



## THE MARKET

As Canadian society has changed, so has Hudson's Bay Company, Canada's oldest company. As a world-class retail organization, Hbc responds to the needs of Canadians through its diversified family of stores: the Bay, Zellers, Home Outfitters, Fields and Designer Depot. Each format provides customers with a unique shopping experience, tailored to meet their needs by providing value, quality, choice and service they can trust.

## ACHIEVEMENTS

Hbc contributes nearly \$11 million annually to international, national and community-based organizations across Canada in the areas of health, wellness and inspiration for young Canadians.

Hbc is a Canadian retail leader in ethical sourcing and social compliance. The company introduced its Code of Vendor Conduct in 1998 and rolled out a program to monitor and audit vendor factories in 2001.

Hbc was named Best Corporate System at the sixth annual Retail Systems Achievement Awards held in Chicago on May 17, 2004. These awards honour outstanding examples of systems and interactive applications that have resulted in more effective customer service and improved business processes.

BC Hydro designated Hbc a Power Smart Certified Customer for its achievements in energy efficiency. Since 2000, these efforts have reduced Hbc's emissions by over 100,000 tonnes, the equivalent of the emissions from more than 23,500 cars.

Hbc was awarded a 2005 Excellence in Retail Marketing Award from the Retail Council of Canada for their work on *Belle* magazine.

## HISTORY

Hbc's history is as rich and diverse as our nation. As the country's oldest retailer, Hbc started as far back as the fur trade when, two centuries before confederation, a pair of resourceful Frenchmen



named Radisson and des Groseilliers discovered a wealth of fur in the interior of the continent accessible via the great inland sea that is Hudson Bay. Prince Rupert, cousin of King Charles II, acquired the Royal Charter which, in May 1670, granted the lands of the Hudson Bay watershed to "the Governor and Company of Adventurers of England trading into Hudson Bay."



Its first century of operation found Hbc firmly ensconced in a few forts and posts around the shores of James and Hudson Bays. Natives brought furs annually to these locations to barter for manufactured goods such as knives, kettles, beads, needles and blankets.

In 1820, Hbc merged with its most successful rival, the North West Company based in Montreal. The resulting commercial enterprise now spanned the continent. The merger set the pattern of Hbc's growth, being the first of a series of notable acquisitions.

By the end of the 19th century changing fashion tastes contributed to the fur trade losing importance. Western settlement and the Gold Rush quickly introduced a new type of client to Hbc — one that shopped with cash and not with skins. With the Deed of Surrender in 1870, Hbc yielded sovereignty over its traditional territories to the new country. The retail era had begun. The company's focus began to shift as it concentrated on transforming trading posts into saleshops, stocked with a wider variety of goods than ever before.

In 1912, Hbc began an aggressive modernization program. The growth of retail spurred Hbc into a wide variety of commercial pursuits, such as wholesale, real estate and natural resources, particularly oil and gas.

The economic downturn of the 1980s caused Hbc to rethink its priorities and, like many other firms, return to its core business. Non-retail businesses were sold off. The pace of retail acquisition increased with takeovers of Zellers (1978), Simpsons (1978), Fields (1978), Robinson's (1979), Towers/Bonimart (1990), Woodward's (1993), and K-Mart Canada (1998), following in the tradition of Cairns (1921), Morgan's (1960) and Freiman's (1972).

The 21st century finds Hbc well into its fourth century of retailing in Canada. The newly launched Hbc.com, along with its major retail channels — the Bay, Zellers, and Home Outfitters — together provide more than two-thirds of the retail needs of Canadians. Proof positive, if any were needed, of





the Bay

Zellers



FIELDS

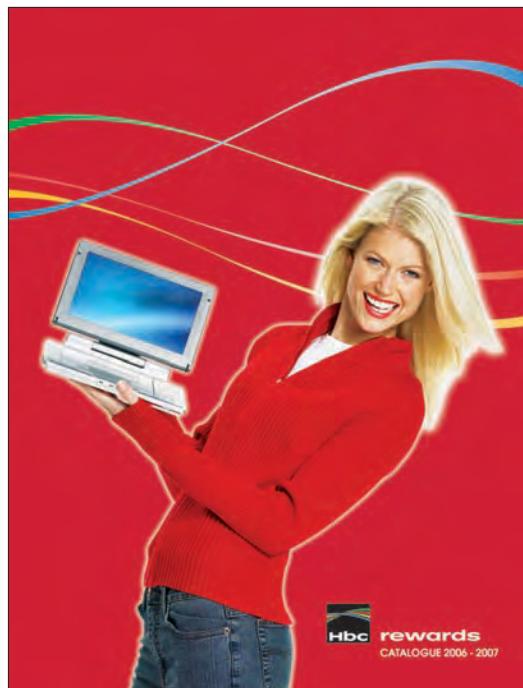
designer Depot

the aptness of Hbc's proud claim: **Canada's Merchants since 1670.**

#### THE PRODUCT

##### Hbc Banners

**The Bay** is the department store division of Hbc, offering quality merchandise at mid-to-upper price points. The Bay concentrates on exclusive fashion merchandise in apparel, accessories and soft home categories. Bay stores are located in suburban and urban markets, along with a dominant position in the downtown cores of Canada's major cities.



**Zellers** is the mass merchandise division of Hbc, with locations in communities nationwide. The chain offers customers stylish brands at competitive prices.

**Home Outfitters** is Hbc's kitchen, bed and bath specialty superstore chain with unbeatable selection and service. With locations across Canada, Home Outfitters offers customers more choices, more brands and great ideas.

**Fields** is a chain of small, value-priced general merchandise stores located in western Canada. Fields focuses on great value and everyday merchandise for the entire family.

**Designer Depot** is the off-price banner of Hbc, offering designer and better-branded men's, women's and junior's apparel, accessories and home merchandise at "depot" prices.

**Hbc Brand Offering.** Through its credit card and loyalty programs, Hbc offers Canadians a simple, rewarding shopping experience throughout its retail banners. In addition, Hbc offers ease of shopping through Gift Cards, gift registries, an online shopping portal and a charitable foundation that enables Hbc customers to benefit their communities every time they shop.

#### RECENT DEVELOPMENTS

In late 2004, Hbc successfully negotiated the rights to outfit the Canadian Olympic Team for the next seven years (Torino 2006, Beijing 2008, Vancouver 2010 and London 2012). During that period, Hbc will be a Premier National Partner of the Canadian Olympic Team. Hbc also negotiated the rights as an official supplier and key corporate sponsor Premier National Partner of the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games. This long-term partnership is based on Hbc and the Canadian Olympic Movement's shared vision of a proud, strong Canada, highlighting the beauty of our country, the warmth of its people and its strength, on and off the field of play. The Hbc mantra "The Spirit of Hbc" will be the driving force over the next seven years, to make the people of this country proud in every way when they see our nation's official uniform on centre podium, beneath a gold medal.

#### PROMOTION

Exclusive brands are a large component of Hbc's promotions. Promoting product created through exclusive partnerships with well-known Canadians such as Lynda Reeves (House & Home), Brian Gluckstein (GlucksteinHome) and Alfred Sung (Sung Home) provides the opportunity for all Canadians to purchase affordable trend-right products. Hbc leverages these partnerships through contests, tradeshow and in-store appearances across the country.

Hbc strategically plans sales events that are attractive and seasonally relevant to Hbc customers, including Bay Days, Storewide Sale, Lowest Price of the Season, Scratch & Save and Dollar Daze, to name a few.

Recently, Hbc launched the "Great things for Canada" campaign in November 2005, unveiling the 2006 Canadian Olympic Team apparel and Hbc's commitment to amateur sports. The success of the campaign was due to strong integration



between public relations, advertising, the Hbc Foundation and Hbc.com.

#### BRAND VALUES

The Hbc brand stands for more than its banners; it is built on an emotional connection between the iconic retailer and its customers. Based on the common values Hbc shares with Canadians, like community, innovation, citizenship and diversity, Hbc seeks a better way to run its businesses, support its associates, serve its customers. Hbc respects and enhances the integrity and diversity of the communities in which it operates. In both its philosophy and everyday operations, Hbc will strive to be a model of the highest integrity.

Over the past 335 years, Hbc the brand has evolved and changed to better reflect the company it has and the company it wants to be. The new Hbc logo was developed to communicate its vision of the future and to acknowledge its rich history in Canada.

#### THINGS YOU DIDN'T KNOW ABOUT Hbc

- Established in 1670, Hudson's Bay Company is Canada's largest department store retailer and oldest corporation. With nearly 70,000 employees, Hbc serves Canadians through over 500 locations.
- Hbc has a long tradition of supporting the Olympic Movement. Those famous Hbc multi-stripe coats were the official uniform of the Canadian Winter Olympic Team at a number of Games: 1936 in Garmish-Partenkirchen, Germany; 1960 in Squaw Valley, California; 1964 in Innsbruck, Austria; and 1968 in Grenoble, France.
- Most Canadians live within 20 minutes of an Hbc store, and those who don't can shop at the online store, Hbc.com.
- Hbc's loyalty program, Hbc Rewards, has over 8 million members.
- Over the next seven years, Hbc has committed to raising \$20 million to help fund Canadian Olympic athletes, their training facilities and their national sports organizations.