 2009. Numerous events were held to celebrate the Olympics throughout the year beginning with a one-year countdown on February 12th, an International Olympic Day celebration on June 23rd, and a celebration of the launch of our Olympic replica clothing line on October 1st.

Additionally, each of our stores had a designated Olympic Champion responsible for creating awareness of our initiatives and developing in-store events to celebrate the Olympics. We were fortunate to have the Olympic torch visit three of our Zellers stores while completing its cross-Canada tour. These events were held on December 3rd in Ste-Foy, Quebec, on December 19th in Burlington, Ontario and January 26th in Kelowna, British Columbia. The torch made an appearance in front of each store with hundreds of associates and customers in attendance at each event.

One hundred associates had the opportunity to carry the Olympic torch as official torchbearers through a company contest. Associates were asked to describe their Olympic spirit and why we are proud to be a part of the Hudson's Bay Company's participation in the Vancouver 2010 Olympic & Paralympic Winter Games. One hundred lucky winners were selected to participate in the relay as the torch made its way across Canada.



OFFICIAL OUTFITTER
HABILLEUR OFFICIEL

Safe and Healthy Workplace

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

The premise is simple: we want all of our associates to return home safely at the end of their work shift. To back this up we have a comprehensive health and safety program. All of our workplaces have a Health and Safety Committee that meets monthly, inspects the workplace and acts as an advisory board to management on health and safety issues.

Our health and safety strategy has three core elements:

1. Get better at injury prevention: We will continue to train our associates to ensure that our safety standards are communicated, understood and enforced. We will investigate all incidents so that we can learn from them and identify ways to prevent future incidents. We will conduct periodic audits of our programs to ensure compliance.

2. Improve our return to work program: Our goal is to accommodate any associate who is unable to perform their regular job duties due to injury or illness with alternate or modified work. To this end, we will continue to explore new and effective ways of ensuring that such accommodation is provided in a manner that allows our associates to maintain active employment with safe, meaningful, and productive work.

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

Workplace Injuries

	2007	2008	2009
Disabling injury frequency: Lost time injuries per 100 equivalent full time employees	2.09	1.8	1.76
Injury severity: Days lost per 100 equivalent full time employees	13.73	16.64	15.2

Health and Safety Highlights

Here are some highlights of our 2009 results:

- A 12 percent reduction in lost-time injuries vs. 2008.
- A 12 percent increase in the number of Hudson's Bay Company stores and Logistics Centres that achieved our goal of zero lost-time injuries for the entire year vs 2008.
- A Certificate of Recognition from the Alberta Workers' Compensation Board for successful implementation of a workplace health and safety management system under the Partners in Injury Reduction Program.
- Achievement of a Safety Groups Award from the Ontario Workplace Safety and Insurance Board (WSIB).

Our commitment to zero injuries remains strong and unchanged. We continue to integrate health and safety into all aspects of our business. Through regular communications, active involvement of our associates, continuous improvement of systems, procedures and training, and immediate reaction to incidents, we will continue to provide a safe working and shopping environment.

Community Investment:

Hudson's Bay Company Foundation

Focusing Donations on three key areas over the past five years

	2005	2006	2007	2008	2009
Healthy Families	\$2,715,789.00	\$ 1,736,303.00	\$2,312,588.00	\$1,592,982.56	\$ 643,362.52
Strong Communities	\$3,404,169.00	\$2,753,900.00	\$3,104,227.00	\$1,861,590.79	\$ 786,840.60
Inspiring Canadians	\$4,333,679.00	\$6,178,660.00	\$6,750,962.00	\$4,625,841.46	\$7,511,725.00*
Total	\$10,453,637.00	\$10,668,863.00	\$12,167,777.00	\$8,080,414.81	\$8,941,928.12

*This figure includes \$5.8 million in proceeds from the sale of Red Mittens made directly to the Vancouver Olympic Committee by the Hudson's Bay Company.

The Hudson's Bay Company Foundation is one of Canada's leading charitable organizations dedicated to improving the lives of Canadians through programs that reflect our distinct Canadian values. The Hudson's Bay Company takes pride in its long-standing connection with Canadians beyond the walls of its stores and into the cities, schools and communities across the country through its various programs and fundraising initiatives.

During 2009 our primary focus was on activities that supported Canadian athletes and the 2010 Vancouver Olympic Games. Over \$5.8 million was raised through the sale of Red Mittens with all proceeds going toward supporting Canadian athletes in gaining access to top equipment and training. In this period, we experienced a decline in overall donation activity, due in part to the economic climate and the realignment of the Foundation's focus to Canadian Athletes. This shift will continue in 2010 as the Foundation begins to rebuild new strategies to align with HBC's future business direction.

