



# Corporate Governance Guidelines

## 1.0 Introduction

The Board of Directors (the “**Board**”) of Hudson’s Bay Company (the “**Company**”) is committed to adhering to the highest possible standards in its corporate governance practices. The Board has approved the following corporate governance guidelines which, together with the Board Mandate, the position descriptions for the Governor and for the Chief Executive Officer, and the charters of the committees of the Board, provide the general framework for the governance of the Company. The Board believes that these guidelines will continue to evolve to address all applicable regulatory and stock exchange requirements relating to corporate governance and will be modified and updated as circumstances warrant.

## 2.0 Board Responsibilities

### 2.1 Board Mandate

The Board has responsibility for the stewardship of the Company and has adopted a formal written mandate setting out the Board's stewardship responsibilities, including:

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

The Corporate Governance and Nominating Committee (the “**Committee**”) will annually review and assess the adequacy of this Board Mandate and recommend any proposed changes to the Board for consideration.

### 2.2 Corporate Governance

The Board has delegated responsibility to the Committee for developing the Company's approach to corporate governance, including recommending modifications to these Corporate Governance Guidelines for consideration by the Board.

## 3.0 Board Organization & Membership

### 3.1 Director Selection Criteria

The Committee is required under its charter to annually review the candidates for appointment or nomination to the Board based upon an assessment of the independence, skills, qualifications and experience of each candidate, and make recommendations to the Board for consideration. The objective of this review will be to maintain the composition of the Board in a way that provides, in the judgment of the Board, the best mix of skills and experience to provide for the overall stewardship of the Company. All directors are required to possess fundamental qualities of intelligence, honesty, integrity, ethical behavior, fairness and responsibility and be committed to representing the long-term interests of the shareholders. They must also have a genuine interest in the Company, the ability to be objective at all times about what is in the best interests of the Company, have independent opinions on all issues and be both willing and able to state them in a constructive manner and be able to devote sufficient time to discharge their duties and responsibilities effectively. The Committee is mandated to identify qualified candidates for nomination as directors and to make recommendations to the Board. Directors are encouraged to identify potential candidates.

### **3.2 Independence**

The Board annually reviews and makes a determination on the independence of each director in light of all applicable securities laws and rules and stock exchange requirements, including section 1.4 of National Instrument 52-110 – Audit Committees. The determination of independence of the directors will be publicly disclosed in accordance with applicable securities laws. The Company will maintain a Board with at least a majority of directors determined by the Board to be independent within the meaning of applicable securities laws.

### **3.3 Board Size**

The Board has the ability to increase or decrease its size within the limits set out in the Company's articles and by-laws. The Board will determine its size with regard to the best interests of the Company. The Board believes that the size of the Board should be sufficient to provide a diversity of expertise and opinions and to allow effective committee organization, yet small enough to enable efficient meetings and decision-making and maximize full Board attendance. The Board will review its size if a change is recommended by the Committee.

### **3.4 Election by Shareholders**

The members of the Board will be elected each year by the shareholders of the Company at the annual general meeting of shareholders. The Board will propose individual nominees to the shareholders for election to the Board at each such meeting. Between annual meetings of shareholders, the Board may appoint directors to serve until the next such meeting in accordance with the Company's articles and by-laws.

### **3.5 Selection of Governor**

The Governor of the Company will be appointed by the Board, after considering the recommendation of the Committee, for such term as the Board may determine. The Board has adopted and the Committee will annually review the position description for the Governor.

### **3.6 Lead Director**

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

The primary responsibilities of the lead director will be to seek to ensure that appropriate structures and procedures are in place so that the Board may function independently and to lead the process by which the independent directors seek to ensure that the Board represents and protects the interests of all shareholders.

