



HUDSON'S BAY COMPANY
ACCOUNTING AND AUDITING COMPLAINTS POLICY
APRIL 14, 2009

HUDSON'S BAY COMPANY

ACCOUNTING AND AUDITING COMPLAINTS POLICY

1. Purpose of the Policy

The audit committee (the "Audit Committee") of the board of directors (the "Board") of Hudson's Bay Company ("HBC") is responsible for establishing procedures for:

- (i) the receipt, retention and treatment of complaints received by HBC regarding accounting, internal accounting controls and auditing matters; and
- (ii) the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters;

and in connection therewith, the Board has adopted this Policy entitled "Accounting and Auditing Complaints Policy" (which, together with the Schedules hereto, is collectively called the "Policy").

Such complaints and concerns are referred to as "Complaints" in this Policy. Examples of Complaints are set out in Schedule "A" to this Policy. The Board has adopted this Policy to ensure that:

- (i) Complaints are received, investigated and retained on a confidential and anonymous basis that is in compliance with all applicable laws; and
- (ii) All those persons or corporate entities who submit Complaints (the "Complainant" or "Complainants") will not be penalized or retaliated against for making a good-faith report of a Complaint (see Section 5 below).

2. Policy Oversight

The Audit Committee has oversight responsibility for this Policy on behalf of the Board. The Audit Committee has delegated the day-to-day administration of this Policy to the Vice President, Secretary and General Counsel and the Vice President, HBC Audit Services (the "Designated Officers"). Contact information for the Designated Officers is set out in Schedule "B" to this Policy.

3. Reporting of Complaints

Complainants, shall include but shall not be limited to, all directors, officers and employees of HBC and its divisions, and subsidiaries, (who are referred to as "HBC Associate or HBC Associates") and all agents, suppliers, external

accountants, external lawyers, bankers, and all others, both corporate and individual with who HBC conducts business, (who are referred to as “All Others”) must promptly report any Complaints.

Schedule “C” to this Policy sets out the procedures to be followed with respect to reporting Complaints, either internally or externally to a Designated Officer or the Chair of the Audit Committee, or by using HBC’s Accounting and Auditing Hotline (the “*Hotline*”). HBC has established its *Hotline* (a toll-free telephone number and e-mail address) for the purpose of receiving Complaints. The *Hotline* is being supported by HBC Loss Prevention. HBC Loss Prevention will ensure that Complaints can be reported in an anonymous (if so desired) and confidential manner.

4. Confidentiality

HBC is fully committed to maintaining procedures for the anonymous and confidential reporting of Complaints. All reports of Complaints will be treated on a confidential basis and, if reported using the *Hotline*, will be treated on an anonymous basis. Generally, a report of a Complaint will only be disclosed to those persons who have a need to know in order to properly carry out an investigation of such Complaint in accordance with the procedures referred to in Section 7 and Schedule “E” of this Policy.

5. Prohibition on Retaliation

There will be no retaliation or other action taken against any Complainant who, in good-faith, reports a Complaint. Anyone engaging in retaliatory conduct will be subject to disciplinary action by HBC, which may include termination.

More specifically, neither HBC, nor any person acting on behalf of HBC or in a position of authority will take any disciplinary measure against, demote, terminate or otherwise adversely affect a Complainant or threaten to do so with the intent to compel a Complainant to abstain from reporting a Complaint to a law enforcement and/or regulatory authority or with the intent to retaliate against the Complainant because the Complainant has reported a Complaint to a law enforcement and/or regulatory authority. Engaging in retaliatory conduct may be considered an offence under various Canadian laws.

6. Publicizing the Process for Reporting Complaints

Schedule “D” to this Policy sets out the procedures HBC will follow to make known the reporting process for Complaints and to communicate reminders of the Policy.

7. Investigation of Complaints and Reporting Results

Schedule “E” to this Policy sets out the timing and procedures HBC will follow regarding the manner of investigating Complaints, monitoring the status of investigations of Complaints and reporting to the Audit Committee.

8. Retention of Complaints Received and Investigations Conducted

Schedule “F” to this Policy sets out the procedures HBC will follow regarding the retention of Complaints received, including the type of documentation to be retained in respect of each Complaint and its investigation and the timing and procedures for retaining such documentation.

9. Policy Review

This Policy and its effectiveness will be reviewed by the Audit Committee at least annually, with recommendations regarding updates or amendments, if any, being made to the Board as required. Amendments, if any, to the Policy will be made known in accordance with Schedule “D” hereto.

10. Inquiries

Any questions with respect to the general application of this Policy should be made to the Vice President, Secretary and General Counsel.