Additional highlights of our fundraising activities for 2009 include:

Canadian Athletes - \$1.7 million raised

- \$1 million handed out to 200 Canadian athletes.
- \$400,000 to the Commonwealth Games, Canada.
- \$300,000 to the Pacific Institute for Sports Excellence training centre in Victoria, BC.

These funds were raised through the Hudson's Bay Company annual corporate Golf Tournament & Spa and with the help of our stores and customers. The Bay, Zellers and Home Outfitters stores all participated in this fundraising campaign with support from their customers with the selling of cutouts, donations of HBC Rewards points and numerous other miscellaneous fundraising activities (BBQs, bake sales, car washes, etc.).

Canadian Breast Cancer Foundation (CBCF) - Think Pink™ - \$431,348 raised

All Hudson's Bay Company banners (the Bay, Zellers and Home Outfitters) participated in the Think Pink™ program during October's Breast Cancer Awareness Month with the support of our vendor partners. A minimum of 10 percent from the sale of Think Pink designated products was contributed to CBCF. A portion of the Cosmetics Gala ticket sales in all Bay stores went to CBCF as well.



Canadian Cystic Fibrosis Foundation (CCFF) - \$39,439 raised

- \$22,439 was raised during the holiday cutout campaign.
- \$17,000 was raised by Vancouver Island Zellers stores that hosted fundraising events to support their local CF chapter.

Canadian Centre for Abuse Awareness (CCAA) - \$63,292 raised

Funds were raised through the sale of children's clothing in Bay stores to support the 'Bear Hugs' program – a program aimed at providing blankets and bears to abused and neglected children in times of distress.

Canadian Women's Foundation (CWF) - \$78,715 raised

- \$61,555 was raised through the Bay's Cosmetic Galas with a portion of ticket sales going back to the cause.
- \$17,160 in gift cards were donated to local women's shelters along with gently used purses during the Bay's Hand Bag Trade-in Event.

Look Good Feel Better (LGFB) - \$74,137 raised

Funds were raised through the Bay's Girl Time Gala, where \$2 from every ticket sold was donated back to the charity. The Bay contributed \$61,280.00 in products to the Look Good Feel Better annual Charity Ball, which was used as part of their auction.

Christmas Daddies - \$121,668.35 raised

Funds were raised at East coast stores through the sale of cutouts and the sale of Christmas Daddies calendars. Toys and gifts collected through the Christmas Daddies program are distributed by The Salvation Army to families in need during the holiday season.

Variety the Children's Charity - \$16,317 raised

Vancouver Zellers stores hosted fundraising events to support their local Variety chapter.

Easter Seals - \$13,756 raised

Eastern Ontario stores participated in the selling of paper eggs to support Easter Seals Ontario.

Telemiracle Foundation - \$12,137 raised

Zellers stores in Saskatchewan raised funds through the sale of cutouts to support their local charity.

Grand Guignolee - \$256,383 raised

Funds were raised through the sale of cutouts and coin box donations at all Quebec stores. The funds were raised in the fall of 2008, but donated to the Grand Guignolee in 2009.



Environment

Reducing Waste

At HBC, we strive to reduce our green footprint by eliminating unnecessary paper production wherever possible. During 2009, we switched from a paper-based pay statement service to an electronic delivery service for our associates. This initiative has resulted in the elimination of approximately 1.3 million pieces of paper being produced and distributed to over 500 HBC locations every two weeks. During this period we also eliminated additional paper-based associate communications in favour of electronic distribution wherever possible. This resulted in the production of an online format for our HBC Life publication and other associate benefit information.

Rechargeable Battery Recycling



call2recycle™

Through HBC's partnership with the Rechargeable Battery Recycling Corporation's (RBRC) Call2Recycle™ program, we have collected over 2800 kg or 6172 lbs of rechargeable batteries and cell phones to date. This proves that when given the means, consumers will do the right thing and recycle. Along with our customers, we are doing our part to keep potentially toxic materials out of our nation's landfills and are helping to preserve natural resources.

Return to Retail Shopping Bag Programs

HBC continues to partner with a number of municipalities, including the City of Sault Ste. Marie, York Region and Halton Region to participate in their Return to Retail Program for single use plastic shopping bags. All bags collected by HBC were sent for recycling, showing that consumers are willing to partner with retailers to do the right thing and recycle.



Waste Diversion % by Operational Space

	Total Solid Waste Tons / Million Sqft	Percentage of Recycled Waste	Percentage of Landfill Waste	Total Diversion Rate *
2003	1,276	53%	46%	54%
2004	1,321	52%	47%	53%
2005	1,293	52%	47%	53%
2006	1,180	55%	44%	56%
2007	1,258	57%	43%	57%
2008	1,183	56%	44%	56%
2009	1,203	58%	42%	58%

*Total Diversion rate is % not sent to landfill = Corrugated Cardboard, plastics as well as other materials sent for Recycling.

