

NORDSTROM INC  
Form DEF 14A  
March 27, 2014  
**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934 (Amendment No. \_\_)**

Filed by the Registrant    Filed by a Party other than the Registrant

**Check the appropriate box:**

Preliminary Proxy Statement

CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §.240.14a-12

**NORDSTROM, INC.**

*(Name of Registrant as Specified In Its Charter)*

*(Name of Person(s) Filing Proxy Statement, if other than the Registrant)*

**Payment of Filing Fee (Check the appropriate box):**

**No fee required.**

**Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.**

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:



**1617 Sixth Avenue, Seattle, Washington 98101-1707**

March 27, 2014

Dear Shareholder,

We are pleased to invite you to join the Nordstrom Board of Directors and leadership team at the 2014 Annual Meeting of Shareholders in our hometown of Seattle. The meeting will take place on Wednesday, May 7, 2014 at 11:00 a.m. Pacific Daylight Time in the John W. Nordstrom Room at 1617 Sixth Avenue, 5<sup>th</sup> floor, in downtown Seattle. If you are unable to be with us in person, please join the meeting live online at *investor.nordstrom.com*.

2013 was a significant year for Nordstrom. The ongoing evolution of retail is exciting and the pace of change, especially in e-commerce and mobile shopping, is accelerating even faster than we anticipated a year ago. This evolution validates the investments we are making to enhance our customers' experience, not only in our stores but online as well. There are many ways to shop and our focus, as it has been for over 100 years, is on serving customers in an exceptional way – no matter how they choose to connect with us.

This year we continue our efforts to present the information contained in this Proxy Statement in a clear and understandable manner. This reflects our ongoing commitment to improve the level of transparency and the quality of information we provide, and to operate our business in a way that earns our customers' continued patronage and your support as a shareholder.

In addition to this Proxy Statement, we encourage you to view our online Company Review at *nordstrom.com/companyreview* and read our 2013 Annual Report. There you will find a more complete picture of our performance and how we are working to increase shareholder value by improving the customer experience.

Finally, we encourage you to vote — regardless of the size of your share holdings. Every vote is important and your participation helps us do a better job of listening and acting on what matters to you as a shareholder. You can cast your vote online, by telephone, or by using a printed proxy card as outlined in this document.

On behalf of all of us at Nordstrom, we want to thank you for your continued support and ownership of the Company.

Sincerely,

**Enrique Hernandez, Jr.**  
*Chairman of the Board*

**Blake W. Nordstrom**  
*President*

**Peter E. Nordstrom**  
*Executive Vice President*  
*and President – Merchandising*

**Erik B. Nordstrom**  
*Executive Vice President*  
*and President – Stores*

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**1617 Sixth Avenue, Seattle, Washington 98101-1707**

**Notice of Annual Meeting of Shareholders**

**Wednesday, May 7, 2014**

**11:00 a.m. Pacific Daylight Time**

***John W. Nordstrom Room, Downtown Seattle Nordstrom, 1617 Sixth Avenue, 5th Floor, Seattle, WA 98101***

The 2014 Annual Meeting of Shareholders (the “Annual Meeting”) of Nordstrom, Inc. (the “Company”) will be held for the following purposes:

1. To elect 12 Directors identified in the accompanying Proxy Statement to serve until the 2015 Annual Meeting of Shareholders;
2. To ratify the appointment of Deloitte & Touche LLP (“Deloitte”) as Independent Auditors of the Company to serve for the 2014 fiscal year;
3. To conduct an advisory vote regarding the compensation of our Named Executive Officers; and
4. To transact any other business that may properly come before the meeting and any adjournment or postponement thereof.

You are eligible to vote if you were a shareholder of record at the close of business on March 10, 2014 (the “record date”). Shareholders are invited to attend the Annual Meeting in person. Those who are hearing impaired or require other assistance should contact the Company at 206-303-3033, so that we may facilitate your participation at the Annual Meeting.

**YOUR VOTE IS VERY IMPORTANT.** Whether or not you intend to be present at the Annual Meeting, you are encouraged to vote.

Seattle, Washington

**March 27, 2014**

By order of the Board of Directors,

**Robert B. Sari**

*Secretary*

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
2014 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 7, 2014**

The accompanying Proxy Statement and the 2013 Annual Report on Form 10-K are available at  
*investor.nordstrom.com*

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## PROXY SUMMARY

This summary highlights information described in more detail elsewhere in this Proxy Statement. It does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting. Page references are provided to help you find further information.

### 2014 Annual Meeting of Shareholders

|                       |                                                                                                                            |                         |                                                                                                                                                                         |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Date and Time:</b> | May 7, 2014<br>11:00 a.m. Pacific Daylight Time                                                                            | <b>Meeting Webcast:</b> | <i>investor.nordstrom.com</i> , select Webcast and follow the instructions given. The webcast will be archived and available for one year following the Annual Meeting. |
| <b>Place:</b>         | John W. Nordstrom Room<br>Downtown Seattle Nordstrom<br>1617 Sixth Avenue, 5 <sup>th</sup> Floor<br>Seattle, WA 98101-1707 |                         |                                                                                                                                                                         |

### Eligibility to Vote

You can vote if you were a shareholder of record at the close of business on March 10, 2014.

### How to Cast Your Vote (page 12)

You can vote by any of the following methods:

**Internet** (*www.proxyvote.com*) until 11:59 p.m. Eastern Daylight Time on May 6, 2014;

**Telephone**, if you requested printed materials, by using the toll-free number listed on your proxy card until 11:59 p.m. Eastern Daylight Time on May 6, 2014;

**Mail**, by completing, signing and returning your proxy or voting instruction card before May 6, 2014; or

**In person**, if you are a shareholder of record, by voting your shares at the Annual Meeting. If your shares are held in the name of a broker, nominee or other intermediary, you must obtain a proxy, executed in your favor, to bring to the meeting.

**Voting Matters (page 11)**

|                                                                                 | <b>Board Vote Recommendation</b> | <b>Page Reference (for more detail)</b> |
|---------------------------------------------------------------------------------|----------------------------------|-----------------------------------------|
| 1. Election of Directors                                                        | FOR each Director Nominee        | 23                                      |
| 2. Ratification of Appointment of Independent Registered Public Accounting Firm | FOR                              | 29                                      |
| 3. Advisory Vote Regarding Executive Compensation                               | FOR                              | 57                                      |

**Board Nominees (page 24)**

| <b>Name</b>             | <b>Age</b> | <b>Director Since</b> | <b>Occupation</b>                                                         | <b>Committee Memberships</b>                    | <b>Other Public Company Boards</b>                                 |
|-------------------------|------------|-----------------------|---------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------------------------|
| Phyllis J. Campbell*    | 62         | 2004                  | Chairman of the Pacific Northwest Region of JPMorgan Chase                | Audit, Finance                                  | Alaska Air Group, Inc.                                             |
| Michelle M. Ebanks*     | 52         | 2011                  | President of Essence Communications                                       | Audit, Finance, Technology                      | None                                                               |
| Enrique Hernandez, Jr.* | 58         | 1997                  | President and Chief Executive Officer of Inter-Con Security Systems, Inc. | Compensation, Governance and Nominating         | McDonald's Corporation, Wells Fargo & Company, Chevron Corporation |
| Robert G. Miller*       | 69         | 2005                  | Chief Executive Officer of Albertsons LLC                                 | Audit, Finance (Chair)                          | None                                                               |
| Blake W. Nordstrom      | 53         | 2005                  | President of Nordstrom, Inc.                                              | N/A                                             | None                                                               |
| Erik B. Nordstrom       | 50         | 2006                  | Executive Vice President and President – Stores of Nordstrom, Inc.        | N/A                                             | None                                                               |
| Peter E. Nordstrom      | 52         | 2006                  | Executive Vice President and President – Merchandising of Nordstrom, Inc. | N/A                                             | None                                                               |
| Philip G. Satre*        | 64         | 2006                  | Private Investor                                                          | Compensation, Governance and Nominating (Chair) | International Game Technology                                      |
| Brad D. Smith*          | 49         | 2013                  | President and Chief Executive Officer of Intuit, Inc.                     | Audit, Finance, Technology                      | Intuit, Inc.                                                       |
| B. Kevin Turner*        | 48         | 2010                  | Chief Operating Officer of Microsoft Corporation                          | Compensation, Finance, Technology (Chair)       | None                                                               |
| Robert D. Walter*       | 68         | 2008                  | Private Investor                                                          | Compensation (Chair), Governance and Nominating | American Express Company, YUM! Brands, Inc.                        |
| Alison A. Winter*       | 67         | 2001                  | Chief Executive Officer of Braintree Holdings, LLC                        | Audit (Chair), Governance and Nominating        | None                                                               |

*\*Independent Director.*

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## Governance of the Company (page 15)

- Nine of twelve Directors are independent and meet regularly in executive session.
- The roles of President and Chairman are separate.
- Only independent Directors are Committee members.
- Director elections have a majority voting standard, and all Directors are elected annually.
- The Board has stock ownership guidelines for Directors and Executive Officers.
- Board, Committee and Director performance evaluations are conducted annually.
- The Board and its Committees are responsible for risk oversight.
- President and management succession planning is one of the Board's highest priorities.

## Business Highlights

This year, we continued to see an evolution in retail through the accelerated pace of technology, the continuing importance of stores and the customer's increasing desire for speed and convenience. We achieved success within this challenging business environment by staying squarely focused on customer-driven strategies and the platform for long-term profitable growth. Our performance benefitted from strong financial discipline, increased investment in technology and stores, and enhancements to our seamless customer experience across all channels. We are encouraged by the progress we have achieved to date and the opportunities that lie ahead.

Here are some of the highlights of fiscal year 2013:

| TOTAL NET SALES                                                                                                   | NET EARNINGS                                                                                                   | SAME-STORE<br>SALES<br>GROWTH                      |
|-------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| Achieved a new record for total net sales at over \$12 billion, a 3.4% increase over our previous high last year. | Achieved earnings consistent with prior year, largely reflecting ongoing investments in our customer strategy. | Achieved a 2.5% increase in same-store sales, with |

Nordstrom  
Direct  
achieving  
30% growth.

During the course of the year, we made significant progress in these areas:

- 30% or more increase in Nordstrom Direct same-store sales for three consecutive years
- 1 million+ new customers acquired through our Direct business for two consecutive years
- 22 new Nordstrom Rack stores with total Rack sales increase of 12% and same-store sales gain of 2.7%
- 38% of total Company sales from e-commerce and the Rack, expected to reach 50% within five years
- 1 million+ new members added to our Nordstrom Rewards program resulting in 11% sales increase
- 27% increase in same-store sales for HauteLook, our online, off-price marketplace
- 27 new British brand Topshop boutiques opened in full-line stores for a total of 41
- ...continuing to serve each customer in an exceptional way

For more information please see Form 10-K or visit *[nordstrom.com/companyreview](http://nordstrom.com/companyreview)*.

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## **Executive Compensation Highlights - Paying For Performance**

In accordance with our pay-for-performance philosophy, the compensation program for our Named Executive Officers is very straightforward and includes four primary elements - base salary, performance-based bonus, long-term incentives and benefits. Within these elements, we emphasize variable pay over fixed pay, with 80% of target compensation linked to our financial or market results. The program also balances the importance of these executives achieving both critical short-term objectives and long-term strategic priorities that align with shareholder interests.

### **EMPHASIS ON VARIABLE OVER FIXED PAY AT TARGET      BALANCE OF SHORT- AND LONG-TERM PAY AT TARGET**

## **Our Variable Pay Reflects Company Performance**

Under our pay-for-performance design, payouts to the Named Executive Officers in fiscal year 2013 were closely aligned with results for their variable pay components:

**Performance-based bonuses** paid out at approximately 64% of target Earnings Before Interest and Taxes (“EBIT”), reflecting softer sales trends partially offset by disciplined inventory and expense execution, and increased investments in technology and our stores. See page 38 to learn more about the performance-based bonus pay element and results for 2013.

**Performance share units granted under the long-term incentive plan** did not pay out. Although positive total shareholder return (“TSR”) of approximately 15% outpaced half of our retail peers, we did not meet the minimum threshold of greater than 50<sup>th</sup> percentile rank among the peer group over the 2011-2013 fiscal year performance cycle. See page 39 to learn more about the long-term incentive pay element and results for 2013.

Payouts for these variable compensation elements have been closely aligned with Company results for prior years, as well. The following graphs show performance-based payouts to President Blake Nordstrom relative to EBIT and TSR for fiscal year 2013 and the four prior years. This pattern of pay for performance is consistent for all the Named Executive Officers during these periods.

**ANNUAL EBIT RESULTS  
AND PERFORMANCE-BASED BONUS PAYOUTS**

**3-YEAR TSR RESULTS  
AND PERFORMANCE SHARE UNIT PAYOUT**

*2013 EBIT reflects nonoperating related adjustments and is referred to as Incentive EBIT for bonus purposes. For 2013, Blake Nordstrom's target bonus opportunity was increased to improve the competitive level of his pay. As a result, his 2013 Bonus Payout was similar to 2012 for different levels of performance. See page 38 to learn more about performance-based bonus.*

*'11-'13 3-Year TSR Results reflect a level of performance that is similar to the previous period. However, Blake Nordstrom did not receive a payout at the end of the '11-'13 period as our minimum threshold requires TSR to exceed the 50<sup>th</sup> percentile rank among our retail peers, and our TSR Results were equal to the 50<sup>th</sup> percentile. See page 39 to learn more about long-term incentive pay.*

Based on these and other outcomes, the Committee believes that total direct compensation for our Named Executive Officers reflects our pay-for-performance objective, is well-aligned with shareholder interests and compares favorably relative to our peers.

For more information on executive compensation, please see the Compensation Discussion and Analysis starting on page 33.

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## FREQUENTLY ASKED QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

### 1. Why am I receiving these materials?

The Company has made these materials available to you on the Internet or, upon your request, delivered printed versions of these materials to you by mail, because you were a shareholder of Nordstrom, Inc. as of March 10, 2014, the record date, and were entitled to receive notice of the 2014 Annual Meeting of Shareholders and to vote on matters that will be presented at the meeting.

### 2. What items will be voted on at the Annual Meeting?

| Shareholders will vote on the following matters at the Annual Meeting: |                                                                                                           | Board Recommendation:            | Page Reference (for more detail) |
|------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------|
| Proposal 1                                                             | To elect the 12 nominees to the Board of Directors (the "Board") named in this Proxy Statement            | <b>FOR each Director Nominee</b> | 23                               |
| Proposal 2                                                             | To ratify the appointment of our Independent Registered Public Accounting Firm                            | <b>FOR</b>                       | 29                               |
| Proposal 3                                                             | To conduct an advisory vote regarding the compensation of our Named Executive Officers                    | <b>FOR</b>                       | 57                               |
| Other                                                                  | Such other business as may properly come before the meeting and any adjournments or postponements thereof |                                  |                                  |

### 3. How can I view the webcast? Where is the Annual Meeting being held?

You can view the live webcast of the Annual Meeting at *investor.nordstrom.com*. Select Webcast and follow the instructions given. If you would like to attend the Annual Meeting in person, it is being held in the John W. Nordstrom Room, which is located in the Downtown Seattle Nordstrom, 1617 Sixth Avenue, 5<sup>th</sup> Floor, Seattle, Washington, 98101-1707.

### 4. Why did I receive a Notice instead of a full set of proxy materials? How can I access the proxy materials online?

We are furnishing proxy materials to our shareholders primarily via the Internet as many of our shareholders prefer that method. By doing so, we increase the convenience of our proxy materials and reduce the environmental impact of our Annual Meeting, as well as save costs. On March 28, 2014, we mailed a Notice of Internet Availability of Proxy Materials (the "Notice") to our shareholders who had not previously requested printed materials.

The Notice contains instructions about how to access our proxy materials and vote online. If you would like to receive a paper copy of our proxy materials, please follow the instructions included in the Notice. If you have previously chosen to receive our proxy materials electronically, you will receive access to these materials via email unless you elect otherwise.

**5. What is a proxy and what is the purpose of this Proxy Statement?**

If you designate another person to vote your stock, that other person is called a proxy. If you designate someone as your proxy in a written document, that document is also called a proxy or a proxy card. If you vote online or complete the proxy card enclosed with the materials sent by mail to give us your proxy, you will have designated Blake W. Nordstrom, our President, and Robert B. Sari, an Executive Vice President and our General Counsel and Secretary, as your proxies to vote your shares as you have directed. This Proxy Statement provides information about the matters to be voted on by shareholders at the Annual Meeting, along with other information regarding the governance of Nordstrom, including our Board Committee structure and executive compensation.

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## **6. What is the difference between a shareholder of record and a street name shareholder?**

Many Nordstrom shareholders hold their shares through a stockbroker, bank or other nominee rather than directly in their own names. As summarized below, there are some distinctions between shares held as a shareholder of record and those held in street name.

**Shareholders of record:** If your shares are registered directly in your name with Nordstrom's transfer agent, Computershare, you are considered the "shareholder of record" or a "registered shareholder," and the Notice or proxy materials are being sent directly to you by the Company. As the shareholder of record, you have the right to grant your voting proxy directly to Nordstrom or to vote in person at the Annual Meeting.

**Street name shareholders:** If your shares are held in a stock brokerage account or by a bank, trustee or nominee, you are considered the beneficial owner of shares held in "street name," and the Notice or proxy materials are being forwarded to you by your broker, bank or other holder of record who is considered the shareholder of record. As the street name shareholder you have the right to direct your broker, bank or other holder of record on how to vote your shares and you are invited to attend the Annual Meeting. Your broker, bank, trustee or nominee is obligated to provide you with a voting instruction form for you to use.

## **7. How do I cast my vote?**

We encourage you to vote on the Internet or by telephone. It is convenient, and it saves us significant postage and processing costs. In addition, when you vote on the Internet or by telephone, your vote is recorded immediately and there is no risk that postal delays will cause your vote to arrive late and therefore not be counted. The method by which you vote your proxy will not limit your right to vote at the Annual Meeting if you decide to attend in person.

**Shareholders of record:** The Internet and telephone voting procedures are designed to verify that you are a shareholder of record by using a control number and allowing you to confirm that your voting instructions have been properly recorded. Internet and telephone voting for shareholders of record are available 24 hours a day and will close at 11:59 p.m. Eastern Daylight Time on May 6, 2014.

**Voting on the Internet.** You may vote on the Internet by using the voting portal found at [www.proxyvote.com](http://www.proxyvote.com). You can then confirm that your instructions have been properly recorded.

**Voting by Telephone.** If you request printed materials, you may vote by telephone using the toll-free number listed on your proxy card. Voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded.

**Voting by Mail.** If you request printed materials, you may vote by signing, dating and returning your proxy card.

**Voting in Person.** You may vote your shares at the Annual Meeting.

***Street name shareholders:*** You may vote by the method explained on the proxy card or the information you receive from the bank, broker or other record holder. If you are a street name shareholder, you must obtain a proxy, executed in your favor, from the bank, broker or other holder of record to be able to vote in person at the Annual Meeting.

***Shareholders holding shares invested in the Company's 401(k) Plan & Profit Sharing:*** If you participate in the Company's 401(k) Plan & Profit Sharing, the number of shares of Common Stock in your account as of the record date are reflected on your proxy notice and may be voted as described above for shareholders of record. However, if your vote on those shares is not received by 11:59 p.m. Eastern Daylight Time on May 4, 2014, then the Nordstrom, Inc. Retirement Committee will vote those shares in the same proportion as all other 401(k) Plan & Profit Sharing shares that have been voted.

***Shareholders holding shares purchased through the Company's Employee Stock Purchase Plan:*** If you hold Common Stock that you acquired through the Company's Employee Stock Purchase Plan, you are the beneficial owner of those shares and your shares may be voted as described above for street name shareholders.

#### **8. What does it mean if I receive more than one Notice or package of proxy materials?**

This means that you have multiple accounts holding Nordstrom shares. These may include: accounts with our transfer agent, Computershare; shares held in the Nordstrom 401(k) Plan & Profit Sharing or purchased through the Employee Stock Purchase Plan; and accounts with a broker, bank or other holder of record. Please vote all Notices, voting instruction forms and proxy cards that you receive to ensure that all of your shares are voted.

#### **9. What is a quorum and what is the voting requirement to approve each of the proposals?**

We will have a quorum and will be able to conduct the business of the Annual Meeting if at least 94,846,333 shares, a majority of the outstanding shares of Common Stock as of the record date, are present at the meeting, either in person or by proxy. Your shares will be counted toward the number needed for a quorum if you: (i) vote on the Internet or by telephone; (ii) submit a valid proxy card or voting instruction form; or (iii) in the case of a shareholder of record, attend the Annual Meeting in person.

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To elect directors and adopt the other proposals, the following votes are required:

| <b>Proposal</b>                                                                  | <b>Vote Required</b>   | <b>Discretionary Voting Allowed?</b> |
|----------------------------------------------------------------------------------|------------------------|--------------------------------------|
| Election of Directors                                                            | Majority of Votes Cast | No                                   |
| Ratification of the Appointment of Independent Registered Public Accounting Firm | Majority of Votes Cast | Yes                                  |
| Advisory Vote Regarding Executive Compensation                                   | Majority of Votes Cast | No                                   |

Under Washington corporation law and our Articles of Incorporation and Bylaws, the approval of any corporate action taken at a shareholder meeting is based on votes cast. “Votes cast” means votes actually cast “for” or “against” a particular proposal, whether by proxy or in person. Broker nonvotes (broker nonvotes and discretionary voting are explained in the answer to Question 12) and abstentions are not considered “votes cast” and have no effect on the proposals.

***Election of Directors; Majority Vote Policy:*** In the election of Directors, the Company has adopted a majority voting standard as described in more detail on page 17 under Director Elections. Because this is an uncontested election, an incumbent director nominee will be elected if the votes cast “for” the nominee’s election exceed the votes cast “against” the nominee. If a director nominee does not receive the requisite votes, that director’s term will end on the date on which an individual is selected by the Board to fill the position held by such Director or ninety (90) days after the date the election results are determined, whichever occurs first. You may vote “for,” “against” or “abstain” with respect to the election of each nominee.

***Ratification of the Appointment of Independent Registered Public Accounting Firm:*** Under the Company’s Bylaws, the votes cast “for” must exceed the votes cast “against” to ratify the appointment of Deloitte as the Company’s independent registered public accounting firm for the fiscal year ending January 31, 2015. You may vote “for,” “against” or “abstain” on this proposal.

***Advisory Vote Regarding Executive Compensation:*** The votes cast “for” must exceed the votes cast “against” to approve, on an advisory basis, the Company’s executive compensation program. You may vote “for,” “against” or “abstain” on this proposal.

## 10. Can I change my mind after I vote?

Yes, if you vote by proxy, you may revoke that proxy at any time before it is voted at the Annual Meeting. You may do this by:

- voting again on the Internet or by telephone prior to the Annual Meeting;

- signing another proxy card with a later date and mailing it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717, prior to the Annual Meeting; or

- attending the Annual Meeting in person and delivering your proxy or casting a ballot.

#### **11. What if I do not return my proxy card or voting instruction form or do not provide voting instructions?**

**Shareholders of record:** If you are a registered shareholder and do not vote by Internet or phone or return your voted proxy card, your shares will not be voted. If you submit your proxy card with an unclear voting designation or no voting designation at all, your shares will be voted for the ratification of Deloitte, but not on any of the other proposals.

**Street name shareholders:** If you are a beneficial owner whose shares are held by a broker, your broker has discretionary voting authority under New York Stock Exchange (“NYSE”) rules to vote your shares for the ratification of Deloitte even if the broker does not receive voting instructions from you. However, your broker does not have discretionary authority to vote on the election of Directors, the advisory vote regarding executive compensation or on any shareholder proposal without instructions from you, in which case a broker nonvote will occur. Since shares that constitute broker nonvotes will not be included in vote totals and have no effect on the outcome of the election of Directors or the advisory vote regarding executive compensation, it is important that you instruct your broker on how to vote your shares.

**Shareholders with shares invested in the Company’s 401(k) Plan & Profit Sharing:** If your vote of shares held through the Company’s 401(k) Plan & Profit Sharing is not received by 11:59 p.m. Eastern Daylight Time on May 4, 2014, then the Company’s Retirement Committee will vote your shares in the same proportion as shares that have been voted in the 401(k) Plan & Profit Sharing. If you submit your proxy card with an unclear voting designation or no voting designation at all, your shares will be voted by the Retirement Committee “FOR” all proposals. If any additional proposals are properly presented at the Annual Meeting and any adjournment thereof, the Retirement Committee will vote on the additional proposals in accordance with their discretion.

#### **12. Will abstentions or broker nonvotes affect the voting results?**

If you abstain from voting on a proposal, or if a broker or bank indicates it does not have discretionary authority to vote on a proposal, the shares will be counted for the purpose of determining if a quorum is present, but will have no effect on the other proposals to be considered at the Annual Meeting since these actions do not represent votes cast by shareholders.

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### **13. Who will count the vote?**

Broadridge Investor Communication Services was appointed by the Board to tabulate the vote and act as Inspector of Election. Information about Broadridge is available at *broadridge.com*. Proxies and ballots that identify the votes of individual shareholders are kept confidential from the Company's management and Directors. Only Broadridge, as the proxy tabulator and the Inspector of Election, has access to the ballots, proxy forms and voting instructions. Broadridge will disclose information taken from the ballots, proxy forms and voting instructions only in the event of a proxy contest or as otherwise required by law.

### **14. Where can I find the voting results of the Annual Meeting?**

We intend to announce preliminary voting results at the Annual Meeting and publish final results on a current report on Form 8-K within four business days of the Annual Meeting. The Form 8-K will be available online under the "SEC Filings" tab at *investor.nordstrom.com*.

### **15. Who will bear the cost of this proxy solicitation?**

Nordstrom will bear the cost of this proxy solicitation, including reimbursing banks and brokers for reasonable expenses of sending out proxy materials to street name shareholders.

### **16. What if I have additional questions that are not addressed here?**

You may call Nordstrom Investor Relations at 206-233-6564, e-mail Investor Relations at *invrelations@nordstrom.com*, or call the Corporate Secretary's Office at 206-303-2542.

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## **CORPORATE GOVERNANCE**

### **Our Corporate Governance Framework**

Since its founding, our Company's leaders and employees have always sought to maintain the highest ethical standards in every aspect of our business. Our corporate governance framework is designed to support this tradition of integrity, trust and unyielding commitment to do the right thing, which has served our customers and shareholders well over the years. We continue to strengthen existing governance practices and develop new policies that make us a better company. Our corporate governance framework, more fully discussed on the following pages, includes the following highlights:

### **Board Responsibilities, Leadership Structure and Role in Risk Oversight**

The Board oversees, counsels and directs management in the long-term interests of the Company and our shareholders. The Board's responsibilities include:

- selecting and evaluating the performance of the President;
- planning for succession with respect to the position of the President and monitoring management's succession planning for other senior executives;
- reviewing and approving our major financial objectives and strategic and operational plans and other significant actions;
- monitoring the conduct of our business and the assessment of our business risks to evaluate whether the business is being properly managed; and
- overseeing the processes for maintaining our integrity with regard to our financial statements and other public disclosures, and compliance with laws and ethics.

At this time, the Board believes that different people should hold the positions of Chairman of the Board and President, as this may strengthen corporate governance and aid in the Board's oversight of management. Currently, Enrique Hernandez, Jr. serves as Chairman of the Board and Blake Nordstrom serves as President. The President is responsible for day-to-day leadership and performance of the Company, while the Chairman of the Board provides guidance to the President and presides over the full Board. The duties of our Chairman of the Board are more fully

described in the Chairman of the Board and Presiding Director section on page 16. The Board believes that this leadership structure also aids in the Board's oversight of risk and strengthens risk management.

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The full Board has primary responsibility for oversight of risk management, and has assigned to the Board's standing Committees the specific focus of the risks inherent in their respective areas of oversight. The full Board:

- considers and reviews the Company's risk appetite, which is the amount of risk the organization is willing and able to accept;
- oversees management's implementation of an appropriate system to manage risks (i.e., to identify, assess, mitigate, monitor, and communicate these risks) and monitors improvements in this process as the business environment changes;
- provides risk oversight through the Board's committee structure and processes; and
- manages directly certain risks that only the Board is positioned to manage and, in particular, the risks associated with the Company's strategic direction, which are reviewed at an annual strategy planning meeting and periodically throughout the year.

The Company has a comprehensive, structured approach to managing risks, which are identified, assessed, prioritized and managed at all levels within the Company through an enterprise risk management process which is aligned with the Company's strategy. Under this framework, management is responsible for assessing and managing the Company's exposure to risks. Management regularly reports on risks to the relevant Committee or the Board. The Board and its Committees discuss the various risks confronting the Company throughout the year, particularly when reviewing operating and strategic plans and when considering specific actions for approval. The risks are classified into four major categories: Strategic, Compliance, Operational and Financial, and mapped for the appropriate management and Board (and Committee) oversight.

Through the risk oversight process, the Board: (i) obtains an understanding of the risks inherent in the Company's strategy and management's execution of the strategy within the agreed risk appetite; (ii) accesses useful information from internal and external sources about the critical assumptions underlying the strategy; (iii) is alert for possible dysfunctional behavior within the organization which might lead to excessive risk taking; (iv) provides input to executive management regarding critical risk issues on a timely basis; and (v) encourages open communication and appropriate escalation of reporting of risk throughout the enterprise, striving to ensure that risk management is part of the corporate culture. The Board's leadership structure and the collective knowledge and experience of its members promotes a broad perspective, open dialogue and useful insights regarding risk, thereby increasing the effectiveness of the Board's role in risk oversight.

## **Director Independence**

A Director is considered independent when our Board affirmatively determines that he or she has no material relationship with the Company, other than as a Director. Our Board makes this determination in accordance with the standards set forth in our Corporate Governance Guidelines, which are consistent with the listing standards of the NYSE and Securities and Exchange Commission ("SEC") rules. In making this determination, the Board considers

existing relationships between the Company and Directors, whether directly or as a partner, shareholder or officer of an organization that has a relationship with the Company. The Board has affirmatively determined that the following Director nominees are independent within the meaning of the listing standards of the NYSE and the Company's Corporate Governance Guidelines, and that none of these Director nominees have a material relationship with the Company other than as a Director.

Phyllis J. Campbell  
Michelle M. Ebanks  
Enrique Hernandez, Jr.  
Robert G. Miller  
Philip G. Satre  
Brad D. Smith  
B. Kevin Turner  
Robert D. Walter  
Alison A. Winter

#### **Chairman of the Board and Presiding Director**

The Company has a Chairman of the Board who is also an independent Director and who serves as the Presiding Director within the meaning of the listing standards of the NYSE. Currently, Enrique Hernandez, Jr. serves as the Company's Chairman of the Board.

The Chairman of the Board is appointed annually by the Board. As described in the Company's Bylaws, Corporate Governance Guidelines and Charter of the Corporate Governance and Nominating Committee, the Chairman of the Board:

- presides at meetings of the Board;
- assists in establishing the agenda for each Board and Board Committee meeting;
- serves as the Presiding Director to lead regular executive sessions of the Board in which only independent Directors participate;
- calls special meetings of the Board and/or the shareholders;
- provides input and support to the Chair of the Corporate Governance and Nominating Committee on nominees to fill vacant Board seats and the selection of Committee Chairs and membership on Board Committees;
- advises the President and other members of the Executive Team on such matters as strategic direction, corporate governance and overall risk assessment; and
-

performs other duties that the Board may from time to time delegate to assist the Board in the fulfillment of its responsibilities.

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## **Director Elections**

The Company's Bylaws provide that, in an uncontested election, a Director nominee will be elected if the number of votes cast for the nominee's election exceeds the number of votes cast against the nominee's election. An incumbent Director nominee who fails to receive the requisite votes for election will continue to serve as a Director until the earlier of: (i) 90 days from the date on which the voting results of the election are determined; or (ii) the date on which an individual is selected by the Board to fill the position held by such Director. In any election which is a contested election (meaning that the number of director nominees exceeds the number of directors to be elected), the standard for election of directors is a plurality of the votes cast by holders of shares entitled to vote in the election at a meeting at which a quorum is present.

## **Management Succession Planning**

The Board and management believe that one of their primary responsibilities is to ensure that the Company has the appropriate leadership capability to effectively deliver upon its business commitments. The Company's management is actively engaged and involved in leadership development, having regular discussions of the leadership capabilities of the organization and the attraction, development and retention of critical talent to promote future success. In addition to the Company's regular review of leadership capabilities, the Board annually conducts a detailed review of the talent strategies for the entire organization and reviews succession plans for senior leadership positions, including that of the President. The Board reviews high-potential employees, evaluates plans to develop their management and leadership capabilities and sanctions the strategies used to deploy these individuals most effectively. In addition to the annual review, succession is regularly discussed in executive sessions of the Board and in Board Committee meetings, as applicable. Directors become familiar with potential successors for key leadership positions through various means, including the comprehensive annual talent and succession review, Board meeting presentations and less formal interactions throughout the course of the year.

Our entire Board, with the oversight of our Corporate Governance and Nominating Committee, is responsible for implementing succession procedures for the President. We believe that the Board, led by our Chairman, should collaborate with the President on the critical aspects of the succession planning process, including establishing selection criteria, identifying and evaluating candidates and making management succession decisions. The Board has procedures in place to respond to an unexpected vacancy in the President's position, including a detailed review of the succession plan annually by the Corporate Governance and Nominating Committee. It is the Board's practice to be prepared for a planned or unplanned change in leadership in order to ensure the stability of the Company.

## **Communications with Directors**

Shareholders and other interested parties may communicate with Directors by contacting the Corporate Secretary's Office at:

**Telephone:** 206-303-2542

**Internet:** *board@nordstrom.com*

**Mail:** Nordstrom, Inc.  
1700 Seventh Avenue  
Seattle, Washington 98101-4407  
Attn. Corporate Secretary

The Secretary will relay the question or message to the specific Director with whom the shareholder or interested party wishes to communicate.

If no specific Director is requested, the Secretary will relay the question or message to the Chairman of the Board. Certain items that are unrelated to the duties and responsibilities of the Board, such as business solicitations, advertisements, junk mail and other mass mailings will not be relayed to Directors.

The Audit Committee has established procedures to respond to possible concerns about ethics and accounting-related practices. To report your concerns, you may use the Company's confidential Whistleblower Hotline at:

**Telephone:** 1-888-832-8358

**Internet:** *ethicspoint.com*

Your concerns will be investigated and communicated to the Audit Committee, as necessary.

[Back to Contents](#)**Board Committees and Charters**

The Board has a standing Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, Finance Committee and Technology Committee. Each Committee has a Board-approved Charter which is reviewed annually by the respective Committee. Recommended changes, if any, are submitted to the Corporate Governance and Nominating Committee and the Board for approval. The Board makes Committee and Committee Chair assignments annually at its meeting immediately following the Annual Meeting of Shareholders, although further changes to Committee assignments may be made from time to time as deemed appropriate by the Board. The Board has determined that the Chairs and all Committee members are independent under the applicable NYSE rules. Committee Charters and current Committee membership are posted on our website at [investor.nordstrom.com](http://investor.nordstrom.com) and may be viewed by selecting Corporate Governance. The Chairs and members of the Committees as of the date of this Proxy Statement are identified in the following table.

| <b>Director</b>           | <b>Audit<br/>Committee</b> | <b>Compensation<br/>Committee</b> | <b>Corporate Governance<br/>and Nominating<br/>Committee</b> | <b>Finance<br/>Committee</b> | <b>Technology<br/>Committee<sup>(a)</sup></b> |
|---------------------------|----------------------------|-----------------------------------|--------------------------------------------------------------|------------------------------|-----------------------------------------------|
| Phyllis J. Campbell       |                            |                                   |                                                              |                              |                                               |
| Michelle M. Ebanks        |                            |                                   |                                                              |                              |                                               |
| Enrique Hernandez,<br>Jr. |                            |                                   |                                                              |                              |                                               |
| Robert G. Miller          |                            |                                   |                                                              |                              |                                               |
| Philip G. Satre           |                            |                                   |                                                              |                              |                                               |
| Brad D. Smith             |                            |                                   |                                                              |                              |                                               |
| B. Kevin Turner           |                            |                                   |                                                              |                              |                                               |
| Robert D. Walter          |                            |                                   |                                                              |                              |                                               |
| Alison A. Winter          |                            |                                   |                                                              |                              |                                               |

*Chair*

*(a) The Technology Committee was formed in February 2014.*

**Audit Committee**

As more fully described in its Charter, the primary responsibility of the Audit Committee is to assist the Board in fulfilling its oversight responsibility by reviewing and appraising:

- the integrity of the Company's financial statements;

- the accounting, auditing and financial reporting processes of the Company;
- the management of business and financial risk and the internal controls environment;
- the Company's compliance with legal and regulatory requirements and ethics programs as established by management
- and the Board, which shall be in conjunction with any recommendations by the Corporate Governance and Nominating Committee with respect to the corporate governance standards;
- reports resulting from the performance of audits by the independent auditor and the internal audit team;
- the qualifications, independence and performance of the Company's independent auditors; and
- the performance of the Company's internal audit team.

The Audit Committee meets regularly with the independent registered public accounting firm and management, including the Vice President – Internal Audit, to review accounting, auditing and financial reporting processes, enterprise risk management, and compliance with laws and regulations. The Audit Committee also meets privately and separately with the independent registered public accounting firm, the Executive Vice President and Chief Financial Officer and the Vice President – Internal Audit.

In addition to meeting the independence requirement for audit committee members, each current member of the Audit Committee also meets the financial literacy and experience requirements contained in the corporate governance listing standards of the NYSE. The Board has determined that all Audit Committee members qualify as “audit committee financial experts” under the regulations of the SEC. Although all members of the Audit Committee meet the current regulatory requirements for accounting or related financial management expertise and the Board has determined that each of them qualifies as an “audit committee financial expert,” members of the Audit Committee are not professionally engaged in the practice of auditing or accounting and are not technical experts in auditing or accounting.

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## **Compensation Committee**

As more fully described in its Charter, the primary responsibilities of the Compensation Committee are to:

- approve an overall compensation philosophy for the Company's Executive Officers in light of the Company's goals and objectives. The Executive Officers are referenced on pages 30 to 32 and include the Named Executive Officers shown in the Compensation Discussion and Analysis on page 33 and other business unit presidents and Company executives over major organizational functions reporting to the President or other senior executives;
- select performance measures aligned with the Company's business strategy;
- review and approve executives' cash and equity-based compensation plans;
- review and approve any benefit plans, retirement and deferred compensation or other perquisites offered to the Executive Officers and other eligible employees; and
- review the Company's compensation practices so that they do not encourage imprudent risk taking.

The Committee has the sole authority to retain such consultants and advisors as it may deem appropriate and to approve related fees and other retention terms. The Committee has retained Semler Brossy Consulting Group, LLC, an independent compensation consulting firm, to advise the Committee on executive compensation and benefit matters. Semler Brossy reports directly to, the Committee, provides services only as directed by the Committee or other Committees of the Board and has no other relationship with the Company. During 2013, all fees paid to Semler Brossy for services were related exclusively to executive or Director compensation. The Compensation Committee has assessed the independence of Semler Brossy pursuant to NYSE rules and determined that Semler Brossy is independent and its work for the Compensation Committee does not raise any conflict of interest.

A consultant from Semler Brossy attends Committee meetings in person or by phone and supports the Committee by providing independent expertise on market practices and trends in executive compensation representing general industry and the peer group defined for such purposes. Additionally, the consultant provides advice regarding the composition of the Company's peer group and management's analysis of peer group practices for base salary, performance-based bonus, long-term incentives and other compensation elements, including advice on management's proposed levels of executive compensation. Semler Brossy also advises the Committee on compensation program design including incentive structure, stock ownership guidelines, regulatory requirements related to executive compensation, plans submitted to shareholders for approval, governance responsibilities, and such other matters as assigned by the Committee from time to time as necessary to carry out its responsibilities under its Charter.

## **Corporate Governance and Nominating Committee**

As more fully described in its Charter, the primary responsibilities of the Corporate Governance and Nominating Committee are to:

- review and recommend individuals to the Board for nomination as members of the Board and its Committees;
- review possible conflicts of interest of Board members and the Company's Executive Officers;
- develop and review the Company's Corporate Governance Guidelines;
- review the corporate governance standards of the Company's Codes of Business Conduct and Ethics;
- review the policies and practices of the Company in the area of corporate governance;
- review the Committee's new director orientation program and continuing director education programs;
- produce and provide to the Board an annual performance evaluation of the Board, the Directors and each Committee of the Board;
- establish succession procedures in the case of an emergency or the retirement of the President;
- recommend to the Board the form and amount of director compensation; and
- review the overall performance of the President on an annual basis.

#### **Finance Committee**

As more fully described in its Charter, the primary responsibilities of the Finance Committee are to:

- assist the Board in fulfilling its oversight responsibilities with respect to the Company's capital structure, financial policies, capital investments, business and financial planning and related matters;
- review and appraise the Company's tax strategies and the implications of actual or proposed tax law changes;
- review and appraise the Company's dividend payment and share repurchase strategies, banking relationships and borrowing facilities and cash management; and
- monitor the rating assigned by rating agencies to the Company's long-term debt.

Additionally, in conjunction with the Technology Committee, the Committee shall make recommendations to the Board with respect to investments in technology.

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## **Technology Committee**

The Technology Committee was formed in February 2014. As more fully described in its Charter, the primary responsibilities of the Technology Committee are to:

- assist the Board in its oversight with respect to the Company's technology strategy;
- review and appraise the Company's technology acquisition and development process to assure ongoing business growth;
- review and appraise the Company's data management and automation processes, and measurement and tracking systems; and
- review and appraise the Company's policies and safeguards for information technology and data security.

Additionally, in conjunction with the Finance Committee, the Committee shall make recommendations to the Board with respect to investments in technology.

## **Board Meetings and Attendance**

The Board held five meetings during the past fiscal year, one of which was devoted principally to Company strategy. During the past fiscal year, the Audit Committee held eleven meetings, the Compensation Committee held four meetings, the Corporate Governance and Nominating Committee held four meetings and the Finance Committee held four meetings. The Technology Committee was established in February 2014 and will begin holding meetings in the current fiscal year. Each Director attended at least 75% of the aggregate of all meetings of the Board and the Committees on which he or she served during the year and overall attendance at the meetings, on a combined basis, was 99%. Independent members of the Board met at each quarterly meeting of the Board in executive session without management present.

## **Attendance at the Annual Meeting of Shareholders**

Although all members of the Board are expected to attend each Annual Meeting of Shareholders, the Company has not adopted a formal policy on Board member attendance. All Directors attended the 2013 Annual Meeting of Shareholders, and all Director nominees have indicated their intent to attend the Annual Meeting. Shareholders are encouraged to direct any questions that they may have to the Directors or management at that time.

## Director Compensation

The Company's pay-for-performance philosophy for Director compensation reflects the Board's belief that payment of a majority of the Director fees in the form of Common Stock aligns the interests of Directors with the interests of the Company's shareholders and enhances Director compensation when the Company performs well. The Board believes that the Director fees paid by the Company should be competitive with other companies of similar characteristics.

Employee Directors of the Company are not paid any fees for serving as members of the Board or any Board Committee. Nonemployee Director compensation consists of the following elements:

|                                                                      | <b>Amount</b>             |
|----------------------------------------------------------------------|---------------------------|
| <b>Annual Compensation Elements for 2013</b>                         | <b>(\$)<sup>(a)</sup></b> |
| Cash Retainer                                                        | 60,000                    |
| Chairman of the Board Retainer                                       | 200,000                   |
| Audit Committee Chair Retainer                                       | 20,000                    |
| Compensation Committee Chair Retainer                                | 17,500                    |
| Corporate Governance and Nominating Committee Chair Retainer         | 15,000                    |
| Finance Committee Chair Retainer                                     | 15,000                    |
| Audit Committee Liaison to Nordstrom fsb Board Retainer              | 20,000                    |
| Director Equity Grant of Common Stock Award having a value of        | 140,000                   |
| Chairman of the Board Equity Grant of Common Stock having a value of | 250,000                   |

*(a) Directors may elect to take some or all of their cash retainer fees in Common Stock.*

In early 2014, the Corporate Governance and Nominating Committee conducted a comprehensive review of nonemployee director compensation with input from the outside compensation consultant, Semler Brossy. As a result of that review, compensation paid to nonemployee Directors of the Company for 2014 will be revised as follows: the Annual Cash Retainer will be increased by \$25,000 and the Compensation Committee Chair Retainer will be increased by \$2,500. Additionally, the Chair of the Technology Committee, which Committee was formed in February 2014, will receive an annual Chair Retainer of \$15,000.

Under the Director Stock Ownership Guidelines, Directors are currently required to own Common Stock having a value of at least \$420,000 by their fifth anniversary of joining the Board. For 2014, the dollar value will be increased to at least \$425,000. As of March 10, 2014, each Director nominated for election at the Annual Meeting had either satisfied these ownership guidelines or had time remaining to do so.



[Back to Contents](#)**Director Summary Compensation Table**

During the fiscal year ended February 1, 2014, nonemployee Directors of the Company received the following compensation for their services:

| <b>Name</b>            | <b>Fees Earned<br/>or Paid in Cash<br/>(\$)(a)(b)</b> | <b>Stock<br/>Awards<br/>(\$)(b)(c)</b> | <b>All Other<br/>Compensation<br/>(\$)(d)</b> | <b>Total<br/>(\$)</b> |
|------------------------|-------------------------------------------------------|----------------------------------------|-----------------------------------------------|-----------------------|
| Phyllis J. Campbell    | 80,000                                                | 139,995                                | 17,970                                        | 237,965               |
| Michelle M. Ebanks     | 60,000                                                | 139,995                                | 11,245                                        | 211,240               |
| Enrique Hernandez, Jr. | 260,000                                               | 389,977                                | 10,937                                        | 660,914               |
| Robert G. Miller       | 75,000                                                | 139,995                                | 10,259                                        | 225,254               |
| Philip G. Satre        | 75,000                                                | 139,995                                | 902                                           | 215,897               |
| Brad D. Smith          | 60,000                                                | 139,987                                | -                                             | 199,987               |
| B. Kevin Turner        | 60,000                                                | 139,995                                | 37,019                                        | 237,014               |
| Robert D. Walter       | 77,500                                                | 139,995                                | 3,765                                         | 221,260               |
| Alison A. Winter       | 90,000                                                | 139,995                                | 10,688                                        | 240,683               |

**(a) Fees Earned or Paid in Cash**

The amounts reported reflect the cash fees paid to each nonemployee Director, whether or not such fees were deferred or taken as Common Stock. In addition to the \$60,000 annual retainer, Ms. Campbell received \$20,000 for service as the Audit Committee Chair, Mr. Hernandez received \$200,000 for service as Chairman of the Board; Mr. Miller and Mr. Satre each received \$15,000 for service as the Finance Committee Chair and Corporate Governance and Nominating Committee Chair, respectively, Mr. Walter received \$17,500 for service as the Compensation Committee Chair, and Ms. Winter received \$20,000 for service as Audit Committee Liaison and \$10,000 for service as Audit Committee Chair following her mid-year appointment in November 2013. Mr. Turner elected to take his cash fees in Common Stock.

**(b) Deferred Compensation Program**

Nonemployee Directors may elect to defer all or a part of their cash retainers and stock awards under the Nordstrom Directors Deferred Compensation Plan ("Directors Plan"). Directors are required to make advance elections to defer the receipt of fees or stock awards, and all deferral elections generally are irrevocable. Directors are also required to make advance elections about the form and timing of distribution of their deferred cash fees or stock awards.

In 2014, cash deferrals may be directed among 20 deemed investment alternatives and gains and losses for cash deferrals are posted to the Director's account daily based on their investment elections. In addition, plan participants are offered a fixed rate option of 5%, which is not subsidized by the Company, but rather is a rate based on guaranteed

contractual returns from a third-party insurance company provider. Deferred stock awards are credited to the Director's account as units. Each unit in the Directors Plan is equal in value to the price of one share of Common Stock. Each deferred unit is credited with dividends, in the form of additional units, to the same extent as a share of Common Stock.

During the fiscal year ended February 1, 2014, Mr. Walter deferred 100% of his stock award into the Directors Plan.

**(c) Stock Award**

The amounts reported reflect the grant date fair value associated with each Director's stock awards. Fractional shares are not awarded or paid in cash. In recognition of the significant time and attention in performing the duties required of the position, our Chairman of the Board is annually awarded, on the date of the Company's Annual Meeting, an additional stock award having a value of \$250,000.

**(d) All Other Compensation**

All Directors, their spouses and eligible children may participate in the Company's merchandise discount program. The program provides a 20% discount for eligible nonmanagement employees and eligible retirees, and up to a 33% discount for eligible management and high-performing nonmanagement employees, eligible retirees, Directors and eligible retired Directors. These discounts vary somewhat by source and type of merchandise or service. During the fiscal year ended February 1, 2014, All Other Compensation consisted only of merchandise discounts.

**Compensation Committee Interlocks and Insider Participation**

During the fiscal year ended February 1, 2014, no member of the Compensation Committee was an employee, officer or former officer of the Company or any of its subsidiaries, and no Executive Officer of the Company served on the board of directors or compensation committee of any entity that has one or more directors, or compensation committee of any entity that has one or more Executive Officers, serving as a member of the Company's Board or Compensation Committee.

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## **Codes of Business Conduct and Ethics and Other Policies**

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, including our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions.

We have also adopted a Directors' Code of Business Conduct and Ethics that applies to all of our Directors. Any grant of a waiver from a provision of the codes requiring disclosure under applicable SEC rules, if any, will be disclosed on our website at *investor.nordstrom.com* under Corporate Governance.

We have a policy that prohibits Directors and Executive Officers (as well as other key insiders and their immediate family members) from engaging in hedging or short sale transactions with respect to the Company's Common Stock. We also have a policy with respect to pledging of Common Stock, which subjects Directors and Executive Officers to a preclearance requirement and restrictions, including that pledged shares may not be counted toward the Company's stock ownership guidelines. As a group, our Executive Officers, in the aggregate, have less than 0.5% of the Company's outstanding shares pledged to third parties and are compliant with our policy.

## **Corporate Social Responsibility**

Our goal is to operate our business with the utmost integrity and serve our customers, employees and shareholders in a way that is deserving of their support and trust. Social responsibility is something we take pride in ensuring every day. We actively pursue solutions to reduce our environmental impact, contribute to the communities we serve, and respect the rights of workers who create our products. We believe that both transparency and collaboration are key to progress in all of these areas. As such, we will continue to work with and learn from interested parties. More information can be found on this and other subjects at *nordstrom.com* under Nordstrom Cares.

## **Website Access to Corporate Governance Documents**

The Charters for each of the standing Committees of the Board, the Company's Corporate Governance Guidelines, the Employee Code of Business Conduct and Ethics, and the Directors' Code of Business Conduct and Ethics, as well as all Company filings made with the SEC, may be accessed through our website at *investor.nordstrom.com*, under Corporate Governance.



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## **PROPOSAL 1 ELECTION OF DIRECTORS**

**The Board recommends a vote FOR each nominee.**

Twelve nominees, recommended by the Company's Board of Directors, will be elected at the Annual Meeting, each to hold office until the 2015 Annual Meeting of Shareholders and until their successors have been duly elected and qualified. All of the nominees, who are listed in this Proposal 1, are currently Directors of the Company.

### **Director Qualifications and Experience**

The Board, acting through the Corporate Governance and Nominating Committee, seeks a Board that, as a whole, possesses the experience, skills, backgrounds and qualifications appropriate to function effectively in light of the Company's current and evolving business circumstances. The Committee reviews the size of the Board, the tenure of our Directors and their skills, backgrounds and experiences in determining the slate of nominees and whether to seek one or more new candidates. The Committee seeks directors with established records of significant accomplishments in business and areas relevant to our strategies. With respect to the nomination of continuing Directors for re-election, the individual's prior contributions to the Board are also considered.

All of our Directors bring to our Board a wealth of executive leadership experience derived from their service as executives and, in most cases, chief executive officers of large corporations. As a group, they also bring extensive board experience. The process undertaken by the Committee in recommending qualified director candidates is described in the Director Nominating Process below.

### **Director Nominating Process**

The Committee is responsible for identifying and recommending to the Board the nominees to stand for election as directors at each Annual Meeting of Shareholders or, if applicable, at a special meeting of shareholders.

In nominating director candidates, the Committee considers such factors as it deems appropriate, including whether there are any evolving needs of the Board with respect to a particular field, skill or experience. These factors may include judgment, skill, experience with businesses and other organizations, the candidate's experience relative to the experience of other members of the Board and the extent to which the candidate would be a desirable addition to the Board and any Committees of the Board. In addition to these factors, the Committee may also consider a director candidate's diversity of background during the evaluation and selection process of director candidates. In this context, diversity is broadly construed to mean varied skills, backgrounds and experiences, which include gender and ethnicity,

as well as other differentiating characteristics, all in the context of the requirements and needs of the Board at that point in time. The Committee, however, does not have a formal policy regarding how diversity of background should be applied in identifying or evaluating director candidates, and, depending on the current needs of the Board, the Committee may weigh certain factors more or less heavily. The goal of the Committee is to assist the Board in attracting competent individuals with the requisite management, financial and other expertise who will act as directors in the best interests of the Company and its shareholders.

The Committee will consider the qualifications of director candidates recommended by shareholders, and evaluate each of them using the same criteria the Committee uses for incumbent candidates. Shareholders who wish to submit nominees for election as directors should follow the procedures described on page 64.

No director candidates were recommended by our shareholders for election at the Annual Meeting.

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## **Our Director Nominees**

Information related to the Director nominees as of March 27, 2014 is set forth below, including age, and the particular experience, qualifications, attributes or skills that led the Board to conclude that the person should serve as a Director for the Company.

***Phyllis J. Campbell***

**Director since 2004**

**Age 62**

***Specific qualifications, experience, skills and expertise:***

- Operating and senior management experience, including in the financial sector and its retail applications
- Core business, management and leadership skills
- Expertise in accounting, risk management and marketing
- Public company director and committee experience

*Chairman of the Pacific Northwest Region of JPMorgan Chase* since 2009. President and Chief Executive Officer of The Seattle Foundation, a community-based philanthropic organization, from 2003 to 2009. President and Chief Executive Officer of US Bank of Washington, a division of US Bancorp, from 1993 to 2001. Ms. Campbell held various other management positions of increasing responsibility with US Bank of Washington from 1989 to 1993. Ms. Campbell has been a director of Alaska Air Group, Inc. since 2002 and Lead Independent Director since 2010. She served as a director of Puget Energy, Inc. from 1999 to 2009 and as a director of its subsidiary, Puget Sound Energy, Inc. from 1993 to 2009.

Ms. Campbell brings to the Board her extensive experience in the financial sector and her senior leadership skills developed in her executive role with a national bank and prior role as chief executive officer of a large philanthropic organization, as well as her public company board experience.

***Michelle M. Ebanks***

**Director since 2011**

**Age 52**

***Specific qualifications, experience, skills and expertise:***

- Operating and senior management experience at a global media and communications company
- Core business, management and leadership skills
- Expertise in media, publishing and communications
- Authority on marketing to multicultural audiences

*President of Essence Communications*, a media and communications company and subsidiary of Time Inc., since 2005, and Group Publisher since 2001. Prior to that, Ms. Ebanks served as Senior Vice President and Chief Operating Officer of Time and Essence Magazines Partnership from 1999 to 2001. Ms. Ebanks was General Manager of Time, Inc.'s Money Magazine from 1998 to 1999 and Financial Director from 1996 to 1998. From 1985 to 1996, Ms. Ebanks held a number of management and financial positions of increasing responsibility with Condé Nast Publications, including Corporate Business Manager from 1993 to 1996.

Ms. Ebanks brings to the Board her key executive management, finance and operations experience in the media and communications arena, and a unique perspective on marketing to multicultural audiences.

***Enrique Hernandez, Jr.***

**Director since 1997**

**Age 58**

***Specific qualifications, experience, skills and expertise:***

- Operating and senior management experience, including experience as chief executive officer of a regulated global corporation
- Core business, management and leadership skills, and legal expertise
- Expertise in communication and consumer marketing
- Public company director and committee experience, including experience as chairman of the board

*President and Chief Executive Officer of Inter-Con Security Systems, Inc.*, a worldwide security and facility support services provider, since 1986 and Executive Vice President and Assistant General Counsel from 1984 to 1986. Prior to joining Inter-Con Security Systems, Mr. Hernandez, who is a licensed attorney, practiced law with the firm of Brobeck, Phleger & Harrison in Los Angeles. Mr. Hernandez has been a director of McDonald's Corporation since 1996, Wells Fargo & Company since 2003 and Chevron Corporation since 2008. Mr. Hernandez served as a director of the Tribune Company from 2001 to 2007.

Mr. Hernandez brings to the Board executive, operational, executive compensation and legal experience with a regulated business with a large number of employees in the United States and abroad, as well as key marketing skills, experience in corporate governance matters and working with diverse boards of directors, management oversight, risk assessment and expertise in responding to complex financial, operational and strategic challenges.

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***Robert G. Miller***

**Director since 2005**

**Age 69**

***Specific qualifications, experience, skills and expertise:***

• Operating and senior management experience, including experience as a chief executive officer of a national retail business

• Core business, management and leadership skills

• Financial, investment and strategic expertise

• Public company director and committee experience, including experience as chairman of the board

*Chief Executive Officer of Albertsons LLC*, a retail grocery chain, since 2006. Prior to joining Albertsons, Mr. Miller was Chief Executive Officer of Rite Aid Corporation, a retail pharmacy chain, from 1999 to 2003, and Chairman of the Board from 1999 to 2007. Mr. Miller was Vice Chairman and Chief Operating Officer of The Kroger Co., a grocery supermarket company, during 1999, Vice Chairman of the Board and Chief Executive Officer of Fred Meyer, Inc., a grocery supermarket company, from 1998 to 1999 and Chairman of the Board and Chief Executive Officer of Fred Meyer, Inc. from 1991 to 1998. He served as a director of SuperValu, Inc. from March 2013 to December 2013, Rite Aid Corporation from 1999 to 2011, and Harrah's Entertainment, Inc. from 1999 to 2008.

Mr. Miller's experiences at Fred Meyer, Rite Aid and Albertsons, which operate multi-store retail businesses in a highly competitive marketplace, provide him with financial, accounting, strategic and operational skills and experience acquiring and divesting assets. Mr. Miller's extensive experience in the consumer products and retail industries enables him to provide insights that are invaluable to the Board. Further, Mr. Miller's broad board experience at SuperValu, Rite Aid, Kroger, Fred Meyer and Harrah's has provided him key skills in working with directors, understanding board processes and functions, responding to complex financial, operational and strategic challenges and overseeing management.

***Blake W. Nordstrom***

**Director since 2005<sup>(a)</sup>**

**Age 53**

***Specific qualifications, experience, skills and expertise:***

- Unique perspective and retail insights into the business, including competitive and financial positioning, senior leadership and strategic opportunities and challenges
- Operating, business and senior management experience at a national retail corporation
- Financial expertise
- Core business, management and leadership skills

*President of Nordstrom, Inc.* since August 2000. Mr. Nordstrom previously served as Executive Vice President and President of Nordstrom Rack from February 2000 to August 2000, and as Co-President of the Company from 1995 to February 2000. Mr. Nordstrom has held various other management and sales positions of increasing responsibility since joining the Company in 1975. He served as a director of the Federal Reserve Bank of San Francisco, Seattle Branch, from 2004 to 2006 and as a director of the Federal Reserve Bank of San Francisco from 2007 to 2012. Mr. Nordstrom served as a director of Whole Foods, Inc. from 2011 to 2012.

Mr. Nordstrom's positions of increasing responsibility with the Company over more than 30 years, including diverse executive and operational roles, give him a customer-centric perspective in retailing and supporting the business of the Company.

*(a) Blake, Erik and Peter Nordstrom are brothers, great grandsons of the Company's founder and the second cousins of James F. Nordstrom, Jr., an Executive Vice President of the Company.*

***Erik B. Nordstrom***

**Director since 2006<sup>(a)</sup>**

**Age 50**

***Specific qualifications, experience, skills and expertise:***

- Unique retail insights into the business of the Company, including competitive positioning and strategic opportunities and challenges
- Operating and senior management experience at a national retail corporation
- Core business, management and leadership skills

- Store management and retail expertise

*Executive Vice President and President – Stores of Nordstrom, Inc.* since February 2006. From August 2000 to February 2006, Mr. Nordstrom served as Executive Vice President – Full-Line Stores. Mr. Nordstrom previously served as Executive Vice President and Northwest General Manager from February 2000 to August 2000, and as Co-President of the Company from 1995 to February 2000. He has held various other management and sales positions of increasing responsibility since joining the Company in 1979.

Mr. Nordstrom's positions of increasing responsibility with the Company over more than 30 years, including executive and operational roles, give him a customer-centric perspective in retailing and supporting the business of the Company.

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***Peter E. Nordstrom***

**Director since 2006<sup>(a)</sup>**

**Age 52**

***Specific qualifications, experience, skills and expertise:***

- Unique retail insights into the business of the Company, including competitive merchandising and strategic opportunities and challenges
- Operating and senior management experience at a national retail corporation
- Core business, management and leadership skills
- Merchandising and retail expertise

*Executive Vice President and President – Merchandising of Nordstrom, Inc.* since February 2006. From September 2000 to February 2006, Mr. Nordstrom served as Executive Vice President and President – Full-Line Stores. Mr. Nordstrom previously served as Executive Vice President and Director of Full-Line Store Merchandise Strategy from February 2000 to September 2000, and as Co-President of the Company from 1995 to 2000. He has held various other management and sales positions of increasing responsibility since joining the Company in 1978.

Mr. Nordstrom's positions of increasing responsibility with the Company over more than 30 years, including executive and operational roles, give him a customer-centric perspective in retailing and supporting the business of the Company.

***Philip G. Satre***

**Director since 2006**

**Age 64**

***Specific qualifications, experience, skills and expertise:***

- Operating and senior management experience, including experience as chief executive officer of a highly regulated corporation

- Core business, management and leadership skills, and legal expertise
- Expertise in customer loyalty and service programs, and complex financial, operational and strategic matters
- Public company director and committee experience, including experience as chairman of the board

*Private investor since 2005.* Mr. Satre was Chief Executive Officer of Harrah's Entertainment, Inc., a provider of branded casino entertainment, from 1994 to 2003 and a director of Harrah's from 1988 to 2005, serving as Chairman of the Board from 1997 to 2005. Mr. Satre held various other positions of increasing responsibility with Harrah's beginning in 1980, when he joined the company as Vice President, General Counsel and Secretary, until his retirement in 2005. Prior to joining Harrah's, Mr. Satre practiced law in Reno, Nevada. He has been a director of International Game Technology since January 2009 and its Chairman since December 2009. Mr. Satre served as a director of NV Energy from 2005 through 2013, Rite Aid Corporation from 2005 to 2011 and Tabcorp Holdings, Ltd. (Australia) from 2000 to 2007.

Mr. Satre's roles at Harrah's Entertainment provide him legal experience, senior leadership skills as chief executive officer and experience overseeing customer loyalty and service programs. Further, Mr. Satre's substantial board experience at Rite Aid, International Game Technology, NV Energy, Tabcorp and his role as Chairman of Harrah's Entertainment, which under his leadership became one of the world's largest casino gaming companies, provide him with extensive experience responding to complex financial, operational and strategic challenges, experience with corporate governance matters and key skills in working with directors, understanding board processes and functions, assessing risk and overseeing management.

***Brad D. Smith***

**Director since 2013**

**Age 49**

***Specific qualifications, experience, skills and expertise:***

- Operating and senior management experience, including experience as a chief executive officer
- Core business, management and leadership skills
- Expertise in online worldwide sales and global operations
- Merchandising, branding and information technology expertise

*President and Chief Executive Officer of Intuit, Inc.*, a global provider of business and financial management solutions since 2008. Mr. Smith has served on Intuit's board of directors since 2008. Mr. Smith joined Intuit in 2003 and served as Senior Vice President and General Manager, Small Business division from 2006 to 2007, Senior Vice President and General Manager, QuickBooks from 2005 to 2006, Senior Vice President and General Manager, Consumer Tax Group from 2004 to 2005 and as Vice President and General Manager of Intuit's Accountant Central and Developer Network from 2003 to 2004. Before joining Intuit, Mr. Smith was Senior Vice President of Marketing and Business Development of ADP, where he held several executive positions from 1996 to 2003. Mr. Smith served on the board of directors of Yahoo! Inc. from 2010 until 2013.

Mr. Smith brings to the Board digital expertise, brand marketing, innovation and entrepreneurial experience from his position at Intuit. He provides unique insights related to technology innovation and marketing of products and services to broad audiences throughout the world. Mr. Smith's service on the boards of Yahoo! and Intuit provide him with experience in corporate governance matters and key skills in working with directors, understanding board processes and functions, assessing risk and overseeing management.

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***B. Kevin Turner***

**Director since 2010**

**Age 48**

***Specific qualifications, experience, skills and expertise:***

• Operating and senior management experience, including experience as a chief executive officer of a global corporation

• Core business, management and leadership skills

• Expertise in online worldwide sales and global operations

• Merchandising, branding and information technology expertise

*Chief Operating Officer of Microsoft Corporation*, a worldwide software, services and solutions provider, since 2005. In his capacity as Chief Operating Officer, Mr. Turner's areas of responsibility include global/worldwide sales, marketing, services, operations, customer service and support, worldwide licensing and pricing, corporate public relations, corporate information technology, worldwide partner channel management and the retail stores division. Mr. Turner served as Chief Executive Officer and President of Sam's Club, a Wal-Mart subsidiary corporation from 2002 to 2005. Between 1985 and 2002, Mr. Turner held a number of positions of increasing responsibility with Wal-Mart Stores, Inc., including Executive Vice President and Global Chief Information Officer from 2001 to 2002.

Mr. Turner's experience at Microsoft and Wal-Mart have provided him with strategic and operational leadership skills and expertise in online worldwide sales, global operations, supply chain, merchandising, branding, marketing, information technology and public relations.

***Robert D. Walter***

**Director since 2008**

**Age 68**

***Specific qualifications, experience, skills and expertise:***

- Operating and senior management experience, including experience as chief executive officer of a global corporation
- Core business, management and leadership skills
- Executive compensation, financial, and strategic expertise
- Public company director and committee experience, including experience as chairman of the board

*Private investor since 2008.* Mr. Walter was founder and former Chairman and CEO of Cardinal Health, Inc. Mr. Walter retired from Cardinal Health in June 2008. Prior to his retirement, he served as Executive Director from November 2007 to June 2008; Executive Chairman of the Board from April 2006 to November 2007; and Chairman and Chief Executive Officer from 1971 to April 2006. Mr. Walter has been a director of American Express Company since 2002 and YUM! Brands, Inc. since 2008. He served as a director of Cardinal Health (and its predecessors) from 1971 to November 2008.

Mr. Walter's roles at Cardinal Health, which under his leadership grew from a small regional business to become one of the largest distributors of pharmaceuticals, health and beauty products and hospital supplies in the United States, provide him executive, operational, accounting and executive compensation experience, leadership and strategic skills and significant experience acquiring and developing businesses and building management teams. Further, Mr. Walter's proven financial and business acumen and significant board experience at American Express and YUM! Brands give him background and experience working with directors, overseeing management and assessing risk.

***Alison A. Winter***

**Director since 2001**

**Age 67**

***Specific qualifications, experience, skills and expertise:***

- Operating and senior management experience, including experience as chief executive officer of a private banking service firm
- Core business, management and leadership skills
- Expertise in the financial sector and its retail applications
- Financial expertise and unique understanding in the area of technology and the consumer

*Chief Executive Officer of Braintree Holdings, LLC*, a private investments and consulting services firm, which she founded in 2003. Ms. Winter served as a senior advisor and consultant to Northern Trust Corporation, a provider of

banking and trust services for individuals, institutions and corporations, from 2007 to 2010. Ms. Winter, who is a Chartered Financial Analyst, was Northern Trust Corporation's Founding President and Chief Executive Officer for Personal Financial Services – Northeast from 2003 to 2006, Co-President, Personal Financial Services from 2002 to 2003 and a member of the Management Committee from 2002 to 2006. She held various other positions of increasing responsibility with Northern Trust Corporation beginning in 1971 when she joined the company.

Ms. Winter's roles at Northern Trust, which is a consumer- and business-facing financial service company, have provided her significant executive and operational experience, leadership skills, an understanding of the consumer and financial experience.

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## AUDIT COMMITTEE REPORT

The following Report of the Company's Audit Committee of the Board (the "Audit Committee") does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference.

The Audit Committee operates under a written Charter adopted by the Board. The Charter contains a detailed description of the scope of the Audit Committee's responsibilities and how they will be carried out. The Audit Committee's Charter is available on our website at *investor.nordstrom.com*, under Corporate Governance.

The Board determined that each member of the Audit Committee is independent from the Company as such term is defined in Sections 303.01(B)(2)(a) and (3) of the NYSE's listing standards at all times during the fiscal year and that each member was an "audit committee financial expert" within the meaning of Item 407 of Regulation S-K under the Securities Exchange Act of 1934.

The Audit Committee serves in an oversight capacity and is not part of the Company's managerial or operational decision-making process. As part of its responsibilities for oversight of the Company's Enterprise Risk Management process, the Audit Committee reviews and discusses Company policies and processes with respect to risk assessment and risk management, including discussions of individual risk areas. Management is responsible for the Company's internal controls and the financial reporting process. Deloitte, the Company's independent registered public accounting firm, reports to the Company's Audit Committee, and is responsible for performing an integrated audit of the Company's consolidated financial statements and internal control over financial reporting in accordance with auditing standards generally accepted in the United States of America.

Deloitte and the Company's internal auditors have full access to the Audit Committee. The auditors meet with the Audit Committee at each of the Audit Committee's regularly scheduled meetings, with and without management being present, to discuss appropriate matters. The Audit Committee has the sole authority to engage, evaluate and terminate the Company's independent auditors. The Audit Committee also pre-approves all auditing services, internal control-related services and permitted nonaudit services to be performed by the Company's independent auditors.

The Audit Committee recommended to the Board that the audited consolidated financial statements for the fiscal year ended February 1, 2014 be included in the Company's Annual Report on Form 10-K for such fiscal year, based on the following actions by the Committee:

- review and discussion of the Company's audited consolidated financial statements with management;

- review of the unaudited interim financial statements and Forms 10-Q prepared each quarter by the Company;
- review of the Company's Disclosure Committee practices and the certifications prepared each quarter in accordance with Sections 302 and 906 of the Sarbanes-Oxley Act of 2002;
- discussions with management regarding the critical accounting estimates on which the financial statements are based, as well as its evaluation of alternative accounting treatments;
- receipt of management representations that the Company's financial statements were prepared in accordance with accounting principles generally accepted in the United States of America;
- discussions with management, the internal auditors, and Deloitte regarding management's assessment of the
- effectiveness of the Company's internal control over financial reporting and Deloitte's evaluation of the Company's internal control over financial reporting;
- discussions with legal counsel and management regarding contingent liabilities;
- receipt of the written disclosures and letter from Deloitte required by the Public Company Accounting Oversight Board Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence; and
- discussions with Deloitte regarding their independence, the audited consolidated financial statements, the matters
- required to be discussed by *Statement on Auditing Standards ("SAS") No. 61 Communication with Audit Committees*, as amended, and other matters, including Rule 2-07 of SEC Regulation S-X.

#### AUDIT COMMITTEE

Phyllis J. Campbell

Michelle M. Ebanks

Robert G. Miller

Brad D. Smith

Alison A. Winter, *Chair*

[Back to Contents](#)**PROPOSAL 2** RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**The Board recommends a vote FOR this proposal.**

The Audit Committee, consistent with NYSE and SEC rules, has appointed Deloitte to be the Company's independent registered public accounting firm for the fiscal year ending January 31, 2015. Deloitte and its predecessors have served as the Company's independent registered public accounting firm for over forty years, including the fiscal year ended February 1, 2014.

As a matter of good corporate practice to provide shareholders an avenue to express their views on this matter, the Board has determined to seek shareholder ratification of Deloitte's appointment at this time. If the shareholders do not ratify the appointment of Deloitte, the Board will reconsider the appointment of the independent registered public accounting firm. A representative of Deloitte will be present at the Annual Meeting, will have the opportunity to make a statement if he or she so desires, and will be available to respond to questions.

**Audit Fees**

The following table summarizes fees billed or expected to be billed to the Company by Deloitte in connection with services for the fiscal years ended February 1, 2014 and February 2, 2013:

| <b>Type of Fee</b>                | <b>Fiscal Year Ended February 1, 2014</b> |            | <b>Fiscal Year Ended February 2, 2013</b> |            |
|-----------------------------------|-------------------------------------------|------------|-------------------------------------------|------------|
|                                   | <b>(\$)</b>                               | <b>(%)</b> | <b>(\$)</b>                               | <b>(%)</b> |
| Audit Fees <sup>(a)</sup>         | 2,265,000                                 | 88         | 2,047,000                                 | 84         |
| Audit-Related Fees <sup>(b)</sup> | 261,000                                   | 10         | 310,784                                   | 13         |
| Tax Fees <sup>(c)</sup>           | 45,000                                    | 2          | 75,000                                    | 3          |
| <b>TOTAL</b>                      | <b>2,571,000</b>                          | <b>100</b> | <b>2,432,784</b>                          | <b>100</b> |

**(a) Audit Fees**

Audit Fees primarily include services for (i) auditing the consolidated financial statements of the Company and the separate financial statements of one of the Company's wholly-owned subsidiaries, Nordstrom fsb; (ii) reviewing the interim financial information of the Company included in its Form 10-Qs; (iii) auditing the Company's 401(k) Plan and Profit Sharing; and (iv) auditing the Company's internal control over financial reporting. Substantially all of Deloitte's

work on these audits was performed by full-time, regular employees and partners of Deloitte and its affiliates.

**(b) Audit-Related Fees**

Audit-Related Fees are fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and internal control over financial reporting. Also included are accounting research tool subscription fees of \$2,847 in the fiscal year ended February 1, 2014 and \$2,409 in the fiscal year ended February 2, 2013.

**(c) Tax Fees**

Tax Fees include various tax planning projects and miscellaneous compliance matters.

**Pre-Approval Policy**

Consistent with SEC policies regarding auditor independence, the services performed by Deloitte for the fiscal years ended February 1, 2014 and February 2, 2013 were pre-approved in accordance with the pre-approval policy and procedures adopted by the Audit Committee. This policy is periodically reviewed and updated. It describes the permitted audit, audit-related, tax and other services that Deloitte may perform. Normally, pre-approval is provided at regularly scheduled Audit Committee meetings. However, the authority to grant specific pre-approval between meetings, as necessary, has been assigned to the Chair of the Audit Committee. The Chair is responsible for updating the Audit Committee at the next regularly scheduled meeting of any services that were pre-approved between meetings.

The Audit Committee approves fees up to a specified amount associated with each proposed service. Providing for fees up to a specified amount for a service incorporates appropriate oversight and control of the Deloitte relationship, while permitting the Company to receive immediate assistance from Deloitte when time is of the essence.

The Committee also reviews on a regular basis: .

- a listing of approved services since its last review;
- a report summarizing the year-to-date services provided by Deloitte, including fees paid for those services; and

- a projection for the current fiscal year of estimated fees.

The policy prohibits the Company from engaging the independent registered public accountants for services billed on a contingent fee basis and from hiring current or former employees of the independent auditor who have not satisfied the statutory cooling-off period for certain positions.

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## **EXECUTIVE OFFICERS**

The Executive Officers of the Company are appointed annually by the Board following each year's Annual Meeting of Shareholders and serve at the discretion of the Board.

### **Executive Team**

In addition to Blake Nordstrom, Erik Nordstrom and Peter Nordstrom, whose biographical information is provided under Election of Directors on pages 25 and 26, the following are the other members of the Executive Team of the Company.

#### ***Brian K. Dennehy***

**Employee since 2013**

**Age 48**

Brian K. Dennehy was named Chief Marketing Officer upon joining the Company in January 2013, and was named Executive Vice President in February 2013. Prior to joining the Company, Mr. Dennehy served as Chief Marketing Officer of Silicon Valley Bank Financial Group from March 2011 until December 2012. From 2001 to 2011, Mr. Dennehy was employed at Intuit, Inc., serving as Vice President of Business Intelligence, Data and Analytics from 2009 to 2011, Vice President of Marketing, Small Business Division from 2005 to 2009, as well as other positions in management from 2001 to 2005.

#### ***Michael G. Koppel***

**Employee since 1999**

**Age 57**

Michael G. Koppel was named Executive Vice President and Chief Financial Officer in May 2001. From 1999 to 2001, he served as Vice President, Corporate Controller and Principal Accounting Officer. Mr. Koppel previously served as Chief Operating Officer of CML Group, a specialty retail holding company, and as Chief Financial Officer of Lids Corporation, a specialty retailer from 1997 through 1998. Prior to that, Mr. Koppel spent 13 years with the May Department Stores Company in a variety of financial and operating roles.

#### ***Daniel F. Little***

**Employee since 2002**

**Age 52**

Daniel F. Little was named Executive Vice President and Chief Information Officer in February 2014. From 2003 to 2014, he served as Executive Vice President and Chief Administrative Officer and from July 2002 until March 2003, he served as Vice President – Supply Chain Strategy. Prior to joining the Company in July 2002, Mr. Little held various positions with Colgate-Palmolive from April 1993 through June 2002, most recently as Manufacturing General Manager for Personal Care Products in Europe.

***James F. Nordstrom, Jr.***

**Employee since 1986**

**Age 41**

James F. Nordstrom, Jr. was named Executive Vice President and President – Nordstrom Direct in February 2005. He previously served as Corporate Merchandise Manager – Children’s Shoes, from May 2002 to February 2005, and as a project manager for the design and implementation of the Company’s inventory management system from 1999 to May 2002. Mr. Nordstrom is a great-grandson of the Company founder.

***Delena M. Sunday***

**Employee since 1980**

**Age 53**

Delena M. Sunday was named Executive Vice President – Human Resources in November 2002. She previously served as Executive Vice President – Diversity Affairs from 2000 to November 2002, and as Vice President – Diversity Affairs from 1998 to 2000. Prior to 1998, Ms. Sunday served in various management roles of increasing responsibility within the Company, including in diversity affairs and store management.

***Geevy S.K. Thomas***

**Employee since 1983**

**Age 49**

Geevy S. K. Thomas was named Executive Vice President and President – Nordstrom Rack, in February 2010. He previously served as Executive Vice President and South Regional Manager from November 2001 to February 2010, as Executive Vice President and General Merchandise Manager – Full-Line Stores from February 2001 to November 2001, and as Executive Vice President – Full-Line Stores and Director of Merchandising Strategy from February 2000 to February 2001. Prior to February 2000, Mr. Thomas held various merchandise strategy, store and regional management positions with the Company.

***Kenneth J. Worzel***

**Employee since 2010**  
**Age 49**

Kenneth J. Worzel was named Executive Vice President – Strategy and Development upon joining the Company in March 2010. Prior to joining the Company, he was a partner with McKinsey & Company, a global management consulting firm, from 2009 to 2010. While at McKinsey, Mr. Worzel provided the Company and other clients with management strategy and organizational services. Prior to joining McKinsey, Mr. Worzel was a managing partner at Marakon Associates, an international strategy consulting firm, from 1992 to 2008. As a partner at Marakon Associates, Mr. Worzel provided consulting services to the Company from 1997 to 2008.

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**Other Executive Officers**

*Teri Bariquit*

**Employee since 1986**

**Age 48**

Teri Bariquit was named Executive Vice President – Nordstrom Merchandising Group in August 2012. She served as Vice President for Nordstrom Merchandising from 2011 to 2012, Vice President of Full-Line Stores, Merchandising Support from 2004 to 2011, and Business Integration Director from 2003 to 2004. Ms. Bariquit served in a number of other roles of increasing responsibility with the Company from 1986 to 2003.

*Robert E. Campbell*

**Employee since 1997**

**Age 58**

Robert E. Campbell was appointed Treasurer and Vice President – Investor Relations in March 2009. From March 2003 to February 2009 he served as Vice President – Finance Full-Line Stores, and from May 1999 to February 2003 he served as Treasurer and Vice President – Strategy and Planning and also was responsible for the Company's investor relations.

*James A. Howell*

**Employee since 2007**

**Age 48**

James A. Howell was named Vice President – Finance, upon joining the Company in August 2007. Mr. Howell also functions as the Company's Principal Accounting Officer. From July 2003 to August 2007, Mr. Howell was employed at Blockbuster Inc., most recently as Senior Vice President and Corporate Controller. From 2002 to 2003, Mr. Howell worked for CAE SimuFlite, Inc., a provider of training for the civil aviation industry, after spending 12 years with PricewaterhouseCoopers serving clients in both the retail and financial services industries.

*Gemma Lionello*

**Employee since 1988**

**Age 48**

Gemma Lionello was named General Merchandise Manager – Cosmetics in April 2013 and Executive Vice President in May 2013. Ms. Lionello previously served as Full-Line Store Regional Manager in the South Region from 2011 to 2013 and Capital Region from 2007 to 2011, Northeast Assistant Regional Manager and Natick Store Manager in 2007, and Nordstrom Rack Regional Manager for Midwest, East Coast and South Regions from 1999 to 2006.

*Steven C. Mattics*

**Employee since 2012**

**Age 45**

Steven C. Mattics was named Executive Vice President and President of Nordstrom Credit, Inc. upon joining the Company in June 2012. From 2001 to 2012, Mr. Mattics was employed at HSBC Finance Corporation, serving as Executive Vice President and Head of U.S. Retail Services for HSBC from 2010 to 2012, Senior Vice President of Relationship Management from 2009 to 2010, Senior Vice President of Retail Strategic Planning from 2007 to 2009, as well as other positions in Marketing and Risk Management from 2001 to 2007.

*Scott A. Meden*

**Employee since 1985**

**Age 51**

Scott A. Meden was named Executive Vice President and General Merchandise Manager – Shoe Division in February 2010. He previously served as Executive Vice President and President – Nordstrom Rack from February 2006 to February 2010, as Divisional Merchandise Manager from September 2002 to January 2006, as Director of Business Planning and Analysis from 2001 to September 2002, and as Financial Manager – Shoes from 1999 to 2001.

*Robert J. Middlemas*

**Employee since 1979**

**Age 57**

Robert J. Middlemas was named Executive Vice President – Regional Manager – Southern California in February 2011. He previously served as Executive Vice President and Regional Manager – Midwest from 2002 to 2010, Executive Vice President and General Manager – Central States from 1998 to 2002, Vice President and General Manager – Midwest from 1994 to 1998 and General Manager – Midwest from 1990 to 1994.

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*Margaret Myers*

**Employee since 1984**

**Age 67**

Margaret Myers was named Executive Vice President and General Merchandise Manager – Accessories and Women’s Specialized Divisions, in November 2005. She previously served as Vice President and Corporate Merchandise Manager from 2001 to November 2005, as Product Market Leader from 2000 to 2001, and as Divisional Merchandise Manager from 1998 to 2000.

*Robert B. Sari*

**Employee since 2009**

**Age 58**

Robert B. Sari was named Executive Vice President, General Counsel and Secretary upon joining the Company in April 2009. Prior to joining the Company, he served as Executive Vice President, General Counsel and Secretary of Rite Aid Corporation since October 2005. Mr. Sari also served as Rite Aid’s Senior Vice President, General Counsel and Secretary from 2002 to 2005 and as Senior Vice President, Deputy General Counsel and Secretary from 2000 to 2002. Mr. Sari served in other roles for Rite Aid beginning in 1997.

*Michael Sato*

**Employee since 1984**

**Age 47**

Michael Sato was named Executive Vice President – Supply Chain in February 2014. Mr. Sato served as Vice President – Human Resources and Fulfillment for Nordstrom Direct from 2011 to 2014, Vice President – Human Resources for Full-Line Stores from 2008 to 2011, and Vice President – Full-Line Store Operations from 2001 to 2008.

*Tricia D. Smith*

**Employee since 1988**

**Age 42**

Tricia D. Smith was named Vice President and General Merchandise Manager – Women’s Apparel in June 2012 and was appointed Executive Vice President in August 2012. She previously served as Vice President and Corporate Merchandise Manager – BP/Kidswear from 2011 to 2012, National Merchandise Manager – Women’s Coats/Dresses from 2008 to 2011, Divisional Merchandise Manager – BP (Juniors) from 2006 to 2008, and Planning Director – BP Women’s Apparel from 2002 to 2006.

*Paige L. Thomas*

**Employee since 2012**

**Age 42**

Paige L. Thomas was named General Merchandise Manager – Nordstrom Rack, upon joining the Company in July 2012, and was appointed Executive Vice President in August 2012. Prior to joining the Company, Ms. Thomas was employed by Kohl's Department Store, serving as Executive Vice President and General Merchandise Manager for Juniors, Jewelry, Accessories and Cosmetics from September 2007 to February 2012. She was Senior Vice President and Divisional Merchandise Manager for Juniors and Jewelry from March 2005 to September 2007, and held various other merchandising and planning manager roles from 2003 to 2005.

***Mark J. Tritton***

**Employee since 2009**

**Age 50**

Mark J. Tritton was named Executive Vice President and President – Nordstrom Product Group upon joining the Company in June 2009. Prior to joining the Company, he served as Group Vice President, Global Casual/Gear Footwear and Apparel, for Timberland beginning in 2006. Mr. Tritton also served as Timberland's Vice President, Global Apparel from 2004 to 2006. Prior to joining Timberland, Mr. Tritton was Nike's General Manager, Europe, Middle East & Africa Apparel, from 2002 to 2004, Global Merchandise Director Apparel from 2001 to 2002 and Retail Director, Pacific Region from 1999 to 2001.

***David M. Witman***

**Employee since 1987**

**Age 55**

David M. Witman was named Executive Vice President and General Merchandise Manager – Men's Apparel, in November 2005. He previously served as Divisional Vice President and Corporate Merchandise Manager from 2001 to November 2005, and as Divisional Vice President and Menswear Product Market Leader from 1999 to 2001.

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## COMPENSATION OF EXECUTIVE OFFICERS

### Compensation Discussion and Analysis

This section describes our executive compensation program and the compensation decisions made for our fiscal year 2013 Named Executive Officers:

**Blake W. Nordstrom** President

**Peter E. Nordstrom** Executive Vice President and President – Merchandising

**Erik B. Nordstrom** Executive Vice President and President – Stores

**Michael G. Koppel** Executive Vice President and Chief Financial Officer

**Daniel F. Little** Executive Vice President and Chief Information Officer

### 2013 Snapshot: We Elevated the Customer Experience While Investing in Growth

This year, we continued to see an evolution in retail through the accelerated pace of technology, the continuing importance of stores and the customer's increasing desire for speed and convenience. We achieved success within this challenging business environment by staying squarely focused on customer-driven strategies and the platform for long-term profitable growth. Our performance benefitted from strong financial discipline, increased investment in technology and stores, and enhancements to our seamless customer experience across all channels. We are encouraged by the progress we have achieved to date and the opportunities that lie ahead.

### Shareholders Support our Compensation Program

Our shareholders approved our Board's recommendation to hold Say-on-Pay advisory votes on an annual basis so that we may communicate frequently and openly about the compensation of our Named Executive Officers. Each year, shareholders demonstrate strong support for our fundamental objective of pay for performance as we continue to apply these guiding principles:

- **Motivate and reward** our people to achieve meaningful results that support our strategic goals and shareholder interests, while avoiding encouragement of excessive risk taking;

- **Attract and keep** the best talent through programs that reflect our values and consider, but are not dictated by, market practice;

- Manage the cost** of our programs while maintaining their purpose and benefit;
- Keep things simple** to promote understanding for our employees and transparency for our shareholders; and
- Be attuned to regulatory compliance**, trends and new ideas to support our programs and diverse workforce.

## 2013 Highlights Reflect Dynamics of Our Business Model

### TOTAL NET SALES

*Achieved a new record for total net sales at over \$12 billion, a 3.4% increase over our previous high last year.*

### NET EARNINGS

*Achieved earnings consistent with prior year, largely reflecting ongoing investments in our customer strategy.*

### SAME-STORE SALES GROWTH

*Achieved a 2.5% increase in same-store sales, with Nordstrom Direct achieving its third year of at least 30% growth.*

|                                                                   | <b>FY 2012</b> | <b>FY 2013</b> |
|-------------------------------------------------------------------|----------------|----------------|
| <b>Strong Return on Invested Capital (ROIC)</b>                   | 13.9%          | 13.8%          |
| <b>Growth in Earnings Before Interest and Income Taxes (EBIT)</b> | \$1,345M       | \$1,376M       |

ROIC is not a measure of financial performance under Generally Accepted Accounting Principles (“GAAP”). See Appendix A for a reconciliation of GAAP and non-GAAP financial measures. FY 2013 reflects Incentive ROIC and Incentive EBIT used for bonus purposes as noted on page 38.

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## **We Emphasize Variable Pay and Balance Short- and Long-Term Incentives**

In accordance with our pay-for-performance philosophy, the compensation program for our Named Executive Officers is very straightforward and includes four primary elements - base salary, performance-based bonus, long-term incentives and benefits. Within these elements, we emphasize variable pay over fixed pay, with 80% of target compensation linked to our financial or market results. The program also balances the importance of these executives achieving both critical short-term objectives and long-term strategic priorities.

|                                                      |                                                      |
|------------------------------------------------------|------------------------------------------------------|
| <b>EMPHASIS ON VARIABLE OVER FIXED PAY AT TARGET</b> | <b>BALANCE OF SHORT- AND LONG-TERM PAY AT TARGET</b> |
|------------------------------------------------------|------------------------------------------------------|

All Named Executive Officers Combined

All Named Executive Officers Combined

## **Our Variable Pay Reflects Company Performance**

Under our pay-for-performance design, payouts to the Named Executive Officers in fiscal year 2013 were closely aligned with results for their variable pay components:

**Performance-based bonuses** paid out at approximately 64% of target EBIT, reflecting softer sales trends partially offset by disciplined inventory and expense execution, and increased investments in technology and our stores. See page 38 to learn more about the performance-based bonus pay element and results for 2013.

**Performance share units granted under the long-term incentive plan** did not pay out. Although positive total shareholder return (“TSR”) of approximately 15% outpaced half of our retail peers, we did not meet the minimum threshold of greater than 50<sup>th</sup> percentile rank among the peer group over the 2011-2013 fiscal year performance cycle. See page 39 to learn more about the long-term incentive pay element and results for 2013.

Payouts for these variable compensation elements have been closely aligned with Company results for prior years, as well. The following graphs show performance-based payouts to President Blake Nordstrom relative to EBIT and TSR for fiscal year 2013 and the four prior years. This pattern of pay for performance is consistent for all the Named Executive Officers during these periods.

**ANNUAL EBIT RESULTS  
AND PERFORMANCE- BASED BONUS PAYOUT**

**3-YEAR TSR RESULTS  
AND PERFORMANCE SHARE UNIT PAYOUTS**

*2013 EBIT reflects nonoperating related adjustments and is referred to as Incentive EBIT for bonus purposes. For 2013, Blake Nordstrom's target bonus opportunity was increased to improve the competitive level of his pay. As a result, his 2013 Bonus Payout was similar to 2012 for different levels of performance. See page 38 to learn more about performance-based bonus.*

*'11-'13 3-Year TSR Results reflect a level of performance that is similar to the previous period. However, Blake Nordstrom did not receive a payout at the end of the '11-'13 period as our minimum threshold requires TSR to exceed the 50<sup>th</sup> percentile rank among our retail peers, and our TSR Results were equal to the 50<sup>th</sup> percentile. See page 39 to learn more about long-term incentive pay.*

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The Compensation Committee reviews these results and other analyses to ensure the Named Executive Officers' aggregate compensation aligns with shareholder interests. Based on these and other outcomes, the Committee believes that total direct compensation for our Named Executive Officers reflects our pay-for-performance objective, is well-aligned with shareholder interests and compares favorably relative to our peers.

## **Effective Corporate Governance Reinforces Our Compensation Program**

Our executive compensation philosophy is reflected in governance practices that support the needs of our business, drive performance and align with our shareholders' long-term interests. Below is a summary of what we do and don't do in that regard.

### **WHAT WE DO**

**Pay for performance** - Our compensation program for Named Executive Officers emphasizes variable pay over fixed pay, with 80% of their collective target compensation linked to our financial or market results.

**Receive strong shareholder support** - Each year since 2011, we have received over 97% of the votes cast in favor of our Say-on-Pay proposal.

**Retain meaningful stock ownership guidelines** - Our expectations for ownership align executives' interests with those of our shareholders, and all of the Named Executive Officers have exceeded their targets.

**Mitigate undue risk** - We have caps on potential bonus payments, a clawback policy on performance-based compensation, and active and engaged oversight and risk management systems, including those related to compensation-related risk.

**Engage an independent compensation consulting firm** - The Compensation Committee's consultant does not provide any other services to the Company.

**Apply conservative post employment and change in control provisions** - Our provisions apply to executive officers in the same manner as those for our broader employee population.

**Limit accelerated vesting** - Our equity plan provides for accelerated vesting of equity awards after a change in control only if an executive is involuntarily terminated, a provision referred to as a "double trigger."

**Restrict pledging activity** - All Executive Officers are subject to pre-clearance requirements and restrictions.

### **WHAT WE DON'T DO**

Provide employment agreements

Offer separation benefits to Named Executive Officers who are Nordstrom family members

Offer special perquisites to our Named Executive Officers

Maintain separate change in control agreements

Gross up excise taxes upon change in control

Gross up taxes on perquisites or benefits, except selected relocation expenses

Reprice underwater stock options

Allow grants below 100% fair market value

Pay dividends on unearned performance share units

Permit hedging or short-sales transactions

Count pledged shares towards stock ownership targets

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## Context for Understanding Our Compensation Program and Decisions

This section provides background on the roles in determining compensation for our Named Executive Officers, our use of market data and the companies selected for our peer group.

### Our Roles in Determining Compensation are Well Defined

#### Compensation Committee

Our Compensation Committee oversees the development and delivery of our guiding principles and compensation plans for the Named Executive Officers, and other executives identified starting on page 30, as described in the Committee Charter on our website at *investor.nordstrom.com*.

As part of that oversight, the Committee reviews analyses to ensure the Named Executive Officers' aggregate compensation aligns with shareholder interests.

Where included in the analyses, long-term incentives are calculated in two ways: grant value as reported in our Summary Compensation Table on page 43, and realizable value as of fiscal year end. For 2013, these additional analyses focused on:

- **Cash alignment** to evaluate the year-over-year change in payout relative to the year-over-year growth in EBIT.
- **Relative pay and performance** to compare the percentile rankings of our total direct compensation (base salary + performance-based bonus + long-term incentives) with TSR and other financial performance metrics of our retail peer group.
- **Pay productivity** to assess EBIT generated per dollar of total direct compensation compared to our peer group when adjusted for size.

#### Compensation Committee Consultant

The Committee's independent executive compensation consulting firm, Semler Brossy Consulting Group, LLC, is retained by, and reports directly to, the Committee. A consultant from that firm attends the Committee meetings and

supports the Committee's role by providing independent expertise on market practices, compensation program design and related subjects as described on page 19. Semler Brossy provides services only as directed by the Committee and has no other relationship with the Company. There were no fees paid to Semler Brossy for services that were not related exclusively to executive or Director compensation during fiscal year 2013.

## **Management**

Our President provides input to the Committee on the level and design of compensation elements for the Named Executive Officers and other Executive Officers. Our Executive Vice President and Chief Financial Officer and Executive Vice President – Human Resources join the President in Compensation Committee meetings to provide perspective and expertise relevant to the agenda. Management supports the Committee's activity by providing analyses and recommendations developed internally or with the assistance of external consulting firms other than the Committee's consulting firm. During fiscal year 2013, technical guidance to management on executive compensation matters came primarily from the professional services firm Towers Watson.

## **Market Data Provides a Reference Point for Compensation**

The Committee believes that knowledge of market practices, particularly those of our peers listed on the following page, is helpful in assessing the design and targeted level of our executive compensation package. In reviewing peer group information, the Committee uses a customized survey prepared by external consultants, monitors general market movement for executive pay and references proxy statements for specific roles.

During the year, the Committee also reviews general information from other published and private surveys to keep current on trends and practices while recognizing the differences across company philosophies and plan designs.

When the Committee reviews market data, they consider the 50<sup>th</sup> percentile (median) of our peer group as a reference point, rather than a policy, for positioning target total direct compensation. Target opportunities for individual pay elements vary by executive role based on scope of responsibilities and expected contributions.

Blake, Peter and Erik Nordstrom's target total direct compensation for 2013 was somewhat below our peer group median. Michael Koppel and Daniel Little's target total direct compensation was within a competitive range of our peer group median. Actual pay for the Named Executive Officers can exceed our established targets or peer group actual pay through the variable compensation elements when pre-determined performance milestones are achieved.

## **Peer Group Companies Represent Our Business**

Each year, the Committee reviews the appropriateness of our peer group for comparison on pay and related practices. While the companies represent prominent fashion and specialty retailers that are relevant to Nordstrom, they may not always have a direct match to our product offerings or annual revenue. However, the peer group companies meet the following selection criteria:

- **collective representation of our primary business areas** including our Nordstrom full-line and Rack stores, online business and private label products;
- **some overlap with our industry group** as defined by institutional shareholders and shareholder service organizations;
- **general compatibility with our compensation strategy** through a competitive offering of the primary pay elements of base salary, performance-based bonus and long-term incentives; and
- **subject to similar market pressures** with a track record of sustainability.

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As a result of the Committee's review in 2013, our peer group was updated as follows with new companies highlighted in bold.

|                                    |                                 |                              |
|------------------------------------|---------------------------------|------------------------------|
| Abercrombie & Fitch Co.            | Kohl's Corporation              | Saks Incorporated            |
| <b>Bed Bath &amp; Beyond, Inc.</b> | L. Brands, Inc.                 | <b>Starbucks Corporation</b> |
| Coach, Inc.                        | Macy's, Inc.                    | Tiffany & Co.                |
| Dillard's, Inc.                    | Neiman Marcus, Inc.             | The TJX Companies, Inc.      |
| <b>Foot Locker, Inc.</b>           | <b>Nike, Inc.</b>               | Urban Outfitters, Inc.       |
| Gap, Inc.                          | <b>Ralph Lauren Corporation</b> | VF Corporation               |
| J.C. Penney Company, Inc.          | <b>Ross Stores, Inc.</b>        | <b>Williams-Sonoma, Inc.</b> |

**Each Element of Compensation Has its Own Purpose**

Our compensation program for Named Executive Officers is made up of four primary elements outlined below. Each element has its own purpose based on our fundamental premise of pay for performance and our guiding principles. Learn more about these elements where noted.

| <b>Compensation Element</b>                 | <b>Purpose</b>                                                                                                                                                                            | <b>2013 Changes in Element Features or Potential Value</b>                                                                                                                                                                                            |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Base Salary</b><br>(Page 37)             | Reflect scope of the role and individual performance through base-line cash compensation                                                                                                  |                                                                                                                                                                                                                                                       |
| <b>Performance-Based Bonus</b><br>(Page 38) | Motivate and reward contributions to annual operating performance and long-term business strategy with cash that varies based on results                                                  | While there were no changes to the features of these elements, increases in value or opportunity for enhanced payout were made for certain Named Executive Officers to reward performance and improve or maintain pay competitiveness as shown below. |
| <b>Long-Term Incentives</b> (Page 39)       | Promote alignment of executive decisions with Company goals and shareholder interests through stock options and performance share units where value varies with Company stock performance |                                                                                                                                                                                                                                                       |
| <b>Benefits</b><br>(Page 40)                | Enhance total compensation with meaningful and competitive broad-based, leadership and retirement benefits that support healthy lifestyles and contribute to financial security           | None                                                                                                                                                                                                                                                  |

**Some Element Values Changed for 2013**

On an annual basis, the Compensation Committee reviews base salary, performance-based bonus target opportunity and long-term incentive grant value for each of the Named Executive Officers in consideration of the upcoming fiscal year. Committee decisions for fiscal year 2013 are summarized below. The Committee believes these elements and the overall compensation program are meeting the expectations for our pay-for-performance philosophy and guiding principles.

| Name               | Base Salary<br>(\$) |         | Performance-Based<br>Annual Cash Bonus<br>(Target<br>Opportunity as %<br>of<br>Base Salary) |         | Long-Term<br>Incentives<br>(Grant Value as<br>% of<br>Base Salary) |         |
|--------------------|---------------------|---------|---------------------------------------------------------------------------------------------|---------|--------------------------------------------------------------------|---------|
|                    | FY 2012             | FY 2013 | FY 2012                                                                                     | FY 2013 | FY 2012                                                            | FY 2013 |
| Blake W. Nordstrom | 700,000             | 725,000 | 150                                                                                         | 200     | 200                                                                | 250     |
| Peter E. Nordstrom | 700,000             | 725,000 | 150                                                                                         | 200     | 200                                                                | 250     |
| Erik B. Nordstrom  | 700,000             | 725,000 | 150                                                                                         | 200     | 200                                                                | 250     |
| Michael G. Koppel  | 675,000             | 720,000 | 80                                                                                          | 90      | 150                                                                | 175     |
| Daniel F. Little   | 525,000             | 560,000 | 80                                                                                          | same    | 150                                                                | same    |

#### About Our Compensation Elements, What We Paid in 2013 and Why

##### Base Salary

The Committee begins its annual review of base salary for the Named Executive Officers through discussion with the President on the previous year's expectations and achievements of each executive, their pay history and pay equity with other internal roles. From here, the Committee references our pay levels to similar roles in our peer group.

Named Executive Officers do not necessarily receive increases in base salary every year. When they do, the changes are effective April 1<sup>st</sup> following their annual performance review, which includes a discussion about individual results against defined expectations.

For 2013, all Named Executive Officers received increases in base pay to acknowledge their performance and improve or maintain market competitiveness.

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## Performance-Based Annual Cash Bonus

The opportunity for annual performance-based cash awards under our shareholder-approved Executive Management Bonus Plan is designed to focus the Named Executive Officers on the alignment between annual operating performance and long-term business strategy. In support of our guiding principles, the performance-based bonus awards pay out only when pre-determined performance milestones are achieved. The Committee establishes the following criteria in developing the annual bonus arrangements:

**Target bonus opportunity:** Annual target bonus opportunity is defined as a percentage of base salary as shown on page 37. In establishing the target percentage, the Committee takes into account the mix of pay elements, market pay information for similar roles within our peer group and the internal relationship between roles within the Company.

In support of our pay-for-performance philosophy, the maximum bonus payout, which is associated with superior performance, is 2.5 times an executive's target bonus opportunity. This maximum is higher than is common among our retail peers because we believe it is important to continue encouraging and paying rewards when we achieve truly superior results.

**Performance measures:** The Committee establishes the performance measures to focus executives on the most important annual and long-range strategic goals. For fiscal year 2013, the Named Executive Officers all had the following measures:

**ROIC** to ensure our overall performance aligns directly with shareholder returns over the long term. The measure is expressed as a threshold that must be met before any payout can be made on EBIT results to ensure our executives are rewarded after earnings generate a meaningful return for our shareholders.

**EBIT** to emphasize the importance of earnings improvement and its role in driving shareholder value. Each executive's performance-based bonus was weighted 100% on this measure, subject to the ROIC threshold.

**Performance measure milestones:** The Committee defines financial milestones for ROIC (as a threshold) and EBIT (as a range) that relate to varying percentages of bonus payout. The difficulty level in achieving the milestones reflects the Committee's belief that there should be a balance between executive pay opportunity, reinvestment in the Company and return to shareholders.

In accordance with our bonus plan, ROIC and EBIT achievement for bonus purposes may differ from ROIC and EBIT reported in our financial statements due to the exclusion of certain one-time gains or losses. In this situation, we refer to the measure achievements as Incentive ROIC and Incentive EBIT. This is the case for 2013 where achievements reflect nonoperating related adjustments not included in the financial plan.

The ROIC threshold was set at a level consistent with the minimum EBIT performance to ensure that an appropriate return on our invested capital was achieved before any bonus was paid out. The 2013 Incentive ROIC achievement of 13.8% exceeded the established threshold of 12.5%.

The minimum EBIT performance was established at a likely, but not certain, level of attainment and was based on growth assumptions for sales and earnings. The minimum performance ensures no payout is earned until a defined level of EBIT growth is achieved. The target performance represents stretch results relative to growth in the annual operating plan, our historical performance trends, market conditions and current external projections for the

Company. The superior performance indicates breakthrough results and considers earlier periods of strong earnings growth. The 2013 Incentive EBIT achievement of \$1,376 million exceeded the minimum performance milestone of \$1,325 million required for payout.

The 2013 achievements in Incentive ROIC and Incentive EBIT resulted in a bonus payout of 63.54% of each executive's target bonus opportunity. These results reflected softer sales trends partially offset by disciplined inventory and expense execution, and increased investments in technology and our stores. The fiscal year 2013 EBIT performance milestones, Incentive EBIT achievement and related bonus payout levels are shown below. Incentive EBIT and Incentive ROIC are not measures of financial performance under GAAP. See Appendix A for a reconciliation of GAAP and non-GAAP financial measures.

### 2013 EBIT and Bonus Payout

The bonus payout calculation for each Named Executive Officer is shown below. The payout amounts are also shown in the Summary Compensation Table on page 43 in column (e) "Non-Equity Incentive Plan Compensation." The range of possible payouts for fiscal year 2013 performance under the Executive Management Bonus Plan is shown in the Grants of Plan-Based Awards in Fiscal Year 2013 table, column (b), on page 46.

| Name               | Target Bonus Opportunity (%) | Base Salary (\$) | Target Bonus Payout (\$) | Payout of Target Bonus Opportunity (%) | Bonus Payout (\$) |
|--------------------|------------------------------|------------------|--------------------------|----------------------------------------|-------------------|
| Blake W. Nordstrom | 200                          | x 725,000        | =1,450,000               | x                                      | =921,330          |
| Peter E. Nordstrom | 200                          | x 725,000        | =1,450,000               | x                                      | =921,330          |
| Erik B. Nordstrom  | 200                          | x 725,000        | =1,450,000               | x 63.54%                               | =921,330          |
| Michael G. Koppel  | 90                           | x 720,000        | =648,000                 | x                                      | =411,739          |
| Daniel F. Little   | 80                           | x 560,000        | =448,000                 | x                                      | =284,659          |

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## Long-Term Incentives

Annual grants of stock options and performance share units under the shareholder-approved 2010 Equity Incentive Plan provide the Named Executive Officers with an incentive to create shareholder value and receive financial rewards. The long-term incentive value that determines the size of the annual grant to Named Executive Officers is expressed as a percentage of base salary as shown on page 37.

In establishing the long-term incentive value at grant for each Named Executive Officer, the Committee considers the mix of pay elements, market pay information for similar roles within our peer group, our annual share usage and dilution, and internal equity of grant size by role. The grant value of the equity awarded to Named Executive Officers in the fiscal year 2013 annual grant consisted of 75% stock options and 25% performance share units.

As was the case for 2013, the Committee typically approves grants of equity awards on an annual basis during the February Compensation Committee meeting, which is scheduled at least a year in advance. Scheduling decisions are made without regard to anticipated earnings or other major announcements by the Company. The February meeting occurs after performance results are known which allows the Committee to align compensation elements with our performance and business goals.

## Stock Options and Performance Share Units Create the Right Balance

The Committee believes the relationship between our equity vehicles represents the right balance of absolute and relative performance.

**Stock options** provide motivation for creating increased value while aligning management and shareholder interests in our growth. The options vest and become exercisable in four equal annual installments beginning one year from the date of grant and have a 10-year term. None of our equity incentive plans permit repricing, grant prices below 100% of the fair market value of Common Stock on the date of grant or cash dividend payments on options.

**Performance share units** focus the executives on relative performance compared to our peer group. The units are earned after a three-year performance cycle only when the Company's growth in TSR outperforms more than 50% of the peer group companies identified for that grant. The Committee believes relative TSR is a meaningful measure for performance share units as it aligns with shareholder interests and complements the measures established for executives under the performance-based bonus plan.

For purposes of determining the TSR percentile rank, the share price of our Common Stock and the share prices of the companies in the peer group are based on a 30 trading-day closing price average that is established both prior to the beginning of the performance cycle and prior to the end of the performance cycle. These parameters recognize the

importance of relative performance while balancing against volatility within the peer group.

In keeping with our pay-for-performance philosophy, our approach to performance share units intentionally requires high standards of performance before any payout may be earned. Given the potential leverage that we offer through the performance-based bonus plan and the value that could be realized from stock options, the Committee believes this is the appropriate way to balance rewards.

The vesting schedule used to determine the payout of performance share units applies even if the number of peer companies changes due to mergers, acquisitions, dissolutions or other industry consolidation.

The performance share units are earned on the last day of the three-year performance cycle if performance criteria have been met, and become vested when the results have been certified by the Compensation Committee. The Named Executive Officers may elect to defer their vested units into the Executive Deferred Compensation Plan described on page 51.

## 2011 Performance Share Units Did Not Pay Out

Performance share units for the 2011-2013 fiscal year performance cycle were granted based on the 2011 vesting schedule shown below. At the end of the performance cycle, our total shareholder return of 14.9% outpaced half of our retail peers, but did not meet the minimum threshold of greater than 50<sup>th</sup> percentile, which is required for payout. The zero value realized on vesting is shown in the Option Exercises and Stock Vested in Fiscal Year 2013 table on page 50.

| <b>Required Percentile Rank for Vesting</b> | <b>Actual Percentile Rank for 2011 – 2013 Performance Cycle</b> | <b>% of Granted Performance Share Units Paid Out at Vesting</b> |
|---------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|
| >85 <sup>th</sup>                           |                                                                 | 125                                                             |
| >75 <sup>th</sup>                           |                                                                 | 100                                                             |
| >65 <sup>th</sup>                           |                                                                 | 85                                                              |
| >50 <sup>th</sup>                           |                                                                 | 75                                                              |
| ≤50 <sup>th</sup>                           | 50 <sup>th</sup>                                                | 0                                                               |

At the time of grant in 2011, our peer group for performance share units included the companies listed below. Talbots was removed from the peer group in 2012 after they were taken private. Saks was removed from the peer group in 2013 after they were acquired.

|                           |                            |
|---------------------------|----------------------------|
| Abercrombie & Fitch Co.   | Macy's, Inc.               |
| ANN, INC.                 | Saks Incorporated          |
| Chico's FAS, Inc.         | Sears Holdings Corporation |
| Coach, Inc.               | The Talbots, Inc.          |
| Dillard's, Inc.           | Target Corporation         |
| Gap, Inc.                 | Tiffany & Co.              |
| J.C. Penney Company, Inc. | The TJX Companies, Inc.    |
| Kohl's Corporation        | Urban Outfitters, Inc.     |
| L. Brands, Inc.           | VF Corporation             |

### **Vesting Schedule for 2013 Grant**

The vesting schedule for performance share units granted in 2013 is shown below. The schedule reflects enhancements to payout opportunity related to performance above the 65<sup>th</sup> percentile of the peer group that were applied to grants starting in 2012. The maximum payout percentage is still somewhat less than that of other companies, but improves competitiveness of rewarding results while maintaining our high standards of performance.

| <b>Required Percentile Rank for Vesting</b> | <b>% of Granted Performance Share Units Paid Out at Vesting</b> |
|---------------------------------------------|-----------------------------------------------------------------|
| >90 <sup>th</sup>                           | 175                                                             |
| >80 <sup>th</sup>                           | 150                                                             |
| >75 <sup>th</sup>                           | 125                                                             |
| >65 <sup>th</sup>                           | 100                                                             |
| >50 <sup>th</sup>                           | 75                                                              |
| ≤50 <sup>th</sup>                           | 0                                                               |

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For the 2013 grant, our peer group included the companies listed on the previous page with the exception of Talbots which had been removed in 2012 prior to the grant after it was taken private. Saks was removed from the 2013 peer group for performance share units later that year after they were acquired.

## Stock Ownership Guidelines Align Executives and Shareholders

Ownership of Common Stock by our Named Executive Officers is encouraged by management and the Board to align executives' interests with those of our shareholders. Stock ownership guidelines were formally established in 2004. Ownership shares are made up of all forms of Common Stock including vested performance share units that are either deferred or paid out in Common Stock. Ownership shares do not include unvested or vested stock options, unvested performance share units or pledged shares.

Under the current guidelines, the Named Executive Officers had a five-year period, from February 1, 2009 through February 1, 2014, to accumulate shares of Common Stock that met the first achievable of either a value or share target as defined below. This variable approach helped us maintain the objectives for stock ownership while allowing some flexibility for changes in stock price.

• **Value target** = base salary on the date the executive became eligible for the stock ownership target x the multiple of pay designated for that role.

• **Share target** = value target / a fixed stock price.

The multiple of base salary to be directly or indirectly owned in Common Stock by the Named Executive Officers depends on the executive's role in the Company. The Committee has assigned these particular multiples to match or exceed market practice, and to represent a significant portion of the overall compensation package to reinforce the alignment of management's decision making with shareholder interests.

| <b>Position</b>                                        | <b>Multiple of Base Salary Used to Establish Ownership Target</b> |
|--------------------------------------------------------|-------------------------------------------------------------------|
| President                                              | 10x                                                               |
| Executive Vice President and President – Merchandising | 10x                                                               |
| Executive Vice President and President – Stores        | 10x                                                               |
| Executive Vice President and Chief Financial Officer   | 4x                                                                |
| Executive Vice President and Chief Information Officer | 3x                                                                |

Under our guidelines, Named Executive Officers and other select executives are required to arrange for stock transactions in accordance with an SEC Rule 10b5-1 trading plan. These plans predetermine the timing, number of shares and price at which an executive may buy or sell Company shares. These executives must also achieve and

retain a minimum holding of 100% of their ownership targets before they may sell Nordstrom stock.

The Committee regularly reviews stock ownership status for the Named Executive Officers. As of the end of fiscal year 2013, all of the Named Executive Officers had exceeded their ownership targets. Ownership targets will be redefined for the new achievement period, which began February 2, 2014.

## Benefits

Nordstrom offers the Named Executive Officers a comprehensive program of broad-based, leadership and retirement benefits. Their purpose varies by benefit, but in general enhances total compensation with meaningful and competitive offerings that support healthy lifestyles and contribute to financial security. These benefits are regularly reviewed for consistency with our guiding principles, organizational culture and market practices. Additional information on 2013 benefits is provided as noted below.

|                    | <b>Benefit</b>                                                                                                                                                                                                                                                                                                        | <b>Where to Learn More</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Broad-Based</b> | Company contribution to medical, dental and vision coverage; short- and long-term disability; life insurance; adoption assistance; and employee referral assistance. Employee access to accident insurance, health savings account and flexible spending accounts. Employee Stock Purchase Plan. Merchandise discount | For merchandise discount, see All Other Compensation in Fiscal Year 2013, page 44                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Leadership</b>  | <ul style="list-style-type: none"> <li>•Salary continuance; long-term disability coverage; life insurance</li> <li>•Executive Deferred Compensation Plan</li> <li>•Leadership Separation Plan</li> </ul>                                                                                                              | <p>For life insurance, see All Other Compensation in Fiscal Year 2013, page 44</p> <p>See Nonqualified Deferred Compensation on page 51</p> <p>See Potential Payments Upon Termination or Change in Control at Fiscal Year-End 2013 on pages 55 and 56</p> <p>See All Other Compensation in Fiscal Year 2013 on pages 44 and 45</p> <p>See Potential Payments Upon Termination or Change in Control at Fiscal Year-End 2013 on page 55</p> <p>See Pension Benefits on page 50</p> |
| <b>Retirement</b>  | <ul style="list-style-type: none"> <li>•401(k) match and profit sharing</li> <li>•Retiree health care (closed to new entrants in 2013)</li> <li>•Supplemental Executive Retirement Plan (closed to new entrants in 2012)</li> </ul>                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

## Changes for 2014

Each year, the Committee reviews the design of our total compensation elements and makes changes as needed to improve alignment with our guiding principles. Upcoming changes for 2014 focus only on the long-term incentive program and include the following:

**Performance share units:** We changed the peer group from selected retail companies to the S&P 500 to create a broader market against which to measure our performance. We also provide the opportunity for vesting when relative performance of TSR exceeds peers in both up and down markets.

**Equity mix:** We introduced restricted stock units to offer a relevant compensation package that balances our objectives for absolute and relative stock performance.

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## **Additional Information**

### **Compensation Risk Assessment Supports Integrity of the Pay Program**

The Compensation Committee oversees an extensive review of the Company's pay-for-performance philosophy, the composition and balance of elements in the compensation package and the alignment of plans with shareholder interests to ensure these practices do not pose a material adverse risk to the organization.

The review is conducted every other year as underlying programs and practices are generally consistent over time. The last review, for fiscal year 2012, concluded with the following perspectives:

The goals of the Company's compensation programs are to attract and retain the best talent and to motivate and reward our people in ways that are aligned with the long-term interests of our shareholders. This has been a

- long-standing objective of our pay-for-performance philosophy. We believe that the strong alignment of our employee compensation plans with performance has served our stakeholders, and in particular, our shareholders, well. The strength of this alignment is regularly reviewed and monitored by the Committee.

As a fashion specialty retailer, the Company is not engaged in activities, in part or as a whole, that are high risk relative to other business sectors. The Company has systems in place to identify, monitor and control risks and individuals, making it difficult for a single individual or a group of individuals to expose the Company to material risk.

Our compensation program rewards both short- and long-term performance. Company results are team oriented

- rather than individually focused and tied to measurable factors that are both transparent to shareholders and drivers of their returns.

The compensation program balances the importance of achieving critical short-term objectives with a focus on

- realizing long-term strategic priorities. Strong stock ownership guidelines are in place for Company leaders, and mechanisms, such as an executive clawback policy, exist to address inappropriate rewards.

- The Committee is actively engaged in establishing compensation plans, monitoring these plans during the year and using discretion in making rewards, as necessary.

The Company has active and engaged oversight systems in place. The entire Board is aware of the compensation program, as established and approved by the Committee. The Audit Committee and the full Board closely monitor and certify the performance that drives employee rewards through detailed and transparent financial reporting, which is in place to provide strong, timely insight into the performance of the Company.

As a result of this review, the Committee believes that the Company's compensation plans do not encourage risk taking that is reasonably likely to have a material adverse effect on the Company.

### **Executive Compensation Clawback Policy Applies to Performance-Based Pay**

In February 2008, the Board adopted a formal executive compensation clawback policy that applies to any performance-based bonus, equity, equity equivalent or other incentive compensation awarded to an Executive Officer, beginning in that fiscal year. Under that policy, in the event of a material restatement of the Company's financial results, the Board will review the circumstances that caused the restatement and consider accountability to determine whether an Executive Officer was negligent or engaged in misconduct. If so, and the amount or vesting of an award would have been less had the financial statements been correct, the Board will seek to recover compensation from the Executive Officer as it deems appropriate. This policy is in addition to any requirements which might be imposed pursuant to applicable law.

### **Termination and Change in Control Provisions are Committee Directed**

Under our Leadership Separation Plan, the eligible Named Executive Officers receive severance benefits upon involuntary termination of employment by the Company, other than for cause, to assist in the transition from active employment. Separation benefits are described in the Potential Payments Upon Termination or Change in Control section starting on page 52.

As described in the same section, the Named Executive Officers are generally not entitled to any payment or accelerated benefit in connection with a change in control of the Company. However, the Named Executive Officers are entitled to accelerated vesting of equity if they experience a qualifying termination within 12 months following a change in control.

### **Tax and Accounting Considerations Underlie the Compensation Elements**

The Committee recognizes the tax and regulatory factors that can influence the structure of executive compensation programs, including:

**Section 162(m) of the Internal Revenue Code** which disallows a tax deduction to public corporations for compensation over \$1 million paid to any Named Executive Officer except the Chief Financial Officer, who is not subject to Section 162(m). The statute exempts qualifying performance-based compensation from the deduction limit if certain requirements are met.

The Company's shareholder-approved 2004 and 2010 Equity Incentive Plans and Executive Management Bonus Plan are intended to comply with those requirements. In some years, there may be limited circumstances, such as an

element within a new hire package, that do not allow for deductibility.

**Financial Accounting Standards Board (“FASB”) Accounting Standards Codification 718, Stock Compensation (“ASC 718”)**, where stock options and performance share units are accounted for based on their grant date fair value (see Note 1 and Note 13 in the Notes to Consolidated Financial Statements included in the Company’s Form 10-K for the fiscal year ended February 1, 2014, filed with the SEC on March 17, 2014). The Committee regularly considers the accounting implications of our equity-based awards, including the variable accounting treatment of the performance share units.

**Section 409A of the Internal Revenue Code**, the limitations of which primarily relate to the deferral and payment of benefits under the Executive Deferred Compensation Plan and Supplemental Executive Retirement Plan. The Committee continues to consider the impact of Section 409A and in general, the evolving tax and regulatory landscape in which its compensation decisions are made.

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## **Compensation Committee Report**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this Proxy Statement. As a result, the Committee believes the Compensation Discussion and Analysis represents the intent and actions of the Committee with regard to executive compensation and has recommended to the Board that it be included in this Proxy Statement for filing with the SEC.

## **COMPENSATION COMMITTEE**

Enrique Hernandez, Jr.  
Philip G. Satre  
B. Kevin Turner  
Robert D. Walter, *Chair*

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[Back to Contents](#)**Summary Compensation Table**

The following table summarizes the total compensation paid or accrued by the Company for services provided by the Named Executive Officers for the fiscal years ended February 1, 2014, February 2, 2013 and January 28, 2012.

| Name and Principal Position                                                  | Fiscal Year | Salary (\$)(a) | Bonus (\$)(b) | Stock Awards (\$)(c) | Option Awards (\$)(d) | Non-Equity Incentive Plan Compensation (\$)(e) | Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(f) | All Other Compensation (\$)(g) | Total (\$) |
|------------------------------------------------------------------------------|-------------|----------------|---------------|----------------------|-----------------------|------------------------------------------------|---------------------------------------------------------------------------------|--------------------------------|------------|
| Blake W. Nordstrom<br>President                                              | 2013        | 718,958        | —             | 438,099              | 1,312,779             | 921,330                                        | —                                                                               | 43,526                         | 3,434,692  |
|                                                                              | 2012        | 709,722        | —             | 340,081              | 1,049,992             | 892,080                                        | 879,469                                                                         | 47,362                         | 3,918,706  |
|                                                                              | 2011        | 698,056        | —             | 343,031              | 1,049,750             | 1,559,460                                      | 2,259,665                                                                       | 85,867                         | 5,995,829  |
| Michael G. Koppel<br>Executive Vice President and Chief Financial Officer    | 2013        | 710,750        | —             | 295,749              | 886,115               | 411,739                                        | 737,203                                                                         | 28,151                         | 3,069,707  |
|                                                                              | 2012        | 671,250        | —             | 218,624              | 674,985               | 458,784                                        | 822,197                                                                         | 45,042                         | 2,890,882  |
|                                                                              | 2011        | 586,278        | —             | 194,814              | 596,107               | 712,896                                        | 1,834,147                                                                       | 52,624                         | 3,976,866  |
| Peter E. Nordstrom<br>Executive Vice President and President — Merchandising | 2013        | 718,958        | —             | 438,099              | 1,312,779             | 921,330                                        | —                                                                               | 34,115                         | 3,425,281  |
|                                                                              | 2012        | 700,972        | —             | 315,790              | 974,994               | 892,080                                        | 822,290                                                                         | 41,165                         | 3,747,291  |
|                                                                              | 2011        | 648,195        | —             | 318,551              | 974,770               | 1,448,070                                      | 2,413,728                                                                       | 36,824                         | 5,840,138  |
| Erik B. Nordstrom<br>Executive Vice President and President — Stores         | 2013        | 718,958        | —             | 438,099              | 1,312,779             | 921,330                                        | —                                                                               | 49,425                         | 3,440,591  |
|                                                                              | 2012        | 700,972        | —             | 315,790              | 974,994               | 892,080                                        | 761,226                                                                         | 56,144                         | 3,701,206  |
|                                                                              | 2011        | 648,195        | —             | 318,551              | 974,770               | 1,448,070                                      | 2,260,467                                                                       | 64,814                         | 5,714,867  |
| Daniel F. Little<br>Executive Vice President and Chief Information Officer   | 2013        | 552,806        | —             | 197,166              | 590,738               | 284,659                                        | 196,910                                                                         | 24,439                         | 1,846,718  |
|                                                                              | 2012        | 527,917        | —             | 182,161              | 562,488               | 356,832                                        | 402,871                                                                         | 34,884                         | 2,067,153  |
|                                                                              | 2011        | 491,722        | —             | 169,085              | 517,365               | 594,080                                        | 777,389                                                                         | 39,913                         | 2,589,554  |

**(a) Salary**

The amounts shown represent base salary earned during the fiscal year. These numbers vary somewhat from the annual base salaries disclosed on page 37 due to the timing of fiscal year end as a result of our 4-5-4 retail reporting calendar and the fact that salary increases are effective April 1 of each year. The 2013 base salaries for the Named Executive Officers are \$725,000, \$720,000, \$725,000, \$725,000 and \$560,000, respectively.

Daniel Little elected to defer \$5,000 of his base salary earned during calendar year 2013 into the Executive Deferred Compensation Plan. Due to the timing of our fiscal year end, \$217 of this was attributed to fiscal year 2012, and the remaining \$4,783 was attributed to fiscal year 2013, as reported in the Fiscal Year 2013 Nonqualified Deferred Compensation Table on page 52.

Each of the Named Executive Officers contributed a portion of their base salary earned during fiscal year 2013 to the 401(k) component of the 401(k) Plan & Profit Sharing.

**(b) Bonus**

No amounts are reported because the Company does not pay discretionary or guaranteed bonuses to the Named Executive Officers. As described on page 38, all bonuses are performance based, and for that reason, are required to be reported in column (e), "Non-Equity Incentive Plan Compensation."

**(c) Stock Awards**

The amounts reported reflect the grant date fair value of performance share units granted during the fiscal year under the 2010 Equity Incentive Plan. This is not the value received. The value the Named Executive Officers may receive will depend on whether the performance criteria are met and the market price of Nordstrom stock at the end of the performance cycle. The amounts reported are calculated in accordance with FASB Accounting Standards Codification 718, Stock Compensation ("ASC 718"). The amounts shown are calculated by multiplying the number of performance share units awarded by the closing price of Common Stock on the date of grant. See column (c) of the Grants of Plan-Based Awards in Fiscal Year 2013 table on page 46 for the number of performance share units granted in fiscal year 2013.

**(d) Option Awards**

The amounts reported reflect the grant date fair value of stock options granted during the fiscal year under the 2010 Equity Incentive Plan. This is not the value received. The Named Executive Officers can only realize value from stock options if the market price of Nordstrom stock increases above the exercise price of the options. The amounts reported are calculated in accordance with ASC 718. See column (d) of the Grants of Plan-Based Awards in Fiscal Year 2013 table on page 46 for the number of stock options granted in fiscal year 2013.

Assumptions used in the calculation of these amounts for fiscal years 2013, 2012 and 2011 are included in Note 13 to the Company's audited financial statements for the fiscal year ended February 1, 2014, included in the Company's Form 10-K filed with the SEC on March 17, 2014.

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**(e) Non-Equity Incentive Plan Compensation**

The amounts reported reflect the annual performance-based cash awards under the Executive Management Bonus Plan, as described on page 38. The amounts of the cash awards for fiscal year 2013, approved by the Compensation Committee at its February 26, 2014 meeting, were paid in March 2014. None of the Named Executive Officers elected to defer their cash awards for fiscal year 2013 into the Executive Deferred Compensation Plan.

**(f) Change in Pension Value and Nonqualified Deferred Compensation Earnings**

The amounts reported reflect the change in actuarial present value from fiscal year-end 2012 to fiscal year-end 2013 of each Named Executive Officer's benefit under the Supplemental Executive Retirement Plan. The present value of the benefit is affected by current earnings, credited years of service, the discount rate used to determine the present value of the benefit, the executive's age, time until retirement and the age of the executive's spouse as the potential beneficiary. Because these factors vary by individual, the present value of the benefit increased for some of the Named Executive Officers and decreased for others. As shown in the table, Michael Koppel and Daniel Little's benefits increased. Blake, Peter and Erik Nordstrom's benefits decreased by \$24,193, \$65,507 and \$95,290, respectively. In accordance with SEC guidance, decreases in the present value of the benefit are not reported in the table. See the Pension Benefits section on page 50 for more information about the Supplemental Executive Retirement Plan.

The amounts reported were calculated using the same interest and mortality rate assumptions as those used in the Company's financial statements to calculate the Company's obligations under the Plan. Assumptions used in the calculation of these amounts are included in Note 7 to the Company's audited financial statements for the fiscal year ended February 1, 2014, included in the Company's Form 10-K filed with the SEC on March 17, 2014.

Michael Koppel and Daniel Little had account balances in the Executive Deferred Compensation Plan in fiscal year 2013, as shown on page 52. Neither received any above market-rate or preferential earnings on their deferred compensation, so no amounts for these types of earnings are included in the table.

**(g) All Other Compensation**

A detailed description of all other compensation paid to the Named Executive Officers is shown in the table below.

**All Other Compensation in Fiscal Year 2013**

The following table shows each component of “All Other Compensation” for fiscal year 2013, reported in column (g) of the Summary Compensation Table on page 43, calculated at the aggregate incremental cost to the Company.

| Name               | Leadership Benefits                     |                           | Broad-Based Benefits | Broad-Based Retirement | Other          |                                  | Total  |
|--------------------|-----------------------------------------|---------------------------|----------------------|------------------------|----------------|----------------------------------|--------|
|                    | Premium on Additional Medical Insurance | Premium on Life Insurance | Merchandise Discount | 401(k) Plan Match      | Profit Sharing | Personal Use of Company Aircraft |        |
|                    | (\$)(a)                                 | (\$)(b)                   | (\$)(c)              | (\$)(d)                | (\$)(e)        | (\$)(f)                          | (\$)   |
| Blake W. Nordstrom | 507                                     | 368                       | 27,555               | 10,200                 | 4,896          | —                                | 43,526 |
| Michael G. Koppel  | 507                                     | 363                       | 12,185               | 10,200                 | 4,896          | —                                | 28,151 |
| Peter E. Nordstrom | 507                                     | 368                       | 17,712               | 10,200                 | 4,896          | 432                              | 34,115 |
| Erik B. Nordstrom  | 507                                     | 368                       | 33,454               | 10,200                 | 4,896          | —                                | 49,425 |
| Daniel F. Little   | 507                                     | 283                       | 8,553                | 10,200                 | 4,896          | —                                | 24,439 |

**(a) Premium on Additional Medical Insurance**

Prior to March 1, 2013, the Company provided health coverage that paid 100% of qualifying out-of-pocket medical, dental and vision expenses that were not reimbursed by other Company-sponsored health plans for the Named Executive Officers and their dependents, up to a calendar year maximum of \$10,000 per covered family. Beginning March 1, 2013, this benefit was no longer provided to the Named Executive Officers or any other executive. The amounts reported are the February 2013 Company-paid premiums for this additional coverage.

**(b) Premium on Life Insurance**

The Company provides life insurance to the Named Executive Officers in an amount equal to approximately 1.25 times their base salary. The amounts reported are the annual Company-paid premiums.

**(c) Merchandise Discount**

The Company provides a merchandise discount to the Named Executive Officers of 33% for purchases at Nordstrom full-line stores and Nordstrom.com and 20% for purchases at Nordstrom Rack stores and our restaurants. A 40% discount is available at certain times of the year on specified merchandise. The merchandise discount provided to the Named Executive Officers is the same level as for all other eligible management and high-performing nonmanagement employees of the Company. The amounts reported are the total discounts the Named Executive Officers received on their Nordstrom purchases during the fiscal year.



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**(d) 401(k) Plan Company Match**

The Company offers a matching contribution on employee 401(k) contributions under the 401(k) Plan & Profit Sharing to the Named Executive Officers. The executives may defer up to 15% of their eligible pay (i.e., base salary, performance-based bonus and other taxable wages) into the 401(k) component of the Plan, subject to Internal Revenue Code limits.

Although the matching contribution is discretionary and subject to change, the Company currently matches the executive's contributions for the Plan year, dollar for dollar, up to 4% of eligible pay. The 2013 calendar year compensation limit for eligible pay was \$255,000, as set by the IRS. The maximum Company contribution for each of the Named Executive Officers was \$10,200 (4% x \$255,000), as reported on page 44.

Contributions under the Plan may be directed to any of 12 customized target retirement date funds or to any of 9 individual investment alternatives, including Common Stock. The Plan also offers a self-directed brokerage option.

**(e) Profit Sharing**

The Board has discretion to make an annual Profit Sharing contribution to the 401(k) Plan & Profit Sharing based on a formula that reflects overall Company performance as measured by Earnings Before Interest and Income Taxes (EBIT). Although the contribution is discretionary, the target annual Profit Sharing contribution is between 1% and 3% of a participant's eligible pay (i.e., base salary, performance-based bonus and other taxable wages), depending on the participant's length of service with the Company. The 2013 calendar year compensation limit for eligible pay was \$255,000, as set by the IRS. As a result of the Company's performance in fiscal year 2013, the contribution for all eligible employees was below target. The 2013 contribution for each of the Named Executive Officers was \$4,896 (3% x \$255,000 x 64%), as reported on page 44.

**(f) Personal Use of Company Aircraft**

The Company owns two aircraft which it uses for business purposes. On rare occasions, a Named Executive Officer's guest accompanies the executive on a business trip on the Company's aircraft as an additional passenger. Only the direct variable costs (i.e., costs the Company incurs solely as a result of the passenger being on the aircraft) are included in determining the aggregate incremental cost to the Company. When the travel does not meet the IRS standard for business travel, the cost of the travel is imputed as income to the executive, which is the Company's practice to fully disclose. The Company does not reimburse the Named Executive Officers for taxes incurred as a result of the imputed income.

In fiscal year 2013, Peter Nordstrom was accompanied by a family member on a business trip. The costs reported are the total direct variable costs associated with the family member's travel which include the tax deduction the Company was not able to take as a result of the nondeductible portion of the aircraft operating costs.

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[Back to Contents](#)**Grants of Plan-Based Awards in Fiscal Year 2013**

The following table discloses the potential range of payouts for:

- non-equity incentive plan awards granted in fiscal year 2013. These awards are performance-based cash bonuses granted under the Executive Management Bonus Plan, as described on page 38; and
- equity incentive plan awards granted in fiscal year 2013. These awards are performance share units granted under the 2010 Equity Incentive Plan, as described on page 39.

The table also discloses:

- the number, price and grant date fair value of stock options granted under the 2010 Equity Incentive Plan in fiscal year 2013; and
- the grant date fair value of performance share units granted under the 2010 Equity Incentive Plan in fiscal year 2013.

| Name and Award                                                             | Grant Date | Approval Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards |             |              | Estimated Future Payouts Under Equity Incentive Plan Awards |            |             | All Other Stock Awards: Number of Shares of Stock or Units | All Other Option Awards: Number of Securities Underlying Options |
|----------------------------------------------------------------------------|------------|---------------|-----------------------------------------------------------------|-------------|--------------|-------------------------------------------------------------|------------|-------------|------------------------------------------------------------|------------------------------------------------------------------|
|                                                                            |            |               | Threshold (\$)                                                  | Target (\$) | Maximum (\$) | Threshold (#)                                               | Target (#) | Maximum (#) | (#)                                                        | (#)(d)                                                           |
| Blake W. Nordstrom Executive Management Bonus Performance Share Unit Award | 2/27/2013  | 2/27/2013     | 362,500                                                         | 1,450,000   | 3,625,000    |                                                             |            |             |                                                            |                                                                  |
| Stock Option Award                                                         | 3/4/2013   | 2/27/2013     |                                                                 |             |              | 6,096.00                                                    | 8,128.00   | 14,224.00   |                                                            | 92,973                                                           |
| Michael G. Koppel Executive Management Bonus                               | 2/27/2013  | 2/27/2013     | 162,000                                                         | 648,000     | 1,620,000    |                                                             |            |             |                                                            |                                                                  |
|                                                                            | 2/27/2013  | 2/27/2013     |                                                                 |             |              | 4,115.25                                                    | 5,487.00   | 9,602.25    |                                                            |                                                                  |

|              |           |           |         |           |           |          |          |           |        |
|--------------|-----------|-----------|---------|-----------|-----------|----------|----------|-----------|--------|
| Performance  |           |           |         |           |           |          |          |           |        |
| Share Unit   |           |           |         |           |           |          |          |           |        |
| Award        |           |           |         |           |           |          |          |           |        |
| Stock Option | 3/4/2013  | 2/27/2013 |         |           |           |          |          |           | 62,756 |
| Award        |           |           |         |           |           |          |          |           |        |
| Peter E.     |           |           |         |           |           |          |          |           |        |
| Nordstrom    |           |           |         |           |           |          |          |           |        |
| Executive    |           |           |         |           |           |          |          |           |        |
| Management   |           |           | 362,500 | 1,450,000 | 3,625,000 |          |          |           |        |
| Bonus        |           |           |         |           |           |          |          |           |        |
| Performance  |           |           |         |           |           |          |          |           |        |
| Share Unit   | 2/27/2013 | 2/27/2013 |         |           |           | 6,096.00 | 8,128.00 | 14,224.00 |        |
| Award        |           |           |         |           |           |          |          |           |        |
| Stock Option | 3/4/2013  | 2/27/2013 |         |           |           |          |          |           | 92,973 |
| Award        |           |           |         |           |           |          |          |           |        |
| Erik B.      |           |           |         |           |           |          |          |           |        |
| Nordstrom    |           |           |         |           |           |          |          |           |        |
| Executive    |           |           |         |           |           |          |          |           |        |
| Management   |           |           | 362,500 | 1,450,000 | 3,625,000 |          |          |           |        |
| Bonus        |           |           |         |           |           |          |          |           |        |
| Performance  |           |           |         |           |           |          |          |           |        |
| Share Unit   | 2/27/2013 | 2/27/2013 |         |           |           | 6,096.00 | 8,128.00 | 14,224.00 |        |
| Award        |           |           |         |           |           |          |          |           |        |
| Stock Option | 3/4/2013  | 2/27/2013 |         |           |           |          |          |           | 92,973 |
| Award        |           |           |         |           |           |          |          |           |        |
| Daniel F.    |           |           |         |           |           |          |          |           |        |
| Little       |           |           |         |           |           |          |          |           |        |
| Executive    |           |           |         |           |           |          |          |           |        |
| Management   |           |           | 112,000 | 448,000   | 1,120,000 |          |          |           |        |
| Bonus        |           |           |         |           |           |          |          |           |        |
| Performance  |           |           |         |           |           |          |          |           |        |
| Share Unit   | 2/27/2013 | 2/27/2013 |         |           |           | 2,743.50 | 3,658.00 | 6,401.50  |        |
| Award        |           |           |         |           |           |          |          |           |        |
| Stock Option | 3/4/2013  | 2/27/2013 |         |           |           |          |          |           | 41,837 |
| Award        |           |           |         |           |           |          |          |           |        |

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**(a) Grant Date**

The grant date for stock options is the first open-window trading day that falls on or after the Compensation Committee's approval of the grant. The grant date for performance share units is the approval date.

**(b) Estimated Future Payouts Under Non-Equity Incentive Plan Awards**

The amounts shown report the range of possible cash payouts for fiscal year 2013 associated with established levels of performance under the Executive Management Bonus Plan. The amounts shown in the "Threshold," "Target" and "Maximum" columns reflect the payout opportunity associated with established levels of performance, as discussed on page 38. For there to be any payout, the minimum performance milestone must be achieved.

Although the column heading refers to future payouts, the performance-based bonuses have already been earned and paid to the Named Executive Officers. These cash payments are reported in the Summary Compensation Table on page 43, in column (e), "Non-Equity Incentive Plan Compensation."

**(c) Estimated Future Payouts Under Equity Incentive Plan Awards**

The numbers shown report the range of potential performance share unit payouts for the three-year performance cycle of the 2013 grant, beginning February 3, 2013 and ending January 30, 2016. Payouts are shown in units at 75%, 100% and 175% of the number of performance share units granted.

**(d) All Other Option Awards: Number of Securities Underlying Options**

The numbers shown report the number of stock options granted to the Named Executive Officers in fiscal year 2013 under the 2010 Equity Incentive Plan. These stock options vest and become exercisable in four equal annual installments beginning one year from the date of grant. For more information about long-term incentive grant practices, see page 39.

Under the 2010 Equity Incentive Plan, the Compensation Committee may grant different types of equity, including stock options, stock appreciation rights, unrestricted shares, restricted shares, restricted stock units and performance share units. In fiscal year 2013, the Named Executive Officers were granted stock options and performance share units.

**(e) Exercise or Base Price of Option Awards**

The exercise price of the stock options granted in fiscal year 2013 of \$53.82 was the fair market value at the closing price of Common Stock on the grant date, March 4, 2013.

**(f) Grant Date Fair Value of Stock and Option Awards**

The grant date fair value of the stock options and performance share units is calculated in accordance with ASC 718.

The value for performance share units is calculated by multiplying the number of performance share units granted by the closing price of Common Stock on February 27, 2013, the date of grant, which was \$53.90. This is not the value received. The value the Named Executive Officers may receive will depend on whether the performance criteria are met and the market price of Nordstrom stock at the end of the performance cycle.

The value for stock options is calculated by multiplying the number of options awarded by the fair value of an option for the fiscal year 2013 grant, which was \$14.12. The Named Executive Officers will only realize value from the stock options if Nordstrom stock price increases above the grant price of \$53.82. The value received by the Named Executive Officers will be the difference between the stock price at a future date when the stock options are exercised, and the grant price of \$53.82.

**Outstanding Equity Awards at Fiscal Year-End 2013**

The table on the following page provides information on the current holdings of stock options and stock awards by the Named Executive Officers as of the fiscal year ended February 1, 2014. The table includes unexercised and unvested stock options and performance share units with time remaining in their three-year performance cycles. The vesting schedule for outstanding stock options and additional information about the outstanding performance share units is shown on page 49. Information about the amount of Common Stock beneficially owned by the Named Executive Officers is shown in the Beneficial Ownership Table on page 59.

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| Option Awards      |            |             |                   |                                                                                       |                     |                        | Stock Awards                                                       |                                                                                                            |                                                                                                                   |  |
|--------------------|------------|-------------|-------------------|---------------------------------------------------------------------------------------|---------------------|------------------------|--------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|--|
|                    |            |             |                   | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) |                     |                        | Market Value of Shares or Units of Stock That Have Not Vested (\$) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(b) | Equity Incentive Plan Awards: Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(c) |  |
| Name               | Grant Date | Exercisable | Unexercisable (a) | Options (#)                                                                           | Exercise Price (\$) | Option Expiration Date | Vested (#)                                                         | Vested (\$)                                                                                                |                                                                                                                   |  |
| Blake W. Nordstrom | 2/23/2005  | 67,502      | —                 |                                                                                       | 26.01               | 2/23/2015              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/22/2006  | 49,048      | —                 |                                                                                       | 40.27               | 2/22/2016              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 3/1/2007   | 40,011      | —                 |                                                                                       | 53.63               | 3/1/2017               |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/28/2008  | 51,847      | —                 |                                                                                       | 38.02               | 2/27/2018              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/27/2009  | 118,828     | —                 |                                                                                       | 13.47               | 2/27/2019              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/26/2010  | 58,534      | 19,512            |                                                                                       | 36.94               | 2/26/2020              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/25/2011  | 35,015      | 35,015            |                                                                                       | 45.49               | 2/25/2021              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/22/2012  | 17,157      | 51,472            |                                                                                       | 52.63               | 2/22/2022              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 3/4/2013   | —           | 92,973            |                                                                                       | 53.82               | 3/4/2023               |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    |            |             |                   |                                                                                       |                     |                        |                                                                    | 11,083.50                                                                                                  | 636,747                                                                                                           |  |
| Michael G. Koppel  | 2/23/2005  | 37,126      | —                 |                                                                                       | 26.01               | 2/23/2015              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/22/2006  | 28,728      | —                 |                                                                                       | 40.27               | 2/22/2016              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 3/1/2007   | 25,150      | —                 |                                                                                       | 53.63               | 3/1/2017               |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/28/2008  | 35,553      | —                 |                                                                                       | 38.02               | 2/27/2018              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/27/2009  | 81,482      | —                 |                                                                                       | 13.47               | 2/27/2019              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/26/2010  | 30,103      | 10,035            |                                                                                       | 36.94               | 2/26/2020              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/25/2011  | 19,883      | 19,884            |                                                                                       | 45.49               | 2/25/2021              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/22/2012  | 11,029      | 33,089            |                                                                                       | 52.63               | 2/22/2022              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 3/4/2013   | —           | 62,756            |                                                                                       | 53.82               | 3/4/2023               |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    |            |             |                   |                                                                                       |                     |                        |                                                                    | 7,321.50                                                                                                   | 420,620                                                                                                           |  |
| Peter E. Nordstrom | 2/23/2005  | 40,984      | —                 |                                                                                       | 26.01               | 2/23/2015              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/22/2006  | 31,531      | —                 |                                                                                       | 40.27               | 2/22/2016              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 3/1/2007   | 28,007      | —                 |                                                                                       | 53.63               | 3/1/2017               |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/28/2008  | 48,144      | —                 |                                                                                       | 38.02               | 2/27/2018              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/27/2009  | 110,340     | —                 |                                                                                       | 13.47               | 2/27/2019              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/26/2010  | 54,354      | 18,118            |                                                                                       | 36.94               | 2/26/2020              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/25/2011  | 32,514      | 32,514            |                                                                                       | 45.49               | 2/25/2021              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/22/2012  | 15,931      | 47,796            |                                                                                       | 52.63               | 2/22/2022              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 3/4/2013   | —           | 92,973            |                                                                                       | 53.82               | 3/4/2023               |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    |            |             |                   |                                                                                       |                     |                        |                                                                    | 10,727.25                                                                                                  | 616,280                                                                                                           |  |
| Erik B. Nordstrom  | 2/23/2005  | 40,984      | —                 |                                                                                       | 26.01               | 2/23/2015              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 2/22/2006  | 31,531      | —                 |                                                                                       | 40.27               | 2/22/2016              |                                                                    |                                                                                                            |                                                                                                                   |  |
|                    | 3/1/2007   | 28,007      | —                 |                                                                                       | 53.63               | 3/1/2017               |                                                                    |                                                                                                            |                                                                                                                   |  |

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|           |           |         |        |       |           |           |         |
|-----------|-----------|---------|--------|-------|-----------|-----------|---------|
|           | 2/28/2008 | 48,144  | —      | 38.02 | 2/27/2018 |           |         |
|           | 2/27/2009 | 110,340 | —      | 13.47 | 2/27/2019 |           |         |
|           | 2/26/2010 | 54,354  | 18,118 | 36.94 | 2/26/2020 |           |         |
|           | 2/25/2011 | 32,514  | 32,514 | 45.49 | 2/25/2021 |           |         |
|           | 2/22/2012 | 15,931  | 47,796 | 52.63 | 2/22/2022 |           |         |
|           | 3/4/2013  | —       | 92,973 | 53.82 | 3/4/2023  |           |         |
|           |           |         |        |       |           | 10,727.25 | 616,280 |
| Daniel F. | 2/23/2005 | 16,875  | —      | 26.01 | 2/23/2015 |           |         |
| Little    | 2/22/2006 | 23,207  | —      | 40.27 | 2/22/2016 |           |         |
|           | 3/1/2007  | 22,292  | —      | 53.63 | 3/1/2017  |           |         |
|           | 2/28/2008 | 31,108  | —      | 38.02 | 2/27/2018 |           |         |
|           | 2/27/2009 | 67,732  | —      | 13.47 | 2/27/2019 |           |         |
|           | 2/26/2010 | 26,340  | 8,781  | 36.94 | 2/26/2020 |           |         |
|           | 2/25/2011 | 17,257  | 17,257 | 45.49 | 2/25/2021 |           |         |
|           | 2/22/2012 | 9,191   | 27,574 | 52.63 | 2/22/2022 |           |         |
|           | 3/4/2013  | —       | 41,837 | 53.82 | 3/4/2023  |           |         |
|           |           |         |        |       |           | 5,415.00  | 311,092 |

**NORDSTROM, INC. - 2014 Proxy Statement 48**

[Back to Contents](#)**(a) Number of Securities Underlying Unexercised Options: Unexercisable**

The following table shows the grant date, vesting schedule and expiration date for all unvested stock options as of the fiscal year ended February 1, 2014. All stock option grants have a four-year vesting schedule of 25% per year and a 10-year term.

| Grant Date | Vesting Schedule                                                                | Expiration Date |
|------------|---------------------------------------------------------------------------------|-----------------|
| 2/26/2010  | 25% per year with a remaining vesting date of 2/26/2014                         | 2/26/2020       |
| 2/25/2011  | 25% per year with remaining vesting dates of 2/25/2014 and 2/25/2015            | 2/25/2021       |
| 2/22/2012  | 25% per year with remaining vesting dates of 2/22/2014, 2/22/2015 and 2/22/2016 | 2/22/2022       |
| 3/4/2013   | 25% per year with vesting dates of 3/4/2014, 3/4/2015, 3/4/2016 and 3/4/2017    | 3/4/2023        |

**(b) Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights That Have Not Vested**

The numbers reported are the outstanding performance share units granted in fiscal years 2012 and 2013. Both of these grants have time remaining in their three-year performance cycles. If the performance cycles for these grants had ended as of the close of fiscal year 2013, 0% of the number of performance share units granted in 2012 and 2013 would have been earned.

As required to be disclosed, the number of estimated shares reported for the 2012 and 2013 grants is based on achieving the threshold level of performance, which pays out at 75% of the number granted, as shown in the performance share unit vesting schedule on the bottom of page 39. See the Outstanding Equity Awards: Performance Share Units table below for detailed information about these awards.

**(c) Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested**

The amounts reported relate to the outstanding performance share units granted in fiscal years 2012 and 2013. Both of these grants have time remaining in their three-year performance cycles. If the performance cycles for these grants had ended as of the close of fiscal year 2013, 0% of the number of performance share units granted in 2012 and 2013 would have been earned.

As required to be disclosed, the payout values reported are based on achieving the threshold level of performance for the 2012 and 2013 grants, which pays out at 75% of the number granted. The value of estimated payouts has been calculated using the closing price of Common Stock on January 31, 2014, the last market trading day of the fiscal year, of \$57.45. The payout does not include estimated dividend amounts as the Company does not pay dividends on unvested performance share units. See the Outstanding Equity Awards: Performance Share Units table below for detailed information about these awards.

**Outstanding Equity Awards: Performance Share Units**

The following table shows the detail for the outstanding performance share units that were granted in fiscal years 2012 and 2013 under the 2010 Equity Incentive Plan. The number and value of these outstanding performance share units are shown in columns (b) and (c) of the Outstanding Equity Awards at Fiscal Year-End 2013 table on page 48. These 2012 and 2013 performance share unit grants have one and two years remaining in their three-year performance cycles, respectively. More information about performance share units and long-term incentive grant practices is provided on page 39.

| Name               | Three Year Performance Cycle<br>(a) | Estimated Shares (at 75% of the<br>Number Granted)<br>(#) | Value of<br>Estimated Payout<br>(\$) |
|--------------------|-------------------------------------|-----------------------------------------------------------|--------------------------------------|
| Blake W. Nordstrom | 1/29/2012 – 1/31/2015               | 4,987.50                                                  | 286,532                              |
|                    | 2/3/2013 – 1/30/2016                | 6,096.00                                                  | 350,215                              |
| Michael G. Koppel  | 1/29/2012 – 1/31/2015               | 3,206.25                                                  | 184,199                              |
|                    | 2/3/2013 – 1/30/2016                | 4,115.25                                                  | 236,421                              |
| Peter E. Nordstrom | 1/29/2012 – 1/31/2015               | 4,631.25                                                  | 266,065                              |
|                    | 2/3/2013 – 1/30/2016                | 6,096.00                                                  | 350,215                              |
| Erik B. Nordstrom  | 1/29/2012 – 1/31/2015               | 4,631.25                                                  | 266,065                              |
|                    | 2/3/2013 – 1/30/2016                | 6,096.00                                                  | 350,215                              |
| Daniel F. Little   | 1/29/2012 – 1/31/2015               | 2,671.50                                                  | 153,478                              |
|                    | 2/3/2013 – 1/30/2016                | 2,743.50                                                  | 157,614                              |

**(a) Performance Cycle**

The performance share units are earned on the last day of the three-year performance cycle if performance criteria have been met, and become vested when the results have been certified by the Compensation Committee.

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## Option Exercises and Stock Vested in Fiscal Year 2013

The following table provides information for the Named Executive Officers on:

- the number of shares of Common Stock acquired and value realized from stock option exercises in fiscal year 2013; and
- the number of shares of Common Stock acquired and value realized from performance share units that vested with respect to fiscal year 2013.

| Name               | Option Awards                             |                                  | Stock Awards                                |                                 |
|--------------------|-------------------------------------------|----------------------------------|---------------------------------------------|---------------------------------|
|                    | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise \$(a) | Number of Shares Acquired on Vesting (#)(b) | Value Realized on Vesting \$(b) |
| Blake W. Nordstrom | 80,522                                    | 3,385,378                        | —                                           | —                               |
| Michael G. Koppel  | 44,286                                    | 1,710,516                        | —                                           | —                               |
| Peter E. Nordstrom | 46,012                                    | 1,840,435                        | —                                           | —                               |
| Erik B. Nordstrom  | 46,012                                    | 1,840,435                        | —                                           | —                               |
| Daniel F. Little   | 59,842                                    | 2,285,313                        | —                                           | —                               |

### (a) Value Realized on Exercise

The amount realized equals the aggregate difference between the fair market value of Common Stock on the dates of exercise and the grant prices, multiplied by the number of shares acquired on exercise.

### (b) Number of Shares Acquired on Vesting

The performance share units granted in 2011 were not earned and vested at 0%, based on Nordstrom total shareholder return relative to other companies in our peer group, as described on page 39. Therefore, no shares were acquired on vesting.

## Pension Benefits

The original Supplemental Executive Retirement Plan (“SERP”) was introduced in the 1980s. Over the years, the plan design changed to better meet the current purpose of encouraging designated executives to stay with Nordstrom throughout their careers and rewarding their significant and sustained contribution to the Company’s success by adding to their financial security upon retirement. The SERP was closed to new entrants, beginning in 2012.

The Named Executive Officers are eligible for the SERP and would receive the full retirement benefit at age 58. The full benefit is equal to 1.6% multiplied by final average pay and the executive’s years of credited service, up to a maximum of 25 years. Executives may retire early, between the ages of 53 and 57 with at least 10 years of credited service and with prior approval by the Board, and receive a reduced benefit. The early retirement benefit is reduced 10% for each year that the retirement age is less than 58.

Final average pay is the average base salary and annual performance-based cash bonus of the highest 36 months over the longer of:

- the most recent five years of service; or
- the entire period of service after the executive’s 53<sup>d</sup> birthday.

There is no offset or reduction in the Named Executive Officers’ SERP benefit for Social Security or other Company retirement benefits such as the 401(k) Plan & Profit Sharing.

The annual SERP benefit is paid upon retirement for the remaining life of the executive with a 50% annuity paid to a surviving spouse or life partner after the executive’s death. A surviving spouse or life partner also receives a 50% survivor benefit if the executive dies before retiring. The amount of this survivor benefit depends on the executive’s age and years of credited service at the time of death.

The SERP provides that no benefit will be paid to an executive whose employment is terminated for cause, which includes competitive behavior against the Company, as determined by the Compensation Committee in the exercise of its discretion in accordance with the Plan. The Compensation Committee has discretion to discontinue payment of benefits under the SERP if the retired executive is found to have engaged in misconduct or in competitive behavior against the Company.

Information about payment of the SERP benefit related to change in control is provided in footnote (b) to the Potential Payments Upon Termination or Change in Control at Fiscal Year-End 2013 table on page 54.

Because the SERP is a nonqualified deferred compensation plan, the Company is not obligated to fund it. However, the Company does set aside funds to assist in the payment of future benefit obligations. If the Company were to become insolvent, participants would be unsecured general creditors, and there is no guarantee that funds would be available to pay all creditors in full. See Note 7 in the Company's Form 10-K filed with the SEC on March 17, 2014 for a discussion of the benefit obligation.

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[Back to Contents](#)**Fiscal Year 2013 Pension Benefits Table**

The following table shows the present value of accumulated SERP benefits payable to each of the Named Executive Officers, based on the number of years of service credited under the Plan to each Named Executive Officer and actuarial assumptions consistent with those used in the Company's financial statements to calculate the Company's obligations under the Plan. See Note 7 in the Company's Form 10-K filed with the SEC on March 17, 2014 for a discussion of the benefit obligation and assumptions used.

| Name               | Plan Name                              | Age<br>(a) | Number of Years<br>Credited Service<br>(#)(b) | Present Value of<br>Accumulated Benefit<br>\$(c) | Payments During<br>Last Fiscal Year<br>(\$) |
|--------------------|----------------------------------------|------------|-----------------------------------------------|--------------------------------------------------|---------------------------------------------|
| Blake W. Nordstrom | Supplemental Executive Retirement Plan | 53         | 25                                            | 11,655,654                                       | —                                           |
| Michael G. Koppel  | Supplemental Executive Retirement Plan | 57         | 24                                            | 8,130,139                                        | —                                           |
| Peter E. Nordstrom | Supplemental Executive Retirement Plan | 51         | 25                                            | 10,517,385                                       | —                                           |
| Erik B. Nordstrom  | Supplemental Executive Retirement Plan | 50         | 25                                            | 9,383,255                                        | —                                           |
| Daniel F. Little   | Supplemental Executive Retirement Plan | 52         | 14                                            | 2,922,754                                        | —                                           |

**(a) Age**

Age is as of February 1, 2014, the last day of the fiscal year.

**(b) Number of Years Credited Service**

Although Blake, Peter and Erik Nordstrom each have over 30 years of service, the number of years of credited service under the SERP is capped at 25. Prior to 2006, the Compensation Committee awarded additional years of service to five executives hired mid-career so that they could earn the full 25 years of service by the time they reached the retirement age of 58. Michael Koppel and Daniel Little received these additional years and will earn the equivalent of 25 years of service at a retirement age of 58, if they stay with the Company until that time. Ten of Michael Koppel's 24 years and 2 of Daniel Little's 14 years are additional years of service.

**(c) Present Value of Accumulated Benefit**

The amounts shown are based on a retirement age of 58. Peter and Erik Nordstrom and Daniel Little are not currently entitled to receive any benefits because such amounts are not vested and the executives are not the minimum retirement age of 53. Blake Nordstrom and Michael Koppel have met the minimum retirement age of 53 with at least 10 years of service and would be eligible for early retirement with prior approval from the Board. If the Board approved early retirement, they would be entitled to receive a reduced SERP benefit with a present value as of the end of the fiscal year of \$8,199,602 and \$7,762,979, respectively, as reported in the Potential Payments Upon Termination or Change of Control at Fiscal Year-End 2013 table on page 53.

### **Nonqualified Deferred Compensation**

The Company offers the Executive Deferred Compensation Plan (“EDCP”) to designated leadership-level employees, including the Named Executive Officers, who meet a minimum compensation threshold. Under this Plan, a participant may defer up to 100% of base salary in excess of \$50,000, up to 100% of an annual performance-based bonus and up to 100% of any vested performance share units, less applicable payroll taxes.

Deferral elections generally are irrevocable and are made in compliance with Section 409A of the Internal Revenue Code. If a participant’s EDCP deferrals cause a reduction in the Company’s 401(k) match or Profit Sharing contribution, the Company may deposit a make-up contribution into the participant’s EDCP account. No other Company contributions or matches are made for the Named Executive Officers. The participating Named Executive Officers did not receive make-up contributions in the fiscal year ended February 1, 2014 because the Company’s contributions to their 401(k) Plan & Profit Sharing were not reduced due to any deferrals into the EDCP.

Plan participants may direct their cash deferrals to any of 20 deemed investment alternatives, priced and valued similar to retail mutual funds, and may change their investment allocations among these investment alternatives daily. In addition, plan participants are offered a fixed rate option of 5%, which is not subsidized by the Company, but rather is a rate based on guaranteed contractual returns from a third-party insurance company provider. Gains and losses for cash deferrals are credited to participant accounts daily, based on their investment elections. The deemed investment alternatives for cash do not include Common Stock. Vested performance share units that are deferred into the EDCP remain as stock units until distribution.

[Back to Contents](#)**Fiscal Year 2013 Nonqualified Deferred Compensation Table**

The following table discloses information on nonqualified deferred compensation for the Named Executive Officers under the Company's EDCP for the fiscal year ended February 1, 2014. The Company's SERP is also a nonqualified plan. Information regarding benefits payable to Named Executive Officers under the SERP is provided on page 50.

| Name               | Executive Contributions in Last Fiscal Year<br>\$(a) | Registrant Contributions in Last Fiscal Year<br>(\$) | Aggregate Earnings in Last Fiscal Year<br>\$(b) | Aggregate Withdrawals / Distributions<br>(\$) | Aggregate Balance at Last Fiscal Year-End<br>\$(c) |
|--------------------|------------------------------------------------------|------------------------------------------------------|-------------------------------------------------|-----------------------------------------------|----------------------------------------------------|
| Blake W. Nordstrom | —                                                    | —                                                    | —                                               | —                                             | —                                                  |
| Michael G. Koppel  | —                                                    | —                                                    | 311,991                                         | —                                             | 2,856,696                                          |
| Peter E. Nordstrom | —                                                    | —                                                    | —                                               | —                                             | —                                                  |
| Erik B. Nordstrom  | —                                                    | —                                                    | —                                               | —                                             | —                                                  |
| Daniel F. Little   | 4,783                                                | —                                                    | 147,940                                         | —                                             | 1,797,500                                          |

**(a) Executive Contributions in Last Fiscal Year**

Daniel Little elected to defer \$5,000 of his base salary earned during calendar year 2013 into the EDCP. Due to the timing of our fiscal year end, \$217 of this was attributed to fiscal year 2012, and the remaining \$4,783 was attributed to fiscal year 2013.

**(b) Aggregate Earnings in Last Fiscal Year**

The amounts include the total interest or other earnings accrued on the entire EDCP account balances, including deferred performance share units.

**(c) Aggregate Balance at Last Fiscal Year-End**

The amounts shown are the total EDCP balances, including earnings on deferrals, as of February 1, 2014. These amounts, excluding earnings on deferrals, have been previously disclosed in the Summary Compensation Table in our prior Proxy Statements.

**Potential Payments Upon Termination or Change in Control**

The information on the following pages describes and quantifies certain amounts that would become payable under existing compensation plans if the Named Executive Officers' employment had terminated on February 1, 2014, the last day of the fiscal year. The amounts are based on each executive's compensation and years of service as of that date and, if applicable, based on the closing price of Common Stock on January 31, 2014, the last market trading day of the fiscal year, of \$57.45. The estimates are based on all relevant plans effective at the end of the fiscal year and information available at that time. Actual values would reflect specific circumstances at the time of any termination, the plans and provisions effective if and when a termination event occurs and any other applicable factors.

### **Employment Agreements**

The Company does not have employment agreements with any Nordstrom employees, including the Named Executive Officers. The Company maintains a leadership separation plan to provide a broad group of leadership employees an appropriate level of severance benefits in the event of separation of service under certain circumstances. Except as described on the following pages, there are no agreements, arrangements or plans that entitle the Named Executive Officers to enhanced benefits upon termination of their employment.

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[Back to Contents](#)**Potential Payments Upon Termination or Change in Control at Fiscal Year-End 2013**

The following table shows various termination scenarios and payments that would be triggered under the Company's compensation plans.

| Name and Potential Payment                                           | Death<br>(\$) | Disability<br>(\$) | Retirement<br>(\$) | Termination<br>without Cause<br>(\$) | Change in<br>Control<br>(\$) |
|----------------------------------------------------------------------|---------------|--------------------|--------------------|--------------------------------------|------------------------------|
| <b>Blake W. Nordstrom</b>                                            |               |                    |                    |                                      |                              |
| Continued or Accelerated Vesting of Equity Awards <sup>(a)</sup>     | 1,404,558     | 1,404,558          | 1,404,558          | 1,404,558                            | —                            |
| Vested SERP Benefit <sup>(b)</sup>                                   | 4,016,092     | —                  | 8,199,602          | 8,199,602                            | —                            |
| Executive Deferred Compensation Plan Survivor Benefit <sup>(c)</sup> | —             | —                  | —                  | —                                    | —                            |
| Life Insurance Proceeds <sup>(d)</sup>                               | 906,000       | —                  | —                  | —                                    | —                            |
| Retiree Health Care Benefit <sup>(e)</sup>                           | 253,358       | 539,634            | 539,634            | 539,634                              | —                            |
| Separation Benefit <sup>(f)</sup>                                    | —             | —                  | —                  | —                                    | —                            |
| Executive Management Bonus <sup>(g)</sup>                            | —             | —                  | —                  | —                                    | —                            |
| Total Value of Incremental Benefits                                  | 6,580,008     | 1,944,192          | 10,143,794         | 10,143,794                           | —                            |
| <b>Michael G. Koppel</b>                                             |               |                    |                    |                                      |                              |
| Continued or Accelerated Vesting of Equity Awards <sup>(a)</sup>     | 830,924       | 830,924            | 830,924            | 830,924                              | —                            |
| Vested SERP Benefit <sup>(b)</sup>                                   | 3,844,320     | —                  | 7,762,979          | 7,762,979                            | —                            |
| Executive Deferred Compensation Plan Survivor Benefit <sup>(c)</sup> | 2,026,920     | —                  | —                  | —                                    | —                            |
| Life Insurance Proceeds <sup>(d)</sup>                               | 900,000       | —                  | —                  | —                                    | —                            |
| Retiree Health Care Benefit <sup>(e)</sup>                           | 187,383       | 385,470            | 385,470            | 385,470                              | —                            |
| Separation Benefit <sup>(f)</sup>                                    | —             | —                  | —                  | 184,280                              | —                            |
| Executive Management Bonus <sup>(g)</sup>                            | —             | —                  | —                  | —                                    | —                            |
| Total Value of Incremental Benefits                                  | 7,789,547     | 1,216,394          | 8,979,373          | 9,163,653                            | —                            |
| <b>Peter E. Nordstrom</b>                                            |               |                    |                    |                                      |                              |
| Continued or Accelerated Vesting of Equity Awards <sup>(a)</sup>     | 1,328,336     | 1,328,336          | —                  | —                                    | —                            |
| Vested SERP Benefit <sup>(b)</sup>                                   | 3,571,085     | —                  | —                  | —                                    | —                            |
| Executive Deferred Compensation Plan Survivor Benefit <sup>(c)</sup> | —             | —                  | —                  | —                                    | —                            |
| Life Insurance Proceeds <sup>(d)</sup>                               | 906,000       | —                  | —                  | —                                    | —                            |
| Retiree Health Care Benefit <sup>(e)</sup>                           | —             | —                  | —                  | —                                    | —                            |
| Separation Benefit <sup>(f)</sup>                                    | —             | —                  | —                  | —                                    | —                            |
| Executive Management Bonus <sup>(g)</sup>                            | —             | —                  | —                  | —                                    | —                            |
| Total Value of Incremental Benefits                                  | 5,805,421     | 1,328,336          | —                  | —                                    | —                            |
| <b>Erik B. Nordstrom</b>                                             |               |                    |                    |                                      |                              |
| Continued or Accelerated Vesting of Equity Awards <sup>(a)</sup>     | 1,328,336     | 1,328,336          | —                  | —                                    | —                            |
| Vested SERP Benefit <sup>(b)</sup>                                   | 3,016,293     | —                  | —                  | —                                    | —                            |
| Executive Deferred Compensation Plan Survivor Benefit <sup>(c)</sup> | —             | —                  | —                  | —                                    | —                            |
| Life Insurance Proceeds <sup>(d)</sup>                               | 906,000       | —                  | —                  | —                                    | —                            |
| Retiree Health Care Benefit <sup>(e)</sup>                           | —             | —                  | —                  | —                                    | —                            |
| Separation Benefit <sup>(f)</sup>                                    | —             | —                  | —                  | —                                    | —                            |

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|                                                                      |           |           |   |         |   |
|----------------------------------------------------------------------|-----------|-----------|---|---------|---|
| Executive Management Bonus <sup>(g)</sup>                            | —         | —         | — | —       | — |
| Total Value of Incremental Benefits                                  | 5,250,629 | 1,328,336 | — | —       | — |
| Daniel F. Little                                                     |           |           |   |         |   |
| Continued or Accelerated Vesting of Equity Awards <sup>(a)</sup>     | 671,267   | 671,267   | — | —       | — |
| Vested SERP Benefit <sup>(b)</sup>                                   | 939,530   | —         | — | —       | — |
| Executive Deferred Compensation Plan Survivor Benefit <sup>(c)</sup> | 2,378,047 | —         | — | —       | — |
| Life Insurance Proceeds <sup>(d)</sup>                               | 701,000   | —         | — | —       | — |
| Retiree Health Care Benefit <sup>(e)</sup>                           | —         | —         | — | —       | — |
| Separation Benefit <sup>(f)</sup>                                    | —         | —         | — | 529,659 | — |
| Executive Management Bonus <sup>(g)</sup>                            | —         | —         | — | —       | — |
| Total Value of Incremental Benefits                                  | 4,689,844 | 671,267   | — | 529,659 | — |

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**(a) Continued or Accelerated Vesting of Equity Awards**

As of the end of fiscal year 2013, the Named Executive Officers had outstanding equity awards under the 2004 and 2010 Equity Incentive Plans. Treatment of the awards under various termination scenarios is described below.

**Stock Options**

***Death or Disability***

Beginning with the 2009 stock option grant, the stock option agreements under the 2004 and 2010 Equity Incentive Plans provide that if a participant's employment is terminated by reason of death or disability, stock options granted more than six months prior to the termination event will immediately vest and may be exercised during the period ending four years after termination, provided the 10-year term of the grant has not expired.

The amounts shown in the table for the Death and Disability termination scenarios include the values, as of the end of fiscal year 2013, of unvested stock options that would immediately vest and be exercisable during the period ending four years after termination.

Beginning with the 2008 stock option grant, if, during the term of any outstanding grant, the executive engages in any business competitive with the Company or divulges or improperly uses any confidential or proprietary information of the Company, then the post-separation vesting and exercise rights will cease immediately and all outstanding vested and unvested options under such grants will be automatically forfeited.

***Retirement or Termination without Cause***

The stock option agreements under the 2004 and 2010 Equity Incentive Plans provide that if a participant's employment is terminated by reason of retirement, stock options granted more than six months prior to termination will continue to vest and may be exercised during the period ending four years after termination, provided the 10-year term of the grant has not expired.

The amounts shown in the table for the Retirement and Termination without Cause termination scenarios for Blake Nordstrom and Michael Koppel include the values, as of the end of fiscal year 2013, of unvested stock options that would continue to vest and be exercisable during the period ending four years after termination. Blake Nordstrom and

Michael Koppel qualify for this continued vesting upon retirement as of the end of the fiscal year since they have reached the minimum retirement age of 53 with at least 10 years of service. Beginning with the 2014 stock option grant, executives who have not already met the current age and years of service requirement must be age 55 with at least 10 years of service to be eligible for this benefit upon separation.

Beginning with the 2008 stock option grant, if, during the term of any outstanding grant, the executive engages in any business competitive with the Company or divulges or improperly uses any confidential or proprietary information of the Company, then the post-separation vesting and exercise rights will cease immediately and all outstanding vested and unvested options under such grants will be automatically forfeited.

### ***Change in Control***

Although the Named Executive Officers are not entitled to any payment or accelerated benefit upon a change in control with respect to their awards under the 2004 Equity Incentive Plan, the terms of that Plan provide the Compensation Committee with discretion to determine at the time of granting stock options or thereafter, that stock options will become immediately exercisable in the event of a change in control of the Company. Under the 2010 Equity Incentive Plan, accelerated vesting will generally occur in the event that the executive experiences a qualifying termination within 12 months following a change in control of the Company, unless the Compensation Committee acts to prevent acceleration or the award is of a type which would continue in effect notwithstanding the occurrence of the change in control. Generally, a change in control occurs upon:

- the merger or consolidation of the Company with or into another entity;
  - the sale, transfer or other disposition of all or substantially all the Company's assets;
  - a change in composition of 50% or more of the Board; or
- any transaction as a result of which any person is the "beneficial owner" of securities of the Company representing at least 25% of the total voting power of the Company's outstanding voting securities.

### **Performance Share Units**

#### ***Death, Disability, Retirement or Termination without Cause***

The 2012 and 2013 performance share unit agreements under the 2010 Equity Incentive Plan provide that if the participant's employment is terminated before the end of a performance cycle by reason of death, disability or retirement, the participant, or participant's beneficiary, will be entitled to a prorated payment, based on the period of time the executive worked during the performance cycle, with respect to any performance share units granted more

than six months prior to termination that were earned during the performance cycle.

Both the 2012 and 2013 grants have time remaining in their three-year performance cycles. If the performance cycles for these grants had ended as of the close of fiscal year 2013, 0% of the number granted in 2012 and 2013 would have been earned. Therefore, no amounts are included in the table.

If, during the term of any outstanding performance cycles and regardless of whether the executive is then employed by the Company, the executive engages in any business competitive with the Company or divulges or improperly uses any confidential or proprietary information of the Company, then all outstanding portions of the performance share unit awards will be automatically forfeited.

### ***Change in Control***

Under the 2010 Equity Incentive Plan, the Named Executive Officers are not entitled to any payment or accelerated benefit upon a change in control with respect to their performance share units. However, a Named Executive Officer will generally be entitled to accelerated vesting if the executive experiences a qualifying termination within 12 months following a change in control of the Company, unless the Compensation Committee acts to prevent acceleration or the award is of a type which would continue in effect notwithstanding the occurrence of the change in control.

### **(b) Vested SERP Benefit**

The annual SERP benefit is paid upon retirement for the remaining life of the executive with a 50% survivor annuity paid to the surviving spouse or life partner for their life after the executive's death, as described in the Pension Benefits section on page 50.

### **Death**

The amounts shown for the Death termination scenario are the present value of the 50% survivor annuity, payable in semi-monthly installments to the spouse or life partner of the executive, assuming the payments would begin on the date on which the executive would have attained minimum retirement age of 53, or the executive's actual age, if older, and would continue for the remaining lifetime of the spouse or life partner. There would be no immediate payment of the benefit if the date of death preceded the executive's earliest retirement age of 53.



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## **Retirement or Termination without Cause**

The amounts shown in the table for the Retirement and Termination without Cause termination scenarios for Blake Nordstrom and Michael Koppel are the present values of their SERP benefits, reduced for early commencement, payable in semi-monthly installments, assuming the payments would begin as of the last day of fiscal year 2013. Blake Nordstrom and Michael Koppel have met the minimum retirement age of 53 with at least 10 years of service and would be eligible for early retirement with prior approval from the Board. If the Board approved early retirement, they would be entitled to receive reduced SERP benefits, as described in the Pension Benefits section on page 50.

## **Change in Control**

No benefits are paid solely due to a change in control, although a change in control triggers immediate vesting and an obligation for the Company to fully fund accrued benefits through a trust. If an executive was separated from the Company after a change in control, a deferred annuity would be payable upon the executive reaching retirement age. If the separation occurred before the executive's retirement age of 58, the benefit would be paid as a reduced early retirement benefit at age 53, or the executive's actual age, if older. In this case, the requirement for Board approval of the early retirement is waived. Assuming the earliest retirement age without benefit reduction for age or service, the present value of this benefit at fiscal year end would be as shown in the Fiscal Year 2013 Pension Benefits Table on page 51, column (c), "Present Value of Accumulated Benefit."

The Compensation Committee has discretion to discontinue payment of benefits under the SERP if the retired executive is found to have engaged in misconduct or in competitive behavior against the Company.

## **(c) Executive Deferred Compensation Plan Survivor Benefit**

Under the EDCP, if a participant dies while employed by the Company, the beneficiary receives the participant's undistributed account balance plus two times any deferrals, excluding any earnings on the deferrals, made by the participant through December 31, 2007. The pre-retirement death benefit is paid in a lump sum.

The amounts shown are the death benefits equal to two times Michael Koppel and Daniel Little's deferrals made through December 31, 2007. The amounts do not include Michael Koppel and Daniel Little's undistributed account balances of \$2,856,696 and \$1,797,500, respectively. Their beneficiaries are entitled to receive these account balances in the event of their deaths, but the amounts are not shown in this table as they are already shown in the Fiscal Year 2013 Nonqualified Deferred Compensation Table on page 52, column (c), "Aggregate Balance at Last Fiscal Year-End."

**(d) Life Insurance Proceeds**

The Company provides life insurance for the Named Executive Officers of approximately 1.25 times annual base salary.

The amounts reported in the table represent the life insurance proceeds that would be payable if the Named Executive Officers had died as of the last day of the fiscal year. The premiums paid for the Company-provided life insurance are included in column (b) in the All Other Compensation in Fiscal Year 2013 table on page 44.

**(e) Retiree Health Care Benefit**

The Company provides continued health care coverage for the Named Executive Officers if they separate from the Company after age 53 with at least 10 years of service. These benefits include medical, behavioral health/substance abuse, vision, prescription drug and dental coverage. The Named Executive Officers and their spouses and eligible dependents would be covered under the retiree health plan, and the executive and the Company would continue to share in the cost of the insurance premium. Coverage and cost sharing would continue for the surviving spouse and eligible dependents after the executive's death. Effective November 1, 2013, the retiree health plan was closed to new entrants. Effective March 1, 2014, executives who have not already met the current age and years of service requirement, or will not meet the requirement in 2014, must be age 55 with at least 10 years of service to be eligible for this benefit upon separation.

**Death, Disability, Retirement or Termination without Cause**

The amounts in the table for Blake Nordstrom and Michael Koppel are the present value of the health care cost that would be payable by the Company if they had separated on the last day of the fiscal year. Blake Nordstrom and Michael Koppel have met the minimum retirement age of 53 with at least 10 years of service and would be eligible for early retirement. Assumptions used in determining these amounts include a discount rate of 4.60% and the RP2000 White Collar Mortality Table, projected to 2021.

An executive who is terminated for cause, as determined by the Company in the exercise of its discretion in accordance with the Plan, is not eligible to receive the Retiree Health Care benefit.

**(f) Separation Benefit**

Under the Leadership Separation Plan, Michael Koppel and Daniel Little are eligible to receive benefits upon involuntary termination of employment by the Company, other than for cause, as determined by the Company in the

exercise of its discretion in accordance with the Plan. The benefits for eligible employees are based on leadership level and years of service, and include:

lump sum cash payment for severance: one month of base salary per year of service, with a minimum of 6 months up to a maximum of 12 months. This is reduced by an amount equal to the participant's gross monthly SERP benefit multiplied by the number of months used to calculate the severance payment;

lump sum cash payment for health coverage: the cost of the Company-paid portion of the employee's currently elected health coverage for 12 months, unless the employee is eligible for and elects the Retiree Health Care benefit, as described in footnote (e) above; and

up to six months of outplacement services.

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The potential separation benefits for the Named Executive Officers are shown below.

| <b>Name</b>        | <b>Separation<br/>Payment<br/>(\$)</b> | <b>Company-Paid<br/>Portion of<br/>Medical<br/>Benefits<br/>(\$)</b> | <b>Cost of<br/>Outplacement<br/>Services<br/>(\$)</b> | <b>Total<br/>Separation<br/>Benefit<br/>(\$)</b> |
|--------------------|----------------------------------------|----------------------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------|
| Blake W. Nordstrom | —                                      | —                                                                    | —                                                     | —                                                |
| Michael G. Koppel  | 180,080                                | —                                                                    | 4,200                                                 | 184,280                                          |
| Peter E. Nordstrom | —                                      | —                                                                    | —                                                     | —                                                |
| Erik B. Nordstrom  | —                                      | —                                                                    | —                                                     | —                                                |
| Daniel F. Little   | 513,333                                | 12,126                                                               | 4,200                                                 | 529,659                                          |

Michael Koppel's estimated separation payment shown above is reduced by an amount equal to his estimated early retirement gross monthly SERP benefit multiplied by the number of months used to calculate his separation payment. No amount is included for the Company-paid portion of medical benefits as it is assumed he would elect the Company's Retiree Health Care benefit.

Under the Leadership Separation Plan, the Company may provide the executive with additional separation benefits, in cash or in kind, to assist the executive in the transition from active employee status. To receive any benefits under the Leadership Separation Plan, the Named Executive Officer must sign a release in which the executive agrees, among other things, not to disclose to anyone at any time any confidential information acquired during employment with the Company, and not to publish any statement, or instigate, assist or participate in the making or publication of any statement which is disparaging or detrimental in any way to the Company.

### **(g) Executive Management Bonus**

The performance period under the Executive Management Bonus Plan is the fiscal year. Therefore, a termination event that occurred on the last day of the fiscal year would not result in any additional or accelerated benefits under this Plan. However, if an employee died, became disabled or retired during the fiscal year, the Compensation Committee would have the sole discretion to determine what amounts, if any, an executive would remain eligible to receive as a performance-based bonus award.

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PROPOSAL 3 ADVISORY VOTE REGARDING EXECUTIVE COMPENSATION: SAY-ON-PAY PROPOSAL

The Board recommends a vote FOR this proposal.

The Company is providing shareholders with an advisory (nonbinding) vote on the compensation program of our Named Executive Officers as disclosed in this Proxy Statement. At the 2013 Annual Meeting of Shareholders, over 97% of the votes cast were in favor of our Say-on-Pay proposal.

At the 2011 Annual Meeting, over 93% of the votes cast approved our Board's recommendation to hold advisory votes on an annual basis. The Compensation Committee recognizes this support of the compensation program for our Named Executive Officers and continues to apply the same guiding principles which underlie our pay-for-performance philosophy.

#### Compensation Program Highlights

As described in the Compensation Discussion and Analysis beginning on page 33, our Named Executive Officers are rewarded when defined performance milestones are achieved and when value is created for our shareholders. Our Compensation Committee and Board believe that our compensation program is effective in implementing our executive compensation philosophy and establishing a solid link between compensation and shareholder interests. Highlights of our compensation program include the following:

- We deliver the majority of compensation through a pay-for-performance framework where incentives are based on achieving results. Eighty percent of the value of the targeted compensation package for our Named Executive Officers is weighted toward pay-for-performance and variable compensation to reinforce our philosophy of compensating our executives when they and the Company are successful in ways that support shareholder interests.

- Each year, the Compensation Committee establishes the performance-based bonus measures that focus executives on the most important Company objectives. In 2013, Named Executive Officers each had the following measures:

- Return on Invested Capital ("ROIC") to ensure our overall performance aligns directly with shareholder returns over the long term. The measure is expressed as a threshold that must be met before any payout can be made on EBIT results to ensure our executives are rewarded after earnings generate a meaningful return for our shareholders.

- Earnings Before Interest and Income Taxes ("EBIT") to emphasize the importance of earnings improvement and its role in driving shareholder value. Each Named Executive Officer's performance-based bonus was weighted 100% on this measure, subject to the ROIC threshold.

- The Committee references the 50<sup>th</sup> percentile of our retail peer group when assessing the Named Executive Officers' targeted level of total direct compensation (base salary + performance-based bonus + long-term incentives). The

market information is considered a reference point rather than policy for reviewing competitiveness.

- We maintain meaningful executive stock ownership guidelines so that our executives' interests, as shareholders, are aligned with our broader shareholder base.
- We have an executive compensation clawback policy that applies to performance-based compensation.
- Our Compensation Committee has retained and directs an independent compensation consultant.
- We do not have employment agreements with our executives.
- We do not provide tax gross-ups, except those related to relocation expenses when an executive must move to assume Company responsibilities.
- We do not allow stock option grant repricing or backdating, nor have we granted options below 100% of fair market value.
- We have a derivative and hedging policy that prohibits Directors and Executive Officers (as well as other key insiders and their immediate families) from engaging in hedging transactions with respect to any equity securities of the Company held by them.
- We have restrictions on pledging of Company stock.

#### Shareholder Support

We are asking our shareholders to indicate their support for our Named Executive Officers' compensation as described in this Proxy Statement.

This proposal gives our shareholders the opportunity to express their views on the compensation of our Named Executive Officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our Named Executive Officers and the philosophy, policies and practices described in this Proxy Statement. Accordingly, we will ask our shareholders to vote "FOR" the following resolution at the Annual Meeting:

"RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the Company's Named Executive Officers, as disclosed in the Compensation Discussion and Analysis, the compensation tables and the related narrative disclosure in this Proxy Statement."

Our Board has adopted a policy of annual Say-on-Pay advisory votes. As an advisory vote, this proposal is not binding on the Company. However, our Compensation Committee and Board value the opinions of our shareholders and will consider the outcome of the vote when making future compensation decisions regarding the Company's Named Executive Officers. The next vote will be held at our 2014 Annual Meeting of Shareholders.

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## EQUITY COMPENSATION PLANS

The following table provides information as of the fiscal year ended February 1, 2014 about Common Stock that may be issued upon the exercise of options and rights that have been or may be granted to employees and members of the Board under all of the Company's existing equity compensation plans.

| Plan Category                                                                   | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (1) | (b) | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (2) (\$) | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities to be issued as reflected in column (1)) (3) | (c) |
|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-----|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Equity compensation plans approved by the Company's shareholders <sup>(a)</sup> | 14,315,987                                                                                      | (b) | 43                                                                                   | 23,461,830                                                                                                                                                      | (c) |
| Equity compensation plans not approved by the Company's shareholders            | —                                                                                               |     | —                                                                                    | —                                                                                                                                                               |     |
| <b>TOTAL</b>                                                                    | <b>14,315,987</b>                                                                               |     | <b>43</b>                                                                            | <b>23,461,830</b>                                                                                                                                               |     |

(a) Equity Compensation Plans Approved by Shareholders

Consist of the 2010 Equity Incentive Plan, the Employee Stock Purchase Plan and the 2002 Nonemployee Director Stock Incentive Plan.

(b) Equity Compensation Plans Not Approved by Shareholders

Includes 112,336 of deferred Director awards, and 149,044 related to deferred performance share units.

(c) Number of Securities Available

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Includes 19,392,577 shares from the 2010 Equity Incentive Plan, 3,535,959 shares from the Employee Stock Purchase Plan and 533,294 shares from the 2002 Nonemployee Director Stock Incentive Plan.

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## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

## Beneficial Ownership Table

The following table shows the amount of Common Stock beneficially owned (unless otherwise indicated) by holders of more than 5% of the outstanding shares of Common Stock, by our Directors, the Named Executive Officers, and by all Directors and Executive Officers of the Company as a group. Except as otherwise noted, all information is as of March 10, 2014.

| Name of Beneficial Owner                                                      | Amount and Nature of Beneficial Ownership (#) | Percent of Ownership (%) |
|-------------------------------------------------------------------------------|-----------------------------------------------|--------------------------|
| Bruce A. Nordstrom (a)<br>1617 Sixth Avenue<br>Seattle, Washington 98101-1707 | 26,250,344                                    | 13.84                    |
| Anne E. Gittinger (b)<br>1617 Sixth Avenue<br>Seattle, Washington 98101-1707  | 15,471,162                                    | 8.16                     |
| Blake W. Nordstrom (c)                                                        | 3,130,880                                     | 1.65                     |
| Peter E. Nordstrom (d)                                                        | 3,045,699                                     | 1.60                     |
| Erik B. Nordstrom (e)                                                         | 2,988,035                                     | 1.57                     |
| Michael G. Koppel (f)                                                         | 390,711                                       | *                        |
| Daniel F. Little (g)                                                          | 301,456                                       | *                        |
| Enrique Hernandez, Jr. (h)                                                    | 79,859                                        | *                        |
| Robert D. Walter (i)                                                          | 70,625                                        | *                        |
| Alison A. Winter (j)                                                          | 45,095                                        | *                        |
| Philip G. Satre (k)                                                           | 37,244                                        | *                        |
| Phyllis J. Campbell (l)                                                       | 28,123                                        | *                        |
| Robert G. Miller (m)                                                          | 23,705                                        | *                        |
| B. Kevin Turner (n)                                                           | 12,313                                        | *                        |
| Michelle M. Ebanks (o)                                                        | 7,756                                         | *                        |
| Brad D. Smith (p)                                                             | 2,386                                         | *                        |
| Directors and Executive Officers as a group (33 persons) (q)                  | 12,117,694                                    | 6.29                     |

\* Does not exceed 1% of the Company's outstanding Common Stock.

(a) Bruce A. Nordstrom

Amount and nature of beneficial ownership includes:

- 11,267,235 shares owned by him directly;
- 833 nonvoting deferred stock units. The stock units are convertible into Common Stock and payable upon the occurrence of certain events;
- 246,776 shares owned by his wife individually;
- 8,490,560 shares held by trusts of which he is a trustee and beneficiary; and
- 6,244,940 shares held by trusts of which he is a co-trustee and for which he has shared voting and dispositive power.
- Mr. Nordstrom is a contingent remainderman with respect to these trusts, but disclaims any beneficial ownership with respect to the shares of Common Stock held in the trusts.

(b) Anne E. Gittinger

Amount and nature of beneficial ownership includes:

- 13,844,460 shares owned by her directly;
- 4,518 shares held by her in the Company's 401(k) Plan & Profit Sharing;
- 1,555,200 shares held by a trust of which she is a trustee and beneficiary; and
- 66,984 shares held by the estate of her late husband, D. Wayne Gittinger.

Does not include:

- 5,501,520 shares held by a trust of which she is the beneficiary, but over which she holds no voting or investment power and which are reported as beneficially owned by her brother, Bruce A. Nordstrom.

(c) Blake W. Nordstrom

Amount and nature of beneficial ownership includes:

- 1,903,249 shares owned by him directly, of which 350,000 shares are pledged as collateral for loans and are in compliance with the Company's policy regarding pledging;
- 76,664 shares held by him in the Company's 401(k) Plan & Profit Sharing;
- 515,361 shares that may be acquired by him through stock options exercisable within 60 days after March 10, 2014;

- 376,887 shares owned by his wife individually;
- 61,966 shares held by trusts of which he is a trustee; and
- 196,753 shares held by trusts of which he is the trustee, for which he has sole voting and dispositive power and for which he disclaims beneficial ownership.

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(d) Peter E. Nordstrom

Amount and nature of beneficial ownership includes:

- 2,101,551 shares owned by him directly, of which 230,000 shares are pledged as collateral for loans and are in compliance with the Company's policy regarding pledging;
- 25,453 shares held by him in the Company's 401(k) Plan & Profit Sharing;
- 435,355 shares that may be acquired by him through stock options exercisable within 60 days after March 10, 2014;
- 161,276 shares owned by his wife individually;
- 363 shares held by his wife in the Company's 401(k) Plan & Profit Sharing;
- 47,582 shares held by trusts of which he is the trustee; and
- 274,119 shares held by trusts of which he is the trustee, for which he has sole voting and dispositive power and for which he disclaims beneficial ownership.

(e) Erik B. Nordstrom

Amount and nature of beneficial ownership includes:

- 2,181,663 shares owned by him directly, of which 457,582 shares are pledged as collateral for loans and are in compliance with the Company's policy regarding pledging;
- 19,640 shares held by him in the Company's 401(k) Plan & Profit Sharing;
- 435,355 shares that may be acquired by him through stock options exercisable within 60 days after March 10, 2014;
- 41,907 shares owned by his wife individually;
- 83,709 shares held by trusts of which he is the trustee; and
- 225,761 shares held by trusts of which he is the trustee, for which he has sole voting and dispositive power and for which he disclaims beneficial ownership.

(f) Michael G. Koppel

Amount and nature of beneficial ownership includes:

- 43,739 shares owned by him directly;
- 25,142 nonvoting stock units held under the Company's Executive Deferred Compensation Plan;
- 6,080 shares held by him in the Company's 401(k) Plan & Profit Sharing; and
- 315,750 shares that may be acquired by him through stock options exercisable within 60 days after March 10, 2014.

(g) Daniel F. Little

Amount and nature of beneficial ownership includes:

- 22,352 shares owned by him directly;
- 23,177 nonvoting stock units held under the Company's Executive Deferred Compensation Plan;
- 4,866 shares held by him in the Company's 401(k) Plan & Profit Sharing; and
- 251,061 shares that may be acquired by him through stock options exercisable within 60 days after March 10, 2014.

(h) Enrique Hernandez, Jr.

Amount and nature of beneficial ownership includes:

- 13,600 shares owned by him directly; and
- 66,259 nonvoting deferred stock units. The stock units are convertible into Common Stock and payable upon the occurrence of certain events, including his retirement from the Board.

(i) Robert D. Walter

Amount and nature of beneficial ownership includes:

- 54,926 shares owned by him directly; and
- 15,699 nonvoting deferred stock units. The stock units are convertible into Common Stock and payable upon the occurrence of certain events, including his retirement from the Board.

(j) Alison A. Winter

Amount and nature of beneficial ownership includes:

- 31,887 shares owned by her directly;
- 9,410 shares held by a trust, of which she and her husband are trustees and beneficiaries;
- 1,799 shares held by her son in an account, over which she shares investment power;
- 1,799 shares held by her daughter in an account, over which she shares investment power; and
- 200 shares held by her husband in a retirement account, over which she shares investment power.

(k) Philip G. Satre

Amount and nature of beneficial ownership includes:

- 15,338 nonvoting deferred stock units. The stock units are convertible into Common Stock and payable upon the occurrence of certain events, including his retirement from the Board; and
- 21,906 shares held by a family trust, of which he is a trustee and beneficiary.

(l) Phyllis J. Campbell

Amount and nature of beneficial ownership includes:

- 17,730 shares owned by her directly; and
- 10,393 nonvoting deferred stock units. The stock units are convertible into Common Stock and payable upon the occurrence of certain events, including her retirement from the Board.

(m) Robert G. Miller

Amount and nature of beneficial ownership includes:

23,705 shares owned by him directly.

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(n) B. Kevin Turner

Amount and nature of beneficial ownership includes:

• 12,313 shares owned by him directly.

(o) Michelle M. Ebanks

Amount and nature of beneficial ownership includes:

• 7,756 shares owned by her directly.

(p) Brad D. Smith

Amount and nature of beneficial ownership includes:

• 2,386 shares owned by him directly.

(q) Directors and executive officers as a group (33 persons)

Collectively, the combined amount and nature of beneficial ownership for the Directors and all Executive Officers include:

• 7,141,065 shares owned directly;

• 1,706,940 shares owned by spouses and trusts of which the respective Director or Executive Officer is a trustee, or a trustee and beneficiary;

• 107,689 nonvoting stock units held by participating Directors under the Directors Deferred Compensation Plan;

• 79,901 nonvoting stock units held by participating Executive Officers under the Company's Executive Deferred Compensation Plan;

• 196,470 shares held by participating Executive Officers and their eligible spouses in the Company's 401(k) Plan & Profit Sharing; and

- 2,885,629 shares that may be acquired by the Executive Officers as a group through stock options exercisable within 60 days after March 10, 2014.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Based upon a review of reports filed with the SEC and written representations that no other reports were required, the Company believes that during the fiscal year ended February 1, 2014 all of our Directors, Executive Officers and owners of in excess of 10% of Common Stock complied with the filing requirements of Section 16(a) of the Exchange Act.

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## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### Review and Approval Process

We maintain policies and procedures regarding the identification, review and approval of related party transactions. In compliance with SEC rules, the Corporate Governance and Nominating Committee reviews and approves or disapproves any transaction in which: (1) the amount involved exceeds \$120,000, (2) the Company or any of its subsidiaries is a participant, and (3) a related party (a Director or Executive Officer of the Company, any nominee for director, any greater than 5% shareholders and any immediate family member of such persons) has a direct or indirect material interest. When considering a transaction, the Committee will review all relevant factors including the Company's rationale for entering into a related party transaction, alternatives to the transaction, whether the transaction is on terms at least as fair to the Company as would be the case if the transaction were entered with a third party, and the potential of an actual or apparent conflict of interest. After reviewing the information, the Committee will approve or ratify the transaction only if the Committee determines that the transaction is reasonable and fair to the Company.

### Related Party Transactions

The following section describes all Related Party transactions reviewed and approved by the Corporate Governance and Nominating Committee under the policy described above.

**Aircraft Dry Lease.** During the fiscal year ended February 1, 2014, the Company leased aircraft from JBW Aircraft Leasing Company, Inc. ("JBW"). The shareholders of JBW during the fiscal year were John N. Nordstrom (a retired Director and Co-Chairman of the Company), Bruce A. Nordstrom (a retired Director and Co-Chairman of the Company, father of Executive Officers Blake, Peter and Erik Nordstrom and a beneficial owner of more than 5% of Common Stock) and D. Wayne Gittinger (a retired Director and the spouse of Anne E. Gittinger, a beneficial owner of more than 5% of Common Stock). The lease arrangement is a "dry" lease, meaning that the Company pays an hourly market rate for use and provides or obtains its own fuel, crew and maintenance while using the leased aircraft. The dry lease rates were developed by a leading independent aircraft research company based on a survey of competitive rates.

During the fiscal year, the Company used the JBW aircraft a total of 75.5 hours and paid JBW \$251,340.

**Rent and Maintenance, Pilot and Administrative Services.** During the fiscal year ended February 1, 2014, the parties listed in the following table paid the Company for maintenance services, pilot services, management fees, and other miscellaneous fees related to the operation and maintenance of those parties' personal aircraft. In addition, JBW paid the Company for hangar rent as shown in the following table. In each case, the payments exceeded the estimated cost to the Company of providing those services and were based on a survey conducted by a leading independent

aircraft research company in October 2012 of competitive market rates for maintenance services, pilot services, management fees and hangar rent. Included on the JBW line item for Pilot Services for use of JBW's aircraft is \$6,430 paid by Blake Nordstrom, \$3,215 paid by Erik Nordstrom and \$643 paid by Peter Nordstrom, who are not shareholders of JBW.

| Party/Aircraft                                                                                                                                   | Amounts Paid<br>to<br>the Company<br>for<br>Maintenance,<br>Pilot and<br>Administrative<br>Services<br>(\$) | Amounts<br>Paid<br>to the<br>Company<br>for<br>Hangar<br>Rent<br>(\$) | Amounts Paid<br>to the<br>Company<br>for<br>Miscellaneous<br>Costs<br>(\$) |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------------------------------|
| <b>JBW</b>                                                                                                                                       | 346,586                                                                                                     | 69,708                                                                | 65,829                                                                     |
| <b>M&amp;B Beaver, LLC</b>                                                                                                                       |                                                                                                             |                                                                       |                                                                            |
| Owned by Blake W. Nordstrom<br>(President of the Company) and his wife                                                                           | 49,793                                                                                                      | —                                                                     | 3,275                                                                      |
| <b>JD Plane, LLC</b>                                                                                                                             |                                                                                                             |                                                                       |                                                                            |
| Owned by James F. Nordstrom, Jr.<br>(an Executive Vice President of the Company) and<br>J. Daniel Nordstrom (brother of James F. Nordstrom, Jr.) | 36,515                                                                                                      | —                                                                     | 2,776                                                                      |
| <b>TB Plane, LLC</b>                                                                                                                             |                                                                                                             |                                                                       |                                                                            |
| Owned by Sally A. Nordstrom<br>(mother of James F. Nordstrom, Jr.)                                                                               | 54,560                                                                                                      | —                                                                     | 3,276                                                                      |

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**Property Sublease.** The Company leases a parcel of land from King County, Washington at the King County International Airport and operates its flight department from that location. The size of the Company's flight department is such that the Company does not require access to or use of the entire parcel, and is able to sublease a portion of the property to Hangar Three LLC ("LLC") without affecting the Company's flight operations. LLC is owned by Blake W. Nordstrom, James F. Nordstrom, Jr. and John N. Nordstrom. LLC constructed a hangar for storage of the owners' personal aircraft on the subleased property. All architectural, project management and construction costs for the hangar, utilities and landscaping improvements were borne by LLC and not by the Company. Unless extended, upon expiration or termination of the sublease, the hangar improvements will be surrendered to the Company. The material terms of the sublease are as follows:

- The current sublease carries a term through July 2020, with the Company having the right to terminate it at any time upon 90 days' notice to LLC, and payment to LLC of the unamortized portion of the construction cost of the hangar.

- LLC pays the Company a monthly base rent and estimated real estate tax in the form of reimbursement to the Company of its pro rata share of ground rent paid by the Company under the primary lease with King County, currently \$9,804 per month.

- LLC also pays the Company additional rent in the form of reimbursement to the Company of its pro rata share of maintenance costs of the common areas, currently \$900 per month, plus a monthly management fee of \$135.

- LLC paid a one-time security deposit in August 2007 in the amount of \$10,463, plus an additional sum of \$6,069 was paid in August 2009 to increase the security deposit amount to the required two times the current base rent.

- In total, LLC paid the Company rent of \$129,709 during the fiscal year ended February 1, 2014.

**Legal Services.** D. Wayne Gittinger, a shareholder at Lane Powell PC during the fiscal year ended February 1, 2014, was the husband of Anne E. Gittinger, a beneficial owner of more than 5% of the Company's Common Stock. Lane Powell PC served as the Company's outside counsel during the fiscal year ended February 1, 2014 and was paid an aggregate of \$1,581,686 for its services. This compensation arrangement is comparable to that of other legal firms providing professional services to the Company.

## **OTHER MATTERS**

The Board knows of no other matters that will be presented at the 2014 Annual Meeting of Shareholders. However, if any other matters are properly presented at the Annual Meeting or any convening or reconvening of the Annual Meeting upon an adjournment or postponement of the Annual Meeting, it is the intention of the persons named as proxies to vote in accordance with their best judgment.

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## 2015 ANNUAL MEETING OF SHAREHOLDERS INFORMATION

### Requirements and Deadlines for Submission of Proxy Proposals, Nomination of Directors and Other Business of Shareholders

If a shareholder wants us to include a shareholder proposal in our Proxy Statement for the 2015 Annual Meeting of Shareholders pursuant to SEC Rule 14a-8 promulgated under the Securities Exchange Act of 1934, our Secretary must receive the proposal at our principal executive offices no later than December 2, 2014. Any such proposal must comply with all the requirements of Rule 14a-8.

Under our Bylaws, shareholders must follow certain procedures to nominate a person for election as a director at an annual or special meeting, or to introduce an item of business at an annual meeting. Under these advance-notice procedures, shareholders must submit the proposed nominee or item of business by delivering a notice to the Secretary of the company at our principal executive offices. We must receive notice as follows:

We must receive notice of a shareholder's intention to introduce a nomination or proposed item of business for an annual meeting not less than 90 days nor more than 120 days before the first anniversary of the prior year's meeting. Assuming that the 2014 Annual Meeting of Shareholders is held on schedule, we must receive notice pertaining to the 2015 Annual Meeting of Shareholders no earlier than January 7, 2015 and no later than February 6, 2015.

However, if we hold the 2015 Annual Meeting of Shareholders on a date that is not within 30 days before or after such anniversary date, we must receive the notice no later than ten days after the earlier of the date we first provide notice of the meeting to shareholders or announce it publicly.

If we hold a special meeting to elect directors, we must receive a shareholder's notice of intention to introduce a nomination no later than ten days following the day on which notice of the annual meeting was mailed to shareholders.

Our Bylaws provide that notice of a proposed nomination must include certain information about the shareholder and the nominee, as well as a written consent of the proposed nominee to serve if elected. A notice of a proposed item of business must include a description of and the reasons for bringing the proposed business to the meeting, any material interest of the shareholder in the business, and certain other information about the shareholder. Any notice (other than a proposal pursuant to Rule 14a-8) that is received after the times specified herein for proposed items of business will be considered untimely under Rule 14a-4c under the Securities Exchange Act of 1934. The persons named in the proxy for the meeting may exercise their discretionary voting power with respect to all such matters, including voting against them. All director nominations and shareholder proposals, other than shareholder proposals made pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, must comply with the requirements of the Company's Bylaws. You may obtain a copy of the Company's Bylaws at no cost from the Company's Secretary or online at [investor.nordstrom.com](http://investor.nordstrom.com) under Corporate Governance. The contact information for the Company's Secretary is on page 14.

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[Back to Contents](#)**Appendix A** Reconciliation of GAAP and Non-GAAP Financial Measures**Incentive Return on Invested Capital (“Incentive ROIC”)**

We define ROIC as follows:

We believe that ROIC is a useful financial measure for investors in evaluating the efficiency and effectiveness of our use of capital and believe ROIC is an important component of shareholders’ return over the long term. In addition, we incorporate ROIC into our executive incentive measures.

ROIC is not a measure of financial performance under Generally Accepted Accounting Principles (“GAAP”) and should be considered in addition to, and not as a substitute for, return on assets, net earnings, total assets or other financial measures prepared in accordance with GAAP. Our method of determining non-GAAP financial measures may differ from other companies’ methods and therefore may not be comparable to those used by other companies. The financial measure calculated under GAAP which is most directly comparable to ROIC is return on assets. The following is a reconciliation of the components of ROIC and return on assets.

The following is a comparison of return on assets to ROIC for the 12 fiscal months ended February 1, 2014:

| <i>(\$ in millions)</i>                                                     | 12 fiscal<br>months<br>ended<br>February<br>1, 2014 |
|-----------------------------------------------------------------------------|-----------------------------------------------------|
| Net earnings                                                                | \$734                                               |
| Add: income tax expense                                                     | 455                                                 |
| Add: interest expense                                                       | 162                                                 |
| Earnings before interest and income tax expense                             | 1,351                                               |
| Add: nonoperating related adjustments                                       | 27                                                  |
| Incentive ROIC Earnings before interest and income tax expense              | 1,378                                               |
| Add: rent expense                                                           | 125                                                 |
| Less: estimated depreciation on capitalized operating leases <sup>(a)</sup> | (67)                                                |
| Net operating profit                                                        | 1,436                                               |
| Estimated income tax expense <sup>(b)</sup>                                 | (550)                                               |
| <b>Net operating profit after tax</b>                                       | <b>\$886</b>                                        |

|                                                                                  |                |
|----------------------------------------------------------------------------------|----------------|
| Average total assets <sup>(c)</sup>                                              | \$8,398        |
| Less: average non-interest-bearing current liabilities <sup>(d)</sup>            | (2,430)        |
| Less: average deferred property incentives <sup>(c)</sup>                        | (489)          |
| Add: average estimated asset base of capitalized operating leases <sup>(e)</sup> | 929            |
| <b>Average invested capital</b>                                                  | <b>\$6,408</b> |
| <b>Return on assets</b>                                                          | <b>8.7%</b>    |
| <b>Incentive ROIC</b>                                                            | <b>13.8%</b>   |

*Capitalized operating leases is our best estimate of the asset base we would record for our leases that are (a) classified as operating if they had met the criteria for a capital lease, or we purchased the property. Asset base is calculated as described in footnote (e) below.*

*(b) Based upon our effective tax rate multiplied by the net operating profit for the 12 fiscal months ended February 1, 2014.*

*(c) Based upon the trailing 12-month average.*

*(d) Based upon the trailing 12-month average for accounts payable, accrued salaries, wages and related benefits, and other current liabilities.*

*(e) Based upon the trailing 12-month average of the monthly asset base. The asset base for each month is calculated as the trailing 12-months rent expense multiplied by eight. The multiple of eight times rent expense is a commonly used method of estimating the asset base we would record for our capitalized operating leases described in footnote (a).*

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