**SCHEDULE “A” TO THE
HBC ACCOUNTING AND AUDITING COMPLAINTS POLICY**

EXAMPLES OF COMPLAINTS

By way of example, Complaints which should be reported pursuant to this Policy, include without limitation:

- (a) tampering with any HBC accounting or audit-related records or documents (in any format, including electronic records such as e-mails) or destroying any HBC accounting or audit-related records or documents except as otherwise permitted or required by HBC’s Records Retention Policy;
- (b) fraud or deliberate error in the preparation, evaluation, review or audit of any of HBC’s financial statements;
- (c) fraud or deliberate error in the recording and maintaining of HBC’s financial records (for example, overstating or understating assets, liabilities or expenses, falsifying records, preparing erroneous invoices, or describing a transaction for one purpose when, in fact, it is being made for something else);
- (d) deficiencies in or non-compliance with HBC’s internal accounting controls (for example, circumventing review and approval procedures);
- (e) misrepresentations or false statements to or by a senior officer or accountant regarding a matter contained in HBC’s financial records, financial reports or audit reports;
- (f) deviation from full and fair reporting of HBC’s financial condition, results of operations or cash flows; and
- (g) any effort to mislead, deceive, manipulate, coerce or fraudulently influence any internal or external accountant or auditor in connection with the preparation, examination, audit or review of any financial statement or records of HBC.

Examples of matters which are not considered Complaints and which should not be reported under this Policy, include:

- (a) questions, concerns and complaints relating to aspects of the HBC workplace, for example:
 - (i) work scheduling, required hours of work, compensation for work and transfers of HBC Associates;
 - (ii) behaviour of other HBC Associates, including discrimination and harassment of any nature; and

- (iii) enforcement of existing HBC's human resources policies and requirements; and
- (b) questions, concerns and complaints relating to theft and fraud by customers and HBC associates in all HBC locations.

**SCHEDULE "B" TO THE
HBC ACCOUNTING AND AUDITING COMPLAINTS POLICY**

CONTACT INFORMATION FOR THE DESIGNATED OFFICERS

HBC Associates can reach the Designated Officers at the following contact information:

Vice President, Secretary and
General Counsel

Vice President, Chief Auditor,
Audit Services HBC

Address: Hudson's Bay Company
401 Bay Street, Suite 500
Toronto, Ontario
M5H 2Y4

Address: Hudson's Bay Company
401 Bay Street, Suite 1701
Toronto, Ontario
M5H 2Y4

**SCHEDULE “C” TO THE
HBC ACCOUNTING AND AUDITING COMPLAINTS POLICY
PROCEDURES FOR REPORTING COMPLAINTS**

Complainants may report Complaints by either internal or external means, following the procedures set out below. All reporting procedures will be handled in a confidential manner.

1. Reporting Complaints

- (a) A Complainant wishing to report a Complaint may refer a Complaint to any of the Designated Officers, who will treat all disclosures in confidence and will involve only those individuals who need to be involved in order to investigate such Complaint.
- (b) A Complainant may refer a Complaint to the Chair of the Audit Committee, if it has not been effectively addressed after being raised with the Designated Officers or if the Complaint relates to the conduct of a Designated Officer. Such Complaints should be submitted in writing. Specifically, the Complaint should be described in detail in a letter, which should be delivered to HBC’s Vice President, Secretary and General Counsel in a sealed envelope marked “Confidential – For the Chair of the Audit Committee”. The Vice President, Secretary and General Counsel will forward the sealed envelope to the Chair of the Audit Committee.
- (c) HBC has established its *Hotline*, so that Complaints can be reported in an anonymous (if so desired) and confidential manner.

A toll-free telephone number and e-mail address is be maintained for the purposes of receiving Complaints on an anonymous basis. The *Hotline* is supported by HBC Loss Prevention.

The *Hotline* will be available by calling 1-800-668-TIPS from Monday to Friday, 9:00 a.m. to 4:00 p.m. (Toronto time). Outside these hours, a call will be forwarded to a voicemail recorder, which will ask the Complainant to leave a message expressing his or her concern. The Complainant will also be provided with the anonymous email address to use if preferred and will be asked to call back should he or she not wish to leave a message. Should a Complainant leave his or her telephone number or email address, he or she will be contacted by HBC Loss Prevention on the business day following receipt by HBC Loss Prevention of the voicemail message or email, as applicable.

- (d) A Complaint can be submitted by emailing club.alert@hbc.com or calling 1-800-668-TIPS. Should a Complainant provide his or her telephone number, mailing address or email address, he or she will be contacted by HBC Loss Prevention on the business day following receipt of the Complaint.
- (e) Each Complaint will be assigned a unique reference number, to be logged by HBC Loss Prevention. This reference number will be provided to the Complainant for future reference.
- (f) All Complaints received by the *Hotline* will be forwarded directly by HBC Loss Prevention to the Designated Officers, within five (5) business days of receipt, unless it is determined that the Complaint is of an urgent nature, in which case, such Complaint will be forwarded immediately upon such determination being made. Should a Complaint involve a Designated Officer, such person will not be sent a copy of the Complaint and instead, their copy of the report of the Complaint shall be forwarded to the Chair of the Audit Committee.

2. Complaints Received by HBC Associates

An HBC Associate who receives a Complaint from a member of the public should advise the Complainant to report their Complaint as set out above.