Monitoring Energy Consumption in Our Stores

All new HBC 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. To date, HBC has completed lighting retrofits at 84 percent of its existing network of stores and installed BAS systems at 76 percent of its stores. Through these stations, we can monitor daily consumption and equipment failures and work with individual stores to minimize our energy use.



Percentage of stores with Building Automation Systems (BAS)

BAS												
	2005			2006			2007			2008		
Banner	BAS	Stores	%	BAS	Stores	%	BAS	Stores	%	BAS	Stores	%
Zellers	262	291	90%	261	283	92%	257	280	92%	259	280	93%
Bay	32	98	33%	45	97	46%	44	98	45%	46	92	50%
Home Outfitters	18	56	32%	23	59	39%	26	61	43%	28	60	47%
Distribution Centres	2	11	18%	3	10	30%	3	10	30%	3	9	33%
Total	314	456	69%	332	449	74%	330	449	73%	336	441	76%

*No lighting retrofits or BAS systems were added in 2009

Percentage of stores with Lighting Retrofits

Percentage of stores that have been retrofitted with new light bulbs that are energy efficient.

Lighting Retrofits (Stores equipped with T8 lighting)												
	2005			2006			2007			2008		
Banner	Retros	Stores	%	Retros	Stores	%	Retros	Stores	%	Retros	Stores	%
Zellers	213	291	73%	239	283	84%	251	280	90%	255	280	91%
Bay	34	98	35%	37	97	38%	51	98	52%	58	98	59%
Home Outfitters	56	56	100%	59	59	100%	61	61	100%	60	60	100%
Distribution Centres	2	11	18%	3	10	30%	3	10	30%	3	9	33%
Total	305	456	67%	338	449	75%	366	449	82%	376	447	84%

*No lighting retrofits or BAS systems were added in 2009

Zero Waste

Waste reduction and recycling continues to be a key focus for HBC. In June 2007, HBC's head office in downtown Toronto became the first office tower in Canada to be certified as "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 2009, we have been re-audited and have maintained the Zero Waste status in our downtown Toronto office. This marks three consecutive years of Zero Waste. Also, in 2009, HBC's downtown office tower "Simpson Tower" was featured as a case study by the Ontario Ministry of the Environment (OMOE). This case study entitled, **"The Simpson Tower Canada's First Zero Waste Office Tower,"** discusses the goal, how it was achieved and the final outcomes. HBC's two other office buildings are currently running the same program as the downtown Toronto location.



In 2007, HBC piloted a zero waste program in seven of its stores, resulting in a 95 percent diversion rate. As a result, we now run the program 20 of our store locations throughout the Greater Toronto Area. The program allows stores to

recycle all cardboard, paper, plastic, metal and wood waste generated through their operations. Also, any stores that operate a restaurant, or sells fresh foods through a neighborhood market are running an organics program where organics are sent to a composting facility. Although this initiative adds some complexity to store operations, the difficulties are far outweighed by the rewards. HBC is currently reviewing this program with other service providers to eventually expand nationwide.

Global Mind Reusable Shopping Bags

In October 2007, HBC released a line of reusable shopping bags. By the end of 2009, we have sold over 1,143,000 reusable bags. We also offered our customers an incentive of 1,000 HBC Rewards points on the purchase of these bags and 100 HBC 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 an alternative to single use plastic shopping bags, we help reduce the number in circulation nationally, thus reducing the number that end up in a landfill.



Tracking GHG Emissions, Water Consumption and Fuel Efficiency

In order to understand its environmental footprint, HBC tracks the following seven sources of GHG emissions:

1. Natural gas
2. Propane
3. Transportation (truck fleet)
4. Oil
5. Electricity
6. Steam
7. Chilled Water

Benchmarking from its 2000 baseline year, HBC has reduced its emissions by 24 percent by the end of 2009. This reduction came as a result of retrofits to existing stores, construction of energy-efficient new stores and the use of innovative technologies such as deep-lake water cooling. Emissions are also influenced by each year's different heating and cooling demands.

"HBC's **2009 GHG Emissions, Water Consumption and Fuel Efficiency Report** is prepared by our third party energy consultants Energy Advantage." HBC uses this reporting to ensure we are moving in the right direction to reduce the environmental footprint of our physical operations. Also, by having the report prepared by a third party, we believe this adds further credibility to our commitment to continually improve in this area.