### **3.7 Board Diversity and Term Limits**

The Board has determined that fixed term limits for directors should not be established. The Board is of the view that such a policy would have the effect of forcing directors off the Board who have developed, over a period of service, increased insight into the Company and who, therefore, can be expected to provide an increasing contribution to the Board. The Company is committed to equality of opportunity and to fostering a diverse and inclusive culture, especially at the Board and senior management level. The Company recognizes the importance and benefit of having a Board and senior management comprised of highly talented and experienced individuals who reflect the diversity of the Company's stakeholders, including its customers and employees and the changing demographics of the communities in which the Company operates. As such, the Corporate Governance and Nominating Committee or the Human Resources and Compensation Committee, as the case may be, will, when evaluating and identifying candidates to nominate for election to the Board or appointment to senior management positions:

- (a) consider individuals who are highly qualified, based on their talents, experience, functional expertise and personal skills, character and qualities having regard to the Company's current and future plans and objectives, as well as anticipated regulatory and market developments;
- (b) consider criteria that promotes diversity, including with regard to gender, ethnicity,;
- (c) consider the level of representation of women and the benefits of diversity on the Board and in senior management positions (along with other markets of diversity); and

(d) as required, engage qualified independent external advisors to assist the Board in conducting its search for candidates that meet the Board's criteria regarding skills, experience and diversity.

The Board values the need to retain institutional knowledge, expertise and ensure continuity while fostering Board renewal along with objectivity, innovation and creativity. The Board encourages alternative means of ensuring Board renewal as opposed to the imposition of arbitrary thresholds and maintains a director skills matrix that identifies the skills and expertise required for the Board along with potential areas for growth and improvement. The Board also recognizes the value of some turnover in Board membership to provide fresh ideas and views, and the Committee is mandated to annually consider recommending changes to the composition of the Board.

## **4.0 Board Committees**

### **4.1 Board Committees**

The Board has determined that there should be three standing Board committees: (i) Audit Committee; (ii) Corporate Governance and Nominating Committee; and (iii) Human Resources and Compensation Committee. The Board may change the Board committee structure and authorize and appoint other committees as it considers appropriate.

### **4.2 Committee Charters and Responsibilities**

The Board will approve a written charter for each committee setting forth the purpose, authority, duties and responsibilities of each committee.

The responsibilities of the Audit Committee will include assisting the Board in fulfilling its oversight responsibilities with respect to: (a) financial reporting and disclosure requirements; (b) ensuring that an effective risk management and financial control framework has been implemented and tested by management of the Company; and (c) external and internal audit processes, as well as (d) the overall administration of the Pension Plans and funds under the Pension Plans of the Company.

The responsibilities of the Corporate Governance and Nomination Committee will include assisting the Board in fulfilling its oversight responsibilities with respect to: (a) developing corporate governance guidelines and principles for the Company; (b) identifying individuals qualified to be nominated as members of the Board; (c) the structure and composition of Board committees; and (d) evaluating the performance and effectiveness of the Board.

The responsibilities of the Human Resources and Compensation Committee will include assisting the Board in fulfilling its oversight responsibilities with respect to: (a) the establishment of key human resources and compensation policies, including all incentive and equity based compensation plans; (b) the performance evaluation of the Chief Executive Officer and the Chief Financial Officer, and determination of the compensation for the Chief Executive Officer, the Chief Financial Officer and other senior executives of the Company; (c) succession planning, including the appointment, training and evaluation of senior management; and (d) compensation of directors.

### **4.3 Membership of Committees**

The Board has determined the Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance and Nomination Committee will be comprised entirely of directors determined by the Board to be independent. In addition, all members of the Audit Committee will be financially literate and if required by applicable laws, rules and regulations, at least one member will be a financial expert. Membership and independence of all committee members will be publicly disclosed in accordance with applicable securities laws.

After receipt of recommendations from the Committee, the Board will appoint the members of the committees annually, and as necessary to fill vacancies, and will appoint the chair of each committee. Members of the committees will hold office at the pleasure of the Board.

### **4.4 Oversight of Committee Functions**

The purpose of Board committees is to assist the Board in discharging its responsibilities. Notwithstanding the delegation of responsibilities to a Board committee, the Board is ultimately responsible for all matters assigned to a Board committee for its determination. Except as may be explicitly provided in the charter of a Board committee or a resolution of the Board, the role of a Board committee is to review and make recommendations to the Board with respect to the approval of matters considered by a Board committee.

## **5.0 Board Meetings & Materials**

### **5.1 Meeting Agendas**

The Governor and Chief Executive Officer, in consultation with the Lead Director, as applicable and Committee chairmen, as appropriate, will establish the agenda for each Board meeting. Each director may suggest the inclusion of additional items on the agenda.

### **5.2 Meeting Materials**

Board and committee meeting materials will be provided to directors before each Board or committee meeting in sufficient time to ensure adequate opportunity exists for review. If certain material is sensitive or confidential in nature, then the material will be distributed at the Board or committee meeting.