**SCHEDULE “D” TO THE
HBC ACCOUNTING AND AUDITING COMPLAINTS POLICY
PROCEDURES FOR PUBLIZING THE PROCESS FOR REPORTING
COMPLAINTS**

1. Publicizing the Process for Reporting Complaints and Communicating Reminders

A copy of this Policy will be posted on HBC’s Intranet and the HBC website. HBC will also make known to HBC Associates and All Others, the process for reporting Complaints on an anonymous and confidential basis on an ongoing basis. This may be accomplished by means of posting the policy including alternative approaches for reporting on HBC’s websites, intranet and through periodic communications, reference in the Code of Business Conduct and HBC newsletters to HBC Associates. This information will make it clear that no person will be penalized for making a good-faith report of a Complaint, nor will HBC tolerate retaliation against such person who makes a good-faith report of a Complaint.

**SCHEDULE “E” TO THE
HBC ACCOUNTING AND AUDITING COMPLAINTS POLICY
PROCEDURES FOR INVESTIGATING COMPLAINTS AND REPORTING
RESULTS**

1. Manner of Investigation

- (a) The Designated Officers will review and assess the seriousness of all Complaints promptly and determine, in consultation with others, if necessary, the manner in which Complaints will be investigated, using internal and/or external resources, and will determine who will lead such investigation. In most instances, investigation of a Complaint under this Policy will be led by the Vice President, HBC Audit Services in collaboration with the Vice President, Secretary and General Counsel. Such person will report directly to both of the Designated Officers. If upon initial assessment of the Complaint it appears that the Complaint could materially affect the financial statements of HBC or the integrity of HBC’s system of internal controls, the Designated Officers will advise the Chair of the Audit Committee immediately. It is anticipated that in the ordinary course, the Designated Officers will complete their assessment of each Complaint and assign the investigation of such Complaint generally within ten business days of receiving such Complaint.
- (b) Persons assigned the investigation of Complaints will:
 - (i) treat each report of a Complaint, as well as its investigation and disposition on a confidential basis in accordance with the Policy;
 - (ii) if the Complaint was made through the *Hotline* and if so desired by the person reporting the Complaint, take all reasonable steps to ensure that such person’s anonymity is maintained;
 - (iii) will involve in each investigation only those persons who need to be involved in order to properly carry out such investigation; and
 - (iv) conduct each investigation in a timely manner.

2. Monitoring the Status of the Investigation

- (a) The investigation of all Complaints will be monitored on an ongoing basis by the Designated Officers.
- (b) Depending on the nature of a Complaint and its materiality as determined in the first instance by the Designated Officers, and in particular, with respect to any Complaint or Complaints that could materially affect the financial statements of HBC or the integrity of HBC’s system of internal controls, the Designated Officers will keep the Chair of the Audit

Committee, the Chief Executive Officer and the Chief Financial Officer (except to the extent any such persons are allegedly implicated in the Complaint) apprised of the status of the investigation for purposes of ensuring compliance with regulatory requirements, including the timely and continuous disclosure obligations of HBC and the certification obligations of the Chief Executive Officer and Chief Financial Officer of HBC.

3. Report to the Audit Committee

Loss Prevention administers the *Hotline*. On a quarterly basis (at the end of each HBC fiscal quarter), or more frequently upon request, Loss Prevention will prepare a written report regarding the operation of the *Hotline* to provide to the Audit Committee specifying, among other things:

- (a) the number of Complaints received during the prior fiscal quarter;
- (b) all Complaints received, by relevant category, during the prior fiscal quarter; and
- (c) the reporting avenues used by persons reporting Complaints.

In addition, if requested by the Audit Committee, the Designated Officers will report on the effectiveness of the reporting system during the prior fiscal quarter.

The Audit Committee may request special treatment for any particular Complaint, including the retention of outside counsel or other advisors in accordance with the terms of the Audit Committee Charter.

**SCHEDULE “F” TO THE
HBC ACCOUNTING AND AUDITING COMPLAINTS POLICY**

**PROCEDURES REGARDING RETENTION OF COMPLAINTS RECEIVED AND
INVESTIGATIONS CONDUCTED**

1. Documentation Requirements

All Complaints will be fully documented in writing by the person(s) assigned to investigate the Complaint. Such documentation will be marked as “Privileged and Confidential” and will include:

- (a) the original report of the Complaint;
- (b) the unique reference number assigned to the Complaint, if reported to the *Hotline*;
- (c) a summary/log of the investigation;
- (d) copies of any reports issued in connection with the Complaint;
- (e) a log of any communications with the Complainant; and
- (f) a summary of the disposition of the Complaint.

2. Retention Requirements

Such documentation will be maintained in accordance with HBC’s Records Retention Policy. Such documentation will be available for inspection by the Designated Officers, members of the Audit Committee, the external auditors and any external legal counsel or other advisors hired in connection with the Complaints. Disclosure of such documentation to any other person, and in particular any third party, will require the prior approval of the Vice President, Secretary and General Counsel to ensure that privilege of such documentation is properly maintained.