CASE STUDY
The Simpson Tower
Canada's First Zero Waste Office Tower

MAKE EVERY WORKDAY EARTH DAY
www.ontario.ca/waterreduction

The Building

- A 12-story, multi-tenant office tower in downtown Toronto, owned by Hudson's Bay Company and operated by Ivanhoe Cambridge

The Goal

- Become Canada's first zero waste multi-tenant office tower

How It Was Done

- In the spring of 2007 Ivanhoe Cambridge, Turtle Island Recycling and The Hudson's Bay Company started a Zero Waste Challenge
- Building management met with tenants to explain the program and give a tour of Turtle Island's recycling facility
- Tenants sorted materials into three clearly identified bins:
 - Paper recycling
 - Multi-material recycling (i.e. paper, plastics, metals, etc)
 - Organics
- Tenants received email updates and reminders before and during the program
- Cleaning staff did not collect improperly sorted materials. Reminder notices were left in cubicles and management staff followed up to answer any questions and/or concerns
- Ink cartridges, cell phones, fluorescent light tubes and bulbs were all recycled
- Contractors removed their own construction waste
- Tenants were encouraged to donate used furniture and electronic items for reuse

The Outcome

- The Zero Waste Challenge was embraced by all tenants
- In 2008, The Simpson Tower achieved an audited waste diversion rate of 97.6 per cent – only 2.4 per cent of the tower's waste could not be recycled
- The Simpson Tower recycles approximately 300 tonnes of material a year

Successful waste reduction requires management commitment, tenant engagement and sustained participation. As exhibited here, a large budget is not a requirement.

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Ontario

Ethical Sourcing

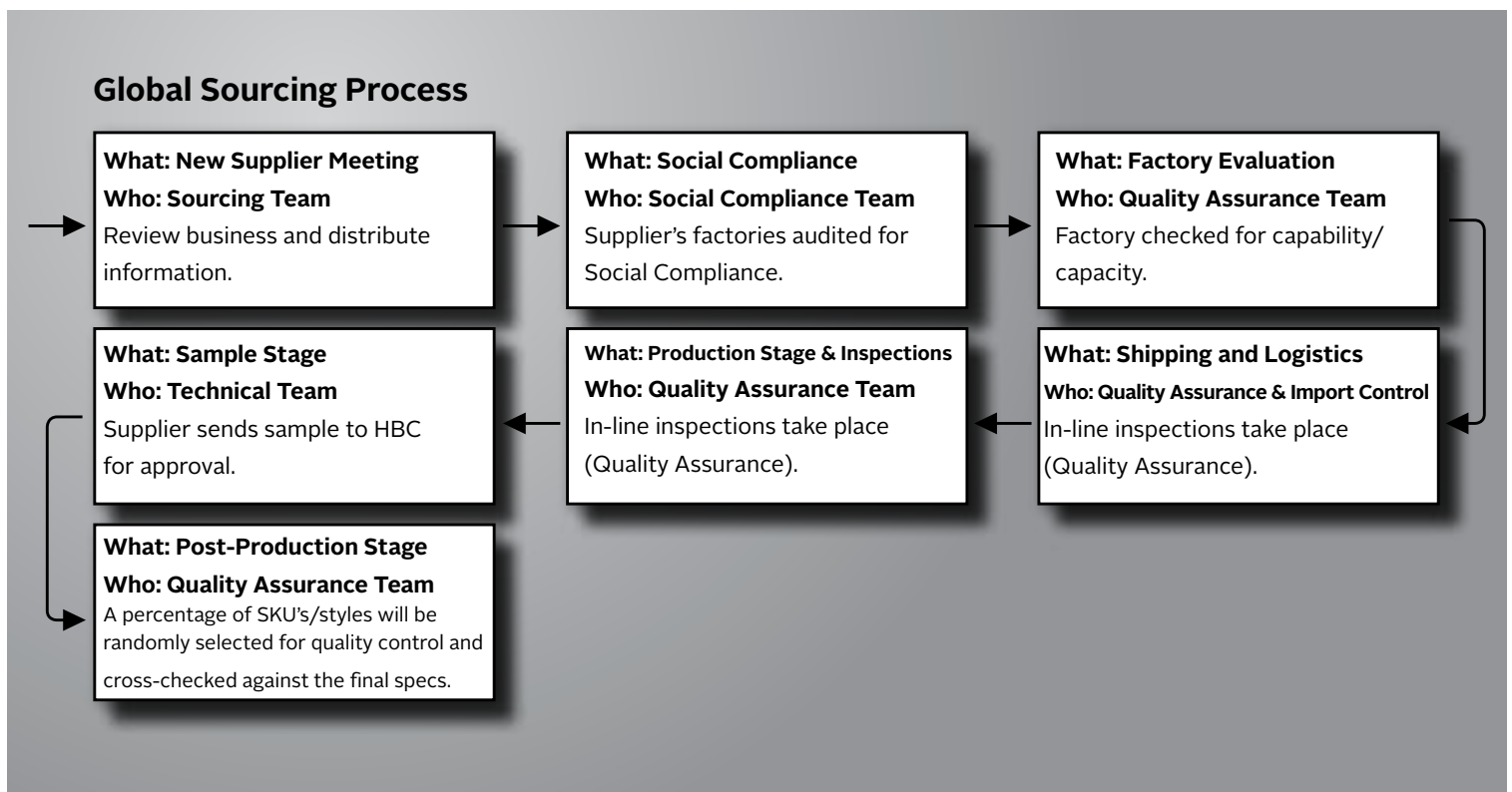
Overview

In 2009, the Hudson's Bay Company continued its commitment to source private and captive branded merchandise in an ethical manner. While the Company focused on streamlining operations and processes, the social compliance policy remained steadfast in policy and requirements. Our challenge in 2009 was to ensure the social compliance process remained connected to our business process, while the business underwent changes.