### **5.3 Participation of Management at Board Meetings**

The Board believes there is value in having certain members of senior management attend each Board meeting to provide information and presentations regarding the business of the Company to assist the directors in their deliberations. Attendance by senior management will be determined by the Governor and Chief Executive Officer. Members of management will be excluded from Board meetings during discussions of matters reserved for directors only.

### **5.4 Meetings of Independent Directors**

The independent directors of the Board will hold an in camera meeting in conjunction with every regular meeting of the Board.

## **6.0 Director Compensation**

### **6.1 Director Compensation**

The Board has determined that the directors should be compensated in a form and amount that is appropriate and which is customary for comparative companies, having regard to such matters as time commitment, responsibility and trends in director compensation. The Human Resources and Compensation Committee is mandated to review the compensation of the directors on an annual basis. All compensation paid to directors will be publicly disclosed.

### **6.2 Loans to Directors**

The Company will not make any loans to any of its directors.

## **7.0 Board's Relationship with Management**

### **7.1 Board Relationship with Management**

The Board will support and encourage the members of management in the performance of their duties. Management will make appropriate use of the Board's skills before decisions are made on key issues. The Board has adopted and will annually review the position description for the Chief Executive Officer.

### **7.2 Limits on Management Authority**

The Board will approve annual business plans and budgets and will also approve general authority guidelines that place limits on management's ability to approve contractual and financial arrangements and commitments both in accordance with and outside approved budgets. All transactions, arrangements and commitments outside approved budgets and defined limits will require approval by the Board.

### **7.3 Evaluation of the Chief Executive Officer and Chief Financial Officer**

The Compensation Committee will conduct separate annual reviews of the performance of the Chief Executive Officer and the Chief Financial Officer against the goals and objectives which have been established by the committee and will review, assess and recommend the compensation of the Chief Executive Officer and the Chief Financial Officer to the Board. The Governor and the Chairman of Compensation Committee will advise the Chief Executive Officer of the results of the assessment.

## **7.4 Director Access to Management**

All directors will have open access to the Company's senior management for relevant information. All written communications from directors to members of management will be copied to the Chief Executive Officer or, in the case of accounting and financial matters, to the Chief Executive Officer and the Chief Financial Officer. Individual directors are encouraged to make themselves available for consultations with management outside Board meetings in order to provide specific advice and counsel on subjects where such directors have special skills, knowledge and experience.

## **8.0 Director Responsibilities & Performance**

### **8.1 Director Responsibilities**

Directors are expected to use their skill and experience to provide oversight of the business and affairs of the Company. Directors have a statutory duty to act honestly and in good faith with a view to the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would in comparable circumstances.

### **8.2 Conflicts of Interest**

Directors have a statutory responsibility to disclose all actual or potential conflicts of interest and generally to abstain from voting on matters in which the director has a conflict of interest. A director will recuse himself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest or which otherwise affects his personal, business or professional interests.

### **8.3 Attendance at Meetings**

Directors are expected to attend all Board and committee meetings either in person or by conference call. A director will notify the Governor or the chairman of a committee or the Corporate Secretary if the director will not be able to attend or participate in a meeting. The Company will publicly disclose the Directors' attendance record on an annual basis. Any director who has attended less than seventy-five percent of meetings of the board or meetings of the committees on which they sit, for more than two consecutive years, without valid reason for the absences will not be re-nominated.

### **8.4 Board and Committee Meeting Materials**

Directors are expected to review and be familiar with Board and committee meeting materials which have been provided in sufficient time for review prior to a meeting. Directors are to advise the Governor or the chairman of a committee of matters which they believe should be added to a meeting agenda.

### **8.5 Outside Advisors for Individual Directors**

Any director who wishes to engage an independent advisor to assist on matters involving the discharge of his duties and responsibilities as a director at the expense of the Company should review the request with, and obtain the authorization of, the Committee.

### **8.6 Director Orientation and Education**

Upon election to the Board, all new directors shall be provided with a comprehensive orientation program aimed at familiarizing them with the Company's industry, strategic plans, significant risk management issues, and financial standing. The program may include presentations from senior management and visits to operational facilities.

The Board believes that ongoing education is important for maintaining a current and effective Board. Accordingly, the Board encourages directors to participate in ongoing education, as well as participation in accredited director education programs.

### **8.7 Assessment of Board and Committee Performance**

The Committee is mandated to undertake an annual assessment of the overall performance and effectiveness of the Board and each committee of the Board and report on such assessments to the Board. The purpose of the assessments is to ensure the continued effectiveness of the Board in discharging its duties and responsibilities and to contribute to a process of continuing improvement.

## 8.8 Changes in the Professional Responsibilities of Directors

When a director's principal occupation or business association changes substantially from the position he or she held when originally invited to join the Board, the director shall/the director may be asked to offer a letter of resignation to the Committee. The Committee will recommend action to be taken regarding the resignation offer, based on the circumstances of retirement, if that is the case, or in the case of a new position, the responsibility and type of position, and industry involved.

## 8.9 Director Commitments

The Committee monitors the demands placed on each director's time and attention outside of their service on the Board. This includes, among other things, reviewing the number of other public company boards that a director sits on to ensure that no director has excessive commitments to other public companies that may result in a reduced ability for the director to provide effective oversight as a Board member. In this regard, each director is required to notify the Chair prior to accepting a directorship at another public company.

## 8.10 Interlocking Directorships

The Committee shall monitor interlocking board and committee memberships among all directors. Board interlocks exist when two directors of one company sit on the board of another company and committee interlocks exist when two directors sit together on another board and are also members of the same board committee.

## 9.0 Share Ownership Guidelines

### 9.1 Ownership Guidelines

Senior executives of the Company and members of the Board (each a "Participant") are expected to own equity-based holdings with a value equal to a multiple of their base salary, in the case of executives, and their annual board retainer (inclusive of annual cash retainer and annual DSU grants, but exclusive of any additional compensation for director service such as committee membership related fees), in the case of Board members, as determined by their position. The specific guidelines for each Participant, as well as the time period in which share ownership guidelines are expected to be met, will be set having regard to applicable market practices. The current guidelines are outlined in the table below, and each Participant must satisfy these guidelines within 5 years of the later of: (i) November 26, 2012, being the date of the Company's initial public offering, and (ii) the Participant's date of hire or appointment, as applicable.

<b>Role</b>	<b>Share Ownership Requirement</b>
Governor and Executive Chairman, and CEO	5x base salary
Executive leadership team members (including all other NEOs)	2x base salary
Executive Vice Presidents	1x base salary
Board of Directors	3x annual board retainer

The applicable ownership guidelines will be deemed to have been satisfied if the fair market value of all equity interests held by the Participant member equals or exceeds the relevant multiple of his or her then current annual base salary or board retainer, as applicable, as calculated on the first trading day of each fiscal year using the greater of the value of the securities on the acquisition date and the date the value is assessed. For the purpose of determining share ownership thresholds, common shares of the Company, as well as equity based entitlements will be included. Equity interests owned directly or indirectly by a Participant, a Participant's spouse, any minor children that share the same home as the Participant, and through trusts for the benefit of the Participant or his or her immediate family members, shall be treated as equity interests owned by the Participant and included when determining whether the applicable share ownership threshold has been achieved.

### 9.2 Administration and Exceptions

The Human Resources and Compensation Committee shall be responsible for monitoring the application of these share ownership guidelines. The Human Resources and Compensation Committee may evaluate whether exceptions should be made to any executive who, due to unique financial or personal circumstances, would incur undue hardship by complying with these guidelines. Upon the recommendation of the Human Resources and Compensation Committee, the Board may consider and approve an alternative share ownership guideline for that individual in such circumstances, which reflects the intention of these guidelines and the individual's personal circumstances.

## **10.0 Majority Voting Policy**

### **10.1 Majority Voting Policy**

In an uncontested election of directors of the Board, each director should be elected by the vote of a majority of the shares represented in person or by proxy at the shareholders meeting convened for such election of directors. Accordingly, any nominee for director who receives more votes “withheld” from his or her election than “for” such election shall promptly tender his or her resignation to the Board following the meeting.

The Board shall consider any such offer of resignation, make a determination as to whether or not to accept it, and announce its decision through a press release, a copy of which shall be concurrently delivered to the TSX, all within 90 days following the applicable shareholders meeting. The Board must accept such resignations except in situations where exceptional circumstances would warrant the director continuing to serve on the Board. However, if the Board declines to accept the resignation, it should fully state the reasons for its decision in the press release. The resignation of a director will be effective when accepted by the Board.