What We Do – Sourcing and Product Development

HBC carries a wide assortment of private branded (brand names we own that are fashionable, innovative and good quality) products. Our Global Sourcing department consists of product designers, sourcing managers, technologists and production managers who are responsible for the design, development and quality of our products. Part of maintaining and enforcing this quality is the integration of our social compliance program and our sourcing process. We refer to this as ethical sourcing.

The intent of sourcing ethically is twofold: first, factory information such as location, capacity and human resource management (human rights and labour rights) are monitored and validated during each step in the process. Secondly, the risk of working with inefficient and poorly managed factories decreases significantly, thus ensuring effective and timely delivery of product. We also save time and money by sourcing from a reliable supplier right from the start. The sourcing and product development process is illustrated below.



Product Responsibility

HBC products and packaging materials are designed to meet Canada's federal and provincial legislation. Laboratory testing on products is a mandatory requirement. Products are tested for performance, construction and Canadian product regulations for health and safety.

HBC's top priority is safety requirements for children's products. Crucial safety analysis begins at the product development stage for various children and juvenile product items. All children's product items are tested for heavy metals, small parts, choking hazards and other performance and safety parameters. HBC conducts more than 12,000 tests annually.

In addition, HBC has stringent checks in place which includes technical product reviews to complement the laboratory testing during the product development process. At the lab testing stage, product is tested as per Health Canada's regulatory requirements and HBC's own performance and safety standards. For example, HBC was one of the first retailers in Canada to remove polycarbonate base baby feeding bottles from store shelves due to the issue of Bisphenol-A (BPA). As a result, we provided customers with alternative BPA free choices.



Before product is shipped to Canada, HBC's quality assurance program requires an objective third party pre-shipment inspection. These inspections ensure product meets our design requirements, packaging requirements and quantity to be shipped. There are approximately 6,500 inspections conducted by independent third party and agent offices annually.

HBC's quality assurance program ensures accurate and meaningful labeling information, caution or warning messages and care instructions on all products to help consumers make informed purchasing decisions. We support our customers' knowledge and awareness of the environmental performance of products such as its recyclability or its packaging materials, as well as the resources and energy used to produce the product. Any environmental claims we make are validated and based on fact and testing results.

Our sourcing colleagues always look to the best and most capable supplier; however, no orders can be placed unless that supplier participates in our social compliance program. When reviewing a factory's capability and integrity, we ask suppliers to fill out a self-audit. This questionnaire gives a preliminary overview of what a factory looks like and also acts to ascertain a factory's management style or performance. By reviewing a factory's capability before an order is placed, the risk of shipping product from unknown factories or working with an unsatisfactory factory is reduced. We have also reduced our risk of factories working with subcontracted suppliers. Suppliers may not proceed with a test request or pre-shipment inspection unless their factory has been approved for social compliance. Suppliers who choose to change factories must start with a social compliance approval. We created a supply chain with a 360 degree view from start to finish. This enables greater visibility, partnership and communication between HBC and our suppliers.



To enforce our policy on social compliance and quality assurance, all business agreements contain terms and conditions which suppliers must adhere to.

Finally, once product has been shipped to our stores, a follow-up review is conducted and a supplier scorecard is generated. The supplier scorecard contains financial, quality assurance and social compliance information. To have a truly ethical supply chain, we need our buyers and sourcing managers to understand how social compliance audit results connect to financial results. This supplier scorecard provides a larger and inclusive picture of a supplier's performance.

The Social Compliance Program

The objective of our social compliance program remains the same – to ensure all private and captive branded products were made in humane conditions and to protect the integrity of our family of brands. We also aim to improve workplace conditions in factories as part of the ethical and social responsibility we hold as a company when operating in a global supply chain.

Our Standards - Code of Vendor Conduct

HBC's Code of Vendor Conduct functions as a set of standards. We expect our suppliers to operate and manage their factories using these standards which are based on the United Nation's Declaration of Human Rights, the United Nations Convention on the Rights of the Child and the International Labour Organization (ILO) Declaration on Fundamental Principle and Rights and The Rio Declaration on Environment and Development.

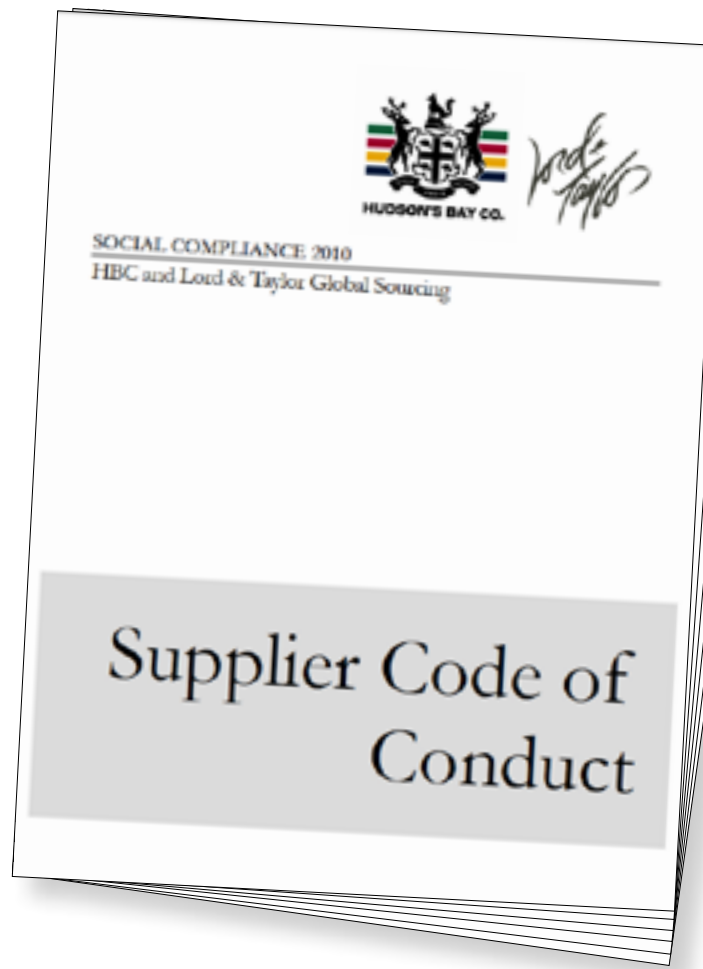
The **Code of Vendor Conduct** provides the foundation for HBC's monitoring system. Suppliers are required to read the Code of Vendor Conduct and share our commitment with their employees. We aim to ensure workers are paid, that they work a reasonable amount of hours and do their work in a safe and healthy environment.

How we look at a Factory

All suppliers are required to fill out a self-audit. This is the preliminary view of a factory. Next, we ask if suppliers participated in an existing social compliance program for another brand or retailer. The purpose of asking these questions is to avoid unnecessary repeat auditing of a factory and to identify any human rights issues upfront. In some cases, these alternate audits provide enough information for HBC to make a decision on whether or not to place an order with a factory. However, in cases where it is difficult to ascertain work conditions, HBC uses a third party auditing agency to conduct objective audits using our audit methodology. The audits are semi-announced, meaning factories are given a two week window, but they do not know which day the auditors will arrive to conduct the audit.

Our audit methodology is based on international auditing standards used by many other brands and retailers around the world. Last year, we modified the types of questions asked and the audit grades to create fair and objective results. The previous methodology did not accurately reflect the level of non-compliance to our Code of Vendor Conduct. For example, a factory who had severe violations received the same audit grade as a factory that had minor violations, which resulted in unfair conclusions of a factory's performance. Also, a sourcing manager or buyer was not able to decipher the differences in audit results when the grades were the same.

Each question has a numeric value. Based on the answers provided, a numeric grade is generated. This allows any auditor to conduct a full social compliance audit objectively. The audit grades are a percentage out of a hundred and provide us with a clearer picture of a factory and whether or not they meet our standards. We will analyze the grade results in 2010 after a full year has passed using this new grade scheme. This new grade scheme will also help HBC review suppliers in a detailed and concise perspective.



Where we do Business

HBC aims to find the best product at the best price within Canada and from all over the world. In 2009, we sourced product from 17 different countries for our private and captive branded assortment. Our sourcing trend has remained consistent in the last few years. The majority of our suppliers come from China, India and Bangladesh. Each item produced in these countries supports a person who earns an income, who can then provide for their family or enable personal goals, which in turn supports a local economy. Each place of manufacture will have its own weaknesses, but our ethical sourcing program provides a means to ensure factory workers receive the wages they are owed for the work they produce. We have seen improvements in factories in many countries because of our social compliance program, such as sustained health & safety management, changes in hiring process, and better record/time keeping. HBC will continue to source products from places like Bangladesh and we aim to place more resources into working with suppliers in these countries to educate suppliers and assist them in improving factory conditions.

In November 2009, HBC engaged in a global sourcing strategic partnership with Li & Fung, the world's largest global consumer goods sourcing company. This partnership allows us to consolidate and integrate our global sourcing functions for the Bay, Zellers and Home Outfitters into one group while improving our product quality cost structure, supply chain and overall time to market.

Issues Found in Factories

With our revised audit methodology we can draw a conclusion about a factory's performance and whether or not they will improve over time. We are better able to pinpoint problems and develop potential solutions.

Many of these issues are not country specific. However, with improved communication with suppliers, ensuring buyers and sourcing managers follow process, we strive to help our suppliers tackle issues in the areas of health and safety, wages and benefits, hours of work and overtime hours.

We have identified benefits such as a larger influence on factories in collaborating with other brands, retailers and agents in addressing these issues. We also developed a clear process with our sourcing and buying teams to ensure orders are placed in a timely manner which assists suppliers in planning their capacity. The social compliance audit results were integrated into HBC's vendor scorecard in 2008. The vendor scorecard provided a total view of a supplier's performance. In 2010, we are editing the vendor scorecard to provide meaningful information to sourcing managers and buyers. The objective is to illustrate how social compliance audit results connect back to their business.



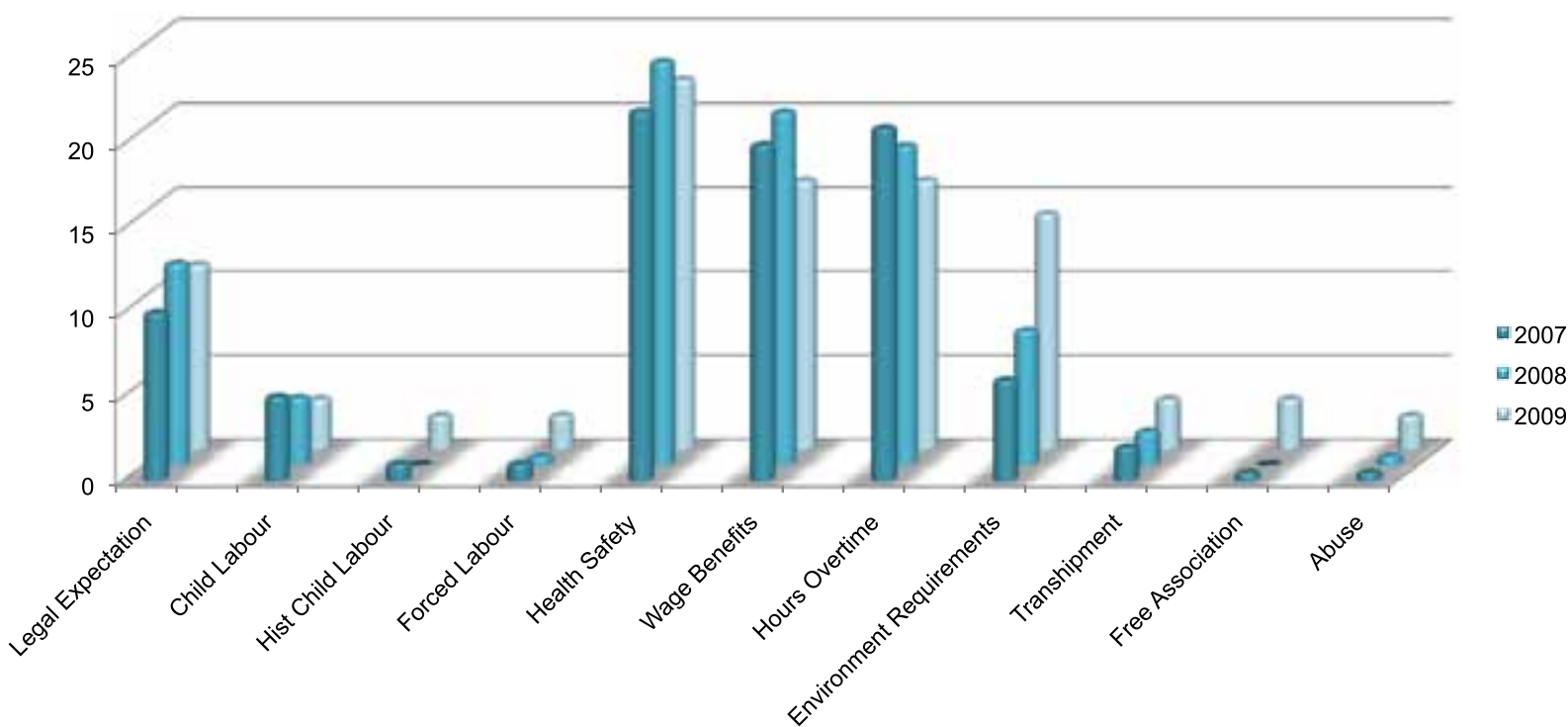
Number of Factories Audited Sorted by Country

Country	# of Factories
Bangladesh	62
Brazil	1
Cambodia	3
Canada	3
China	1035
El Salvador	1
Germany	1
India	44
Indonesia	6
Malaysia	1
Pakistan	10
Portugal	3
Taiwan	18
Thailand	4
Turkey	1
USA	1
Vietnam	14
	1208

In 2010, we hope to further our collaborative efforts with other brands and retailers by reviewing existing projects and initiatives that will best suit our suppliers' needs.

We have summarized issues found in factories in the chart below. In comparison to issues found in 2007, we can see a slow decrease in areas of child labour, health & safety, hours of work, and overtime hours, and wages and benefits. We believe some of these issues cannot be solved alone. Over the years, many organizations such as the United Nations, the International Labour Organization, and non-government organizations in various countries work hard to combat child labour. It is HBC's commitment to ensure suppliers do not employ child labour. We require suppliers to have a robust hiring system in place to check identification, and follow legal requirements in their country to prevent child labour. Orders from factories that have confirmed child labour were not placed. HBC considers Child Labour a Zero Tolerance violation and will continue to monitor and combat this issue.

Number of Issues Reported in Factories



Sourcing for the Olympics Program

Both the Production Manager and Director of Olympics visited over 60 suppliers to pre-screen factories for the 2010 Winter Olympic & Paralympic Games, which took over one and half years. They chose factories that previously worked with well-known sports retailers such as Nike, Adidas and Puma. The team asked rigorous questions and made sure that the factories were previously audited by another brand or retailer. The Olympics team understood the importance of our social compliance requirements, and if a factory did not meet our standards, they did not proceed with placing orders with the factory.

The sourcing team visited the factories on multiple occasions before placing an initial order and also spoke with the management as well as the workers at the facility level.

By researching each factory in-depth, the sourcing team was able to utilize the suppliers and factories based on their specialized skills and took advantage of their strengths. For example, certain factories produced better quality fleece sweaters and could offer a competitive price because they specialized in fleece sweaters.

Pre-screening suppliers resulted in a trustworthy, consolidated vendor list that not only met HBC's social compliance requirements, but also met quality assurance and production requirements for the Olympics program. Another positive result of our ethical sourcing program was the trustworthy and reliable working relationship that was established between HBC and our Olympics suppliers. For example, a few suppliers were approached by other vendors to produce fake Olympics merchandise, resulting in our Olympics suppliers notifying our sourcing team immediately.

We learned many lessons in developing the Olympics program. The most important lesson being that building a strong working relationship is important in order to communicate our ethical standards and understand a supplier's business operations and management style. The Social Compliance team, the sourcing team and suppliers should maintain an open dialogue and be transparent in order to deliver quality product and drive a successful business outcome.

Working in Partnership

While 2009 was a challenging year with reduced operational resources, we maintained our membership with the Retail Council of Canada. We also maintained communications with the Ethical Trading Action Group (ETAG), especially related to the work unrest in Bangladesh. We recognize these issues cannot be solved alone. As such, we are committed to maintaining our membership with the United Nations Global Compact and we review our policies and processes regularly to ensure these commitments are imbedded in our day-to-day operations.



Our CSR Report

No trees were harmed in the production of this report. In line with our commitment to the environment, this CSR Report is available exclusively online on our website at

<http://www.hbc.com/hbc/socialresponsibility>



The screenshot displays the HBC Social Responsibility page. At the top, the HBC logo is on the left, and navigation links for 'Contact Us' and 'Store Locator' are on the right. Below the logo, a horizontal menu includes 'Home', 'About HBC', 'Media Centre', 'Vendors', 'Careers', 'Social Responsibility' (highlighted in red), 'Our History', and 'Français'. A search bar with 'Search Hbc.ca' and a 'GO' button is positioned below the menu. On the left side, a vertical list of links includes 'Hbc Foundation', 'Hbc History Foundation', 'Our Associates', 'Ethical Sourcing', and 'Environmental Responsibility'. The main content area features a large green box with the title 'Social Responsibility' and a paragraph: 'Every day, we make choices. Some of those choices have an impact on our families and communities, some may reach around the world. At HBC, our goal is to foster and enhance sustainable business practices throughout our organization, particularly in the areas of the environment, associate wellness, community involvement and ethical sourcing.' To the right of this text is a photograph of a male HBC employee in a red and grey uniform, smiling while holding a box in a retail setting. Below the green box, four links are listed: '2008 Corporate Social Responsibility Update', '2007 Corporate Social Responsibility Report', '2006 Corporate Social Responsibility Report', and '2005 Corporate Social Responsibility Report'. A small 'Investable' logo is visible below these links. At the bottom, a horizontal bar contains a link 'Learn more about the Hbc family' with a right arrow, followed by logos for 'HBC', 'Zellers', 'Hudson's Outfitters', 'FIELDS', 'HBC', 'CREDIT CARD', and 'FINANCIAL SERVICES'. The footer includes the text 'Hudson's Bay Company (Hbc) - Copyright 2010 All rights reserved.' on the left and links for 'Website Legal Terms and Conditions' and 'Privacy Policy' on the right.