In this policy, an “uncontested election” means an election of directors of the Company where the number of nominees for election as a director equals the number of directors to be elected.

### **10.2 Access to Disclosure**

Certain documents and information referred to in these Corporate Governance Guidelines may be accessed through the Company’s internal website <http://myhbcnet>. As required by applicable law, certain information is included in the Company’s annual information form and management proxy circular and posted on SEDAR at [www.sedar.com](http://www.sedar.com).

## **11.0 Shareholder Engagement**

### **11.1 Manner of Engagement**

Members of the Board may, with approval from the Board Chair and subject to the Board or the Board Chair’s discretion, meet with shareholders, shareholder organizations and governance groups. These discussions are intended for the board to be able to listen to its shareholders and to explain to them otherwise publicly available material information, and will be subject to the Company and Board members complying with the Corporate Disclosure Policy and their obligation not to make selective disclosure of material information. The Board will also annually communicate information about the Board and individual directors, the Company’s corporate governance and executive compensation practices through the Company’s management proxy circular. The Board encourages shareholder attendance and participation at the Company’s annual shareholder meetings as it provides a valuable opportunity to discuss the Company, its corporate governance and other important matters. Outside of the Company’s annual meeting, shareholders may contact the Board by postal mail to the following address:

Corporate Secretary

Hudson’s Bay Company

401 Bay Street, Suite 500

Toronto, Ontario

M5H 2Y4

The Corporate Secretary has been designated by the Board as its agent to receive and review communications and meeting requests addressed to the Board. Once received, the Corporate Secretary will determine whether the communication is appropriate for the Board or should be addressed by management. Communications deemed to be appropriate for the Board will be distributed to the Board, or to any individual director as appropriate, depending on the facts and circumstances outlined in the communication.

The Company has determined that certain items which are unrelated to the duties and responsibilities of the Board should be excluded, including, but not limited to, product complaints, product inquiries, new product suggestions, resumes and other forms of job inquiries, surveys and business solicitations or advertisements. In addition, material that is unduly hostile, threatening, illegal or similarly unsuitable will be excluded, with the provision that any communication that is filtered out must be made available to any non-management director upon request.

## 12.0 Corporate Policies

### 12.1 Annual Review of Corporate Policies

The Committee shall review of the following principal corporate policies and recommend updates or amendments for consideration by the Board from time to time:

- | Corporate Governance Guidelines
- | Board Mandate
- | Position Descriptions for the Governor
- | Position Descriptions for the CEO
- | Committee Charters
- | Code of Conduct
- | Corporate Disclosure Policy
- | Corporate Governance Guidelines
- | Insider Trading Policy, and
- | Whistleblower Policy

### 12.2 Code of Conduct

The Company's policy is that all its activities be conducted with honesty and integrity and in compliance with all legal and regulatory requirements. The Company's Code of Conduct sets out the guidelines and principles for ethical conduct. The Board expects all directors, officers and employees to act honestly and ethically at all times and to adhere to the Company's Code of Conduct.

The Committee shall review the Code to consider whether to recommend any changes in the Company's standards and practices to the Board. Compliance with the Code is monitored by the Board through the Committee, which may receive regular reports on any non-compliance issues from the Company's internal auditor.

The Code is posted on the Company's website, [www.hbc.com](http://www.hbc.com) and is filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## 13.0 Disclosure

### 13.1 Annual Governance Reporting

The Company will publicly disclose, on an annual basis, its corporate governance practices in compliance with all relevant securities laws, rules and regulations and stock exchange rules and regulations.

### 13.2 Access to Disclosure

Certain documents and information referred to in these Corporate Governance Guidelines may be accessed through the Company's internal website <https://my.hbc.com/>. As required by applicable law, certain information is included in the Company's annual information form and management proxy circular and posted on SEDAR at [www.sedar.com](http://www.sedar.com).

The Board may, from time to time, permit departures from the terms of these Corporate Governance Guidelines, either prospectively or retrospectively. These Corporate Governance Guidelines are not intended to give rise to civil liability on the part of the Company or its Directors or officers to shareholders, security holders, customers, suppliers, competitors, employees or other persons, or to any other liability whatsoever on their part.

Dated: March 2017  
Corporate Governance and Nominating Committee  
Board of Directors

Approved by: