Macy's, Inc.
Form DEF 14A
April 03, 2019
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SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
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

Macy’s, 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:

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Date Filed:

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MACY'S, INC.
7 West Seventh Street, Cincinnati, Ohio 45202
and
151 West 34th Street, New York, New York 10001

To the Shareholders:

I invite you to join me, our Board of Directors, senior management team and your fellow shareholders at Macy's 2019 Annual Meeting of Shareholders scheduled for Friday, May 17, 2019, 11:00 a.m., Eastern Time, at Macy's offices located at 7 West Seventh Street, Cincinnati, Ohio 45202. We are enclosing the notice of meeting, proxy statement and form of proxy with this letter.

Once again, we are pleased to save costs and help protect the environment by using the "Notice and Access" method of delivering proxy materials. Instead of receiving paper copies of our proxy materials, many of you will receive a Notice Regarding the Availability of Proxy Materials, which provides an Internet address where you can access electronic copies of the proxy statement and our Annual Report on Form 10-K for the fiscal year ended February 2, 2019 and vote your shares. This website also has instructions for voting by phone and for requesting paper copies of the proxy materials and proxy card.

Your vote is important and we want your shares to be represented at the meeting. Regardless of whether you plan to attend the annual meeting, we hope you will vote as soon as possible. We encourage you to read the proxy statement and cast your vote promptly. You may vote by telephone or over the Internet, or by completing, signing, dating and returning the enclosed proxy card or voting instruction card if you requested or received printed proxy materials.

We appreciate your continued confidence in and support of Macy's, Inc.

Sincerely,

JEFF GENNETTE
Chairman and Chief Executive Officer
April 3, 2019

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE CAST YOUR VOTE PROMPTLY.

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NOTICE OF THE 2019 ANNUAL MEETING OF SHAREHOLDERS OF MACY’S, INC.

TIME AND PLACE

Macy’s, Inc. Corporate Office
7 West Seventh Street, Cincinnati, OH 45202

May 17, 2019

11:00 a.m. (Eastern Time)

RECORD DATE

You must be a shareholder of record as of the close of business on March 21, 2019 to attend and vote at the Annual Meeting of Shareholders and any adjournment thereof.

ITEMS OF BUSINESS

1 Elect 11 members of Macy’s board of directors named and for the term described in this Proxy Statement

2 Ratify the appointment of KPMG LLP as Macy’s independent registered public accounting firm for the fiscal year ending February 1, 2020

3 Hold an advisory vote to approve the compensation of our named executive officers

4 Consider and vote on the shareholder proposals described in this Proxy Statement, if properly presented at the meeting

5 Transact any other business as may properly come before the meeting or any postponement or adjournment of the meeting

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PROXY VOTING

In person at the Annual Meeting	By telephone at 1 (800) 690-6903	Over the Internet at www.proxyvote.com	By mailing your completed proxy to Macy's, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717	By scanning the QR code with your mobile device

If your shares are held in "street name" with a broker or similar party, you have a right to direct that organization on how to vote the shares held in your account. You will need to contact your broker to determine whether you will be able to vote using one of these alternative methods.

Whether or not you plan to attend the Annual Meeting, we urge you to vote your shares by completing and returning the proxy card promptly, or by voting by telephone or over the Internet, prior to the Annual Meeting to ensure that your shares will be represented.

ANNUAL MEETING ADMISSION

For security reasons, a picture identification will be required if you attend the Annual Meeting. We reserve the right to exclude any person whose name does not appear on our official shareholder list as of the Record Date. If you hold shares in "street name," you must bring a letter from your broker, or a current brokerage statement, to indicate that the broker is holding shares for your benefit. We also reserve the right to request any person leave the Annual Meeting who is disruptive, refuses to follow the rules established for our meeting or for any other reason. Cameras, recording devices and other electronic devices, signs and placards will NOT be permitted at the meeting.

The Annual Meeting will begin promptly at 11:00 a.m. (Eastern Time). No one will be admitted after that time.

By Order of the Board of Directors,

ELISA D. GARCIA
Secretary
April 3, 2019

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 17, 2019.

The Notice of Annual Meeting, Proxy Statement and Annual Report on Form 10-K for the year ended February 2, 2019 are available at www.proxyvote.com and www.macysinc.com.

The Notice of Annual Meeting of Shareholders, this proxy statement, our Annual Report on Form 10-K for the fiscal year ended February 2, 2019 (fiscal 2018) and a proxy card or voting instruction card are being mailed to, or can be accessed online by, shareholders on or about April 3, 2019.

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PROXY STATEMENT

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PROXY SUMMARY

This summary highlights certain information contained elsewhere in our proxy statement. This summary does not contain all the information you should consider. You should read the entire proxy statement carefully before voting.

ANNUAL MEETING OF SHAREHOLDERS

TIME AND PLACE

Macy's, Inc. Corporate Office
7 West Seventh Street, Cincinnati, OH 45202

May 17, 2019

11:00 a.m. (Eastern Time)

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VOTING MATTERS

	PROPOSAL	VOTING RECOMMENDATION	PAGE
1	Election of 11 directors	FOR each nominee	5
2	Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending February 1, 2020	FOR	27
3	Advisory vote to approve our named executive officer compensation	FOR	29
4	Shareholder proposal on political disclosure	AGAINST	73
5	Shareholder proposal on recruitment and forced labor	AGAINST	76

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PROXY SUMMARY

CORPORATE GOVERNANCE HIGHLIGHTS

We believe that good governance is integral to achieving long-term shareholder value. We are committed to governance policies and practices that serve the
interests of the Company and our shareholders. Our corporate governance policies and practices include:

HIGHLIGHTS OF CORPORATE GOVERNANCE

	Page		Page
10 of 11 Director Nominees are Independent	3	Lead Independent Director	14
Annual Board and Committee Evaluations	18	Majority Voting in Uncontested Director Elections	83
Annual Election of All Directors	5	No Shareholder Rights Plan	n/a
Board and Committee Oversight of Risk	15	Policy Prohibiting Pledging and Hedging Ownership of Macy’s Stock	26; 48
Confidential Shareholder Voting Policy	82	Proxy Access	22; 85
Director Resignation Policy	23	Regular Executive Sessions of Independent Directors	14
Director Retirement Policy	22	Share Ownership Guidelines for Directors and Executive Officers	26; 48
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Independent Board Committees	16		

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PROXY SUMMARY

NOMINEES FOR DIRECTOR (page 5)

Chair Member

Name/Age	Experience	Director Since	Principal Occuption	Inde–pen–dent	Other Pubic Com–pany Boards	Key Committee Membe Audit	 Com–pen–sa–tio & Man–age–men Devel–op–ment
David P. Abney (63)	• Senior Leadership • Finance/Accounting • Corporate Governance • Global/International • Risk Management	2018	Chairman and CEO of United Parcel Service, Inc.		1		
Francis S. Blake (69)	• Senior Leadership • Finance/Accounting • Corporate Governance • Global/International • Retail • Risk Management	2015	Former Chairman and CEO of The Home Depot, Inc.		2		
John A. Bryant (53)	• Senior Leadership • Finance/Accounting •	2015	Former Chairman, President and CEO of Kellogg Company		2		

	Corporate Governance • Global/International • Retail • Risk Management • Senior Leadership			
Deirdre P. Connelly (58)	• Human Resources • Global/International • Marketing/Brand Management • Senior Leadership • Retail	2008	Former President, North American Pharmaceuticals of GlaxoSmithKline	2
Jeff Gennette (57)	• Marketing/Brand Management • eCommerce • Risk Management	2016	Chairman and CEO of Macy’s, Inc.	0
Leslie D. Hale (46)	• Senior Leadership • Finance/Accounting • Investment Banking & Real Estate	2015	President and CEO of RLJ Lodging Trust	1

	• Investor Relations • Risk Management • Senior Leadership • Finance/Accounting			
William H. Lenehan (42)	• Corporate Governance • Investment Banking & Real Estate • Risk Management • Senior Leadership	2016	President and CEO of Four Corners Property Trust, Inc.	1
Sara Levinson (68)	• Corporate Governance • Marketing/Brand Management • eCommerce	1997	Co-Founder and Director of Katapult	1
Joyce M. Roché (72)	• Senior Leadership • Finance/Accounting • Corporate Governance • Retail	2006	Former President and CEO of Girls Incorporated	2

	• Marketing/Brand Management			
	• Risk Management			
	• Senior Leadership			
	• Finance/Accounting			
	• Corporate Governance			
Paul C. Varga (55)	• Global/International	2012	Former Chairman and CEO of Brown-Forman Corporation	1
	• Retail			
	• Marketing/Brand Management			
	• Risk Management			
	• Senior Leadership			
	• Finance/Accounting			
Marna C. Whittington (71)	• Corporate Governance	1993	Former CEO of Allianz Global Investors Capital	2
	• Investment Banking			
	• Risk Management			

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PROXY SUMMARY
Our director nominees provide an effective mix of experience and fresh ideas, as well as gender, age and ethnic diversity.

<5 years

5 to <10 years

10 to <20 years

≥20 years

<50 years

50 to <60 years

60 to <70 years

≥70 years

ETHNIC
Hispanic
African American

27%
GENDER

Female

Male

45%

EXECUTIVE COMPENSATION PROGRAM

Our executive compensation program and our methodology for setting pay opportunities and approving payouts are discussed in the Compensation Discussion & Analysis (CD&A), beginning on page 30.

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ITEM 1. ELECTION OF DIRECTORS

In accordance with the recommendation of the Nominating and Corporate Governance (NCG) Committee, the Board has nominated the following individuals for election as directors. Each nominee is currently a member of the Board. If elected, each nominee will serve for a one-year term expiring at our annual meeting of shareholders in 2020 or until his or her successor is duly elected and qualified.

Information regarding the director nominees is set forth below. Ages are as of March 21, 2019. The criteria considered and process undertaken by the NCG Committee in recommending qualified director candidates is described under "Further Information Concerning the Board of Directors – Director Nomination and Qualifications."

Each nominee has agreed to serve if elected. If any nominee becomes unavailable to serve before the annual meeting, the Board may designate a substitute nominee and the persons named as proxies may, in their discretion, vote your shares for the substitute nominee. Alternatively, the Board may reduce the number of directors to be elected at the annual meeting.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH OF THE NOMINEES NAMED BELOW, AND YOUR PROXY WILL BE SO VOTED UNLESS YOU SPECIFY OTHERWISE.

NOMINEES FOR ELECTION AS DIRECTORS:

David P. Abney

Current and Past Positions:

- Chief Executive Officer of United Parcel Service, Inc. (UPS), a multinational package delivery and supply chain management company, since September 2014 and Chairman of the Board since March 2016.
- Chief Operating Officer of UPS from 2007 to 2014.
- Senior Vice President and President of UPS International from 2003 to 2007.
- Mr. Abney began his UPS career in 1974.

Key Qualifications, Experience and Attributes:

Mr. Abney has many years of leadership experience as the Chief Executive Officer of a complex, global business enterprise with a large, labor-intensive workforce. He has significant expertise in operations and logistics, and has significant international experience. Mr. Abney also has experience serving as a director of a global diversified technology and industrial company.

Chief Executive Officer and Chairman of the Board of United Parcel Service, Inc.
Age: 63
Director Since: October 2018
Committees:
- CMD

Other Current Public Directorships:
- United Parcel Service, Inc.

Other Previous Public Directorships During Last

Five Years:

- Johnson Controls International plc (until 2018)

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ITEM 1. ELECTION OF DIRECTORS

Francis S. Blake

Former Chairman and Chief Executive Officer of The Home Depot, Inc.
Age: 69
Director Since: November 2015
Committees:
- CMD
- NCG

Other Current Public Directorships:
- Delta Air Lines, Inc.
- The Procter & Gamble Company

Other Previous Public Directorships During Last Five Years:
- The Home Depot, Inc. (until 2015)

Current and Past Positions:

- Chairman of The Home Depot, Inc., a multinational home improvement retailer, from January 2007 until his retirement in February 2015.
- Chief Executive Officer of The Home Depot, Inc. from January 2007 to November 2014.
- Vice Chairman of The Home Depot, Inc. from October 2006 to January 2007.
- Executive Vice President – Business Development and Corporate Operations of The Home Depot, Inc. from 2002 to January 2007. In this position, Mr. Blake was responsible for the company’s real estate, store construction, credit services, strategic business development, growth initiatives, and international and home services businesses.
- Prior to his affiliation with The Home Depot, Inc., Mr. Blake served in a variety of executive positions at General Electric Company from 1992 to May 2001, including as Senior Vice President, Corporate Business Development in charge of all worldwide mergers, acquisitions and dispositions and identification of strategic growth opportunities.
- U.S. Deputy Secretary of Energy from May 2001 to March 2002.

Key Qualifications, Experience and Attributes:

Mr. Blake has extensive leadership experience as a former Chief Executive Officer and senior executive of large publicly-traded companies with global operations. He has extensive background in strategy and general management of large organizations and significant knowledge of the retail consumer industry, supply chain, merchandising, customer service, growth initiatives, and evolving market practices. Mr. Blake has several years of valuable experience as a public company board member and expertise in finance, risk management, strategy and governance through his service on board committees.

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ITEM 1. ELECTION OF DIRECTORS

John A. Bryant

Former Chairman, President and Chief Executive Officer of Kellogg Company
Age: 53
Director Since: March 2015
Committees:
- Audit (chair)
- Finance

Other Current Public Directorships:
- Compass PLC
- Ball Corporation

Other Previous Public Directorships During Last Five Years:
- Kellogg Company (until 2018)

Current and Past Positions:

- Chairman of the Board of Kellogg Company, a multinational cereal and snack food producer, from July 2014 to March 2018.
- Retired as President and Chief Executive Officer of Kellogg Company in October 2017 having served in that role since January 2011.
- Member of the Board of Kellogg Company from July 2010 to March 2018.
- Held various operating roles, including President Kellogg International, President Kellogg North America, and Chief Operating Officer, Kellogg Company, from December 2006 to January 2011.
- Chief Financial Officer of Kellogg Company from February 2002 to June 2004 and again from December 2006 to December 2009.
- Mr. Bryant joined Kellogg Company in 1998 and was promoted during the next four years to a number of key financial and executive leadership roles.
- Mr. Bryant was a trustee of the W. K. Kellogg Foundation Trust from 2015 to 2018.

Key Qualifications, Experience and Attributes:

Mr. Bryant has many years of leadership experience as a Chief Executive Officer, Chief Financial Officer and senior executive of a large public company with global operations. He has extensive knowledge and expertise in accounting and financial matters, branded consumer products and consumer dynamics, crisis management, international markets, people management, the retail environment and strategy and strategic planning. In addition, Mr. Bryant has several years of valuable experience as a public company board member.

Deirdre P. Connelly

Former President, North American Pharmaceuticals of

Current and Past Positions:

- President, North American Pharmaceuticals of GlaxoSmithKline, a global pharmaceutical company, from February 2009 until her retirement in February 2015.
- President – U.S. Operations of Eli Lilly and Company from June 2005 to January 2009.

GlaxoSmithKline Age: 58 Director since: January 2008 Committees: • CMD • NCG Other Current Public Directorships: • Lincoln National Corporation • Genmab A/S	• Senior Vice President – Human Resources of Eli Lilly and Company from October 2004 to June 2005. • Executive Director, Human Resources – U.S. Operations of Eli Lilly and Company from 2003 to October 2004. • Leader, Women's Health Business – U.S. Operations of Eli Lilly and Company from 2001 to 2003. Key Qualifications, Experience and Attributes: Ms. Connelly has many years of leadership experience as a senior executive of large publicly-traded companies with global operations. She has extensive knowledge and expertise in strategy, operations, product development, brand marketing and merchandising. In addition, as a former Human Resources executive, Ms. Connelly also has valuable insight in managing a large-scale, diverse workforce.

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ITEM 1. ELECTION OF DIRECTORS

Jeff Gennette

Chairman and Chief Executive Officer of Macy's, Inc.
Age: 57
Director since: June 2016

Current and Past Positions:

- Chief Executive Officer of Macy's, Inc. since March 2017, Chairman of the Board of Macy's, Inc. since January 2018.
- President of Macy's, Inc. from March 2014 to August 2017.
- Chief Merchandising Officer from February 2009 to March 2014.
- Chairman and Chief Executive Officer of Macy's West in San Francisco from February 2008 to February 2009.
- Chairman and Chief Executive Officer of Seattle-based Macy's Northwest from February 2006 to February 2008.

Key Qualifications, Experience and Attributes:
Mr. Gennette has over three decades of experience with Macy's which gives him unique insights to Macy's strategy and operations. Mr. Gennette began his retail career in 1983 as an executive trainee at Macy's West. Mr. Gennette has deep knowledge of marketing, merchandising, risk management and e-commerce with a focus on the Macy's customer.

Leslie D. Hale

President and Chief Executive Officer, RLJ Lodging Trust
Age: 46
Director since: January 2015
Committees:
- Audit
- Finance

Other Current Public Directorships:

Current and Past Positions:

- President and Chief Executive Officer of RLJ Lodging Trust, a publicly-traded lodging real estate investment trust, since August 2018.
- Executive Vice President and Chief Financial Officer of RLJ Lodging Trust from February 2013 to August 2018, Chief Operating Officer from July 2016 to August 2018 and Treasurer to July 2016.
- Chief Financial Officer, Treasurer and Senior Vice President of RLJ Lodging Trust from May 2011 to January 2013.
- Chief Financial Officer and Senior Vice President of Real Estate and Finance of RLJ Development from September 2007 until the formation of RLJ Lodging Trust in 2011.
- Vice President of Real Estate and Finance for RLJ Development from 2006 to September 2007 and Director of Real Estate and Finance from 2005 to 2006.

•	•
RLJ Lodging Trust	From 2002 to 2005, Mrs. Hale held several positions within the global financial services divisions of General Electric Company, including as a Vice President in the business development group of GE Commercial Finance, and as an Associate Director in the GE Real Estate strategic capital group. Prior to that, she was an investment banker at Goldman, Sachs & Co.

Key Qualifications, Experience and Attributes:
Ms. Hale has many years of leadership experience as a senior executive of large public companies. She has extensive knowledge and experience in a wide range of financial disciplines, including corporate finance, treasury, real estate and business development. In addition, through her positions with RLJ Lodging Trust, General Electric and Goldman Sachs, Mrs. Hale also has expertise in investor relations, risk management, long-term strategic planning and mergers and acquisitions.

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ITEM 1. ELECTION OF DIRECTORS

William H. Lenehan

President and Chief Executive Officer of Four Corners Property Trust, Inc.

Age: 42

Director since: April 2016

Committees:

- Audit
- Finance

Other Current Public Directorships:

- Four Corners Property Trust, Inc.

Other Previous Public Directorships During Last Five Years:

- Darden Restaurants, Inc. (until 2015)
- Gramercy Property Trust Inc. (until 2015)
- Stratus Properties, Inc. (until 2015)

Current and Past Positions:

- President and Chief Executive Officer of Four Corners Property Trust, Inc., a real estate investment trust, since August 2015.
- Special Advisor to the Board of Directors of EVOQ Properties, Inc., an owner of a substantial portfolio of development assets in downtown Los Angeles, California, from June 2012 to 2014.
- Interim Chief Executive Officer of MI Developments, Inc. (now known as Granite Real Estate Investment Trust), a real estate operating company with a global net lease portfolio, from June 2011 to December 2011.
- Investment Professional at Farallon Capital Management LLC, a global institutional asset management firm, from August 2001 to February 2011. At Farallon Capital Management, Mr. Lenehan was involved with numerous public and private equity investments in the real estate sector.

Key Qualifications, Experience and Attributes:

Mr. Lenehan has many years of investment and leadership experience in the real estate industry, both in public companies and private assets. Specifically, Mr. Lenehan has relevant experience in monetizing real estate held by operating companies. Mr. Lenehan has several years of valuable experience as a public company executive and board member and expertise in strategy, finance and corporate governance through his service on board committees.

Sara Levinson

Co-Founder and a Director of Katapult
Age: 68
Director since: May 1997
Committees:

- CMD
- NCG

Other Current Public Directorships:

- Harley Davidson, Inc.

Current and Past Positions:

- Co-Founder and a Director of Katapult (formerly known as Kandu), a digital entertainment company making products for today's creative generation, since April 2013.
- Non-Executive Chairman of ClubMom, Inc., an online social networking community for mothers, from October 2002 to February 2008.
- Chairman and Chief Executive Officer of ClubMom from May 2000 to September 2002.
- President of the Women's Group of publisher Rodale, Inc. from October 2002 to June 2005.
- President of NFL Properties, Inc. from September 1994 to April 2000, where she oversaw a $2 billion consumer products and e-commerce division, corporate sponsorship, marketing, special events, club services and publishing.

Key Qualifications, Experience and Attributes:
Ms. Levinson has many years of leadership experience as a former senior executive of several major consumer-oriented companies in the publishing, entertainment, and sports licensing industries. She has extensive knowledge and expertise in marketing, merchandising and trademark licensing. In addition, she has expertise in social networking, e-commerce and technology innovation. Ms. Levinson has several years of valuable experience as a public company board member and expertise in strategy, governance and executive compensation through her service on board committees.

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ITEM 1. ELECTION OF DIRECTORS

Joyce M. Roché

Former President and Chief Executive Officer of Girls Incorporated
Age: 72
Director since: February 2006
Committees:
- Audit
- NCG (chair)

Other Current Public Directorships:
- AT&T, Inc.
- Tupperware Corporation

Other Previous Public Directorships During Last Five Years:
- Dr. Pepper Snapple Group (until 2017)

Current and Past Positions:

- President and Chief Executive Officer of Girls Incorporated, a national non-profit research, education and advocacy organization, from September 2000 to May 2010.
- Independent marketing consultant from 1998 to August 2000.
- President and Chief Operating Officer of Carson Products Company from 1996 to 1998.
- Ms. Roché also held senior marketing positions with Carson Products Company, Revlon, Inc. and Avon, Inc.

Key Qualifications, Experience and Attributes:
Ms. Roché has extensive leadership experience as the former Chief Executive Officer of a national nonprofit organization and former senior executive of several consumer products companies. She has extensive knowledge and experience in general management and in the marketing and merchandising areas, as well as financial acumen developed from her executive officer positions. Ms. Roché has several years of valuable experience as a public company board member and expertise in risk, accounting, executive compensation and governance through her service on board committees.

Paul C. Varga

Current and Past Positions:

- Chairman and Chief Executive Officer of Brown-Forman Corporation, a spirits and wine company, from August 2007 until his retirement in December 2018.
-

Former Chairman and Chief Executive Officer of Brown-Forman Corporation Age: 55 Director since: March 2012 Committees: • CMD (chair) • Finance Other Current Public Directorships: • Brown-Forman Corporation	President and Chief Executive Officer of Brown-Forman Beverages (a division of Brown-Forman Corporation) from 2003 to 2005. • Global Chief Marketing Officer for Brown-Forman Spirits from 2000 to 2003. Key Qualifications, Experience and Attributes: Mr. Varga has many years of leadership experience as the Chief Executive Officer of a global, publicly-traded consumer products company. He has extensive knowledge and experience in corporate finance, strategy, building brand awareness, product development, marketing, distribution and sales. In addition, Mr. Varga has several years of valuable experience as a public company board member.

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ITEM 1. ELECTION OF DIRECTORS

Marna C. Whittington

Former Chief Executive Officer of Allianz Global Investors Capital
Age: 71
Director since: June 1993
Committees:

- Audit
- Finance (chair)

Lead Independent Director

Other Current Public Directorships:

- Oaktree Capital Group, LLC
- Phillips 66

Current and Past Positions:

- Chief Executive Officer of Allianz Global Investors Capital, a successor firm of Nicholas Applegate Capital Management, from 2002 until her retirement in January 2012. Allianz Global Investors Capital is a diversified global investment firm.
- Chief Operating Officer of Allianz Global Investors, the parent company of Allianz Global Investors Capital, from 2001 to 2011.
- Prior to joining Nicholas Applegate in 2001, Dr. Whittington was Managing Director and Chief Operating Officer of Morgan Stanley Investment Management.
- Dr. Whittington started in the investment management industry in 1992, joining Philadelphia-based Miller Anderson & Sherrerd.
- Executive Vice President and CFO of the University of Pennsylvania from 1984 to 1992. Earlier, she had been first, Budget Director, and later, Secretary of Finance, for the State of Delaware.

Key Qualifications, Experience and Attributes:

Dr. Whittington has many years of leadership experience as a former Chief Executive Officer and senior executive in the investment management industry. She has extensive knowledge and experience in management, and in financial, investment and banking matters. In addition, Dr. Whittington has several years of valuable experience as a public company board member and expertise in finance, risk, accounting, strategy and governance through her service on board committees.

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FURTHER INFORMATION CONCERNING THE BOARD OF DIRECTORS

ATTENDANCE AT BOARD MEETINGS

Our Board held six meetings during fiscal 2018. Our directors attended more than 75% of all Board and Committee meetings held during fiscal 2018 on which they served.

We expect our directors to make reasonable efforts to attend the annual meetings of shareholders. All Company directors attended our most recent annual meeting of shareholders held in May 2018.

COMMUNICATIONS WITH THE BOARD

You may communicate with the full Board, the Audit Committee, the lead independent director, the other Non-Employee Directors, or any individual director by email to Directors@macys.com or by mail to Macy's, Inc., 7 West Seventh Street, Cincinnati, Ohio 45202, Attn: Chief Legal Officer. Please indicate to whom the communication is addressed. All communications are reviewed by the Corporate Secretary's Office and are forwarded to the appropriate director(s) except those that are clearly unrelated to the duties and responsibilities of the Board or that are abusive, repetitive, in bad taste or that present safety or security concerns may be handled differently. Communications we receive that relate to accounting, internal accounting controls or auditing matters will be referred to the Audit Committee unless the communication is directed otherwise. You may communicate anonymously and/or confidentially.

INVESTOR ENGAGEMENT

We value dialogue with our shareholders and believe two-way communications help ensure that we continue to understand the perspectives of our many stakeholders. Our investors can be assured that both management and the Board understand and consider all issues that matter most to our shareholders. We conducted numerous outreach programs over the last year, including attending one-on-one or small group meetings with investors, as well as telephone calls to discuss the Company's strategy and performance, governance and business matters and other topics. These discussions included members of senior management and, as appropriate, our lead independent director. We offer shareholders a variety of avenues to communicate with the Company and members of the Board, including through our investor relations website, our quarterly earnings webcasts, and our annual shareholders meeting.

DIRECTOR INDEPENDENCE

Our Corporate Governance Principles require a majority of the Board consist of directors who the Board has determined are independent and do not have any material relationship with Macy's. Accordingly, the Board has adopted Standards for Director Independence to assist the Board in determining director independence. Listed below are these standards which are also disclosed on our website at www.macysinc.com/investors/ corporate-governance/governance-documents:

- The director may not be an employee and no member of the director's immediate family may be an executive officer of Macy's or any of its subsidiaries, currently or within the preceding 36 months. For purposes of these standards, "immediate family" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares the person's home.
- The director or any member of his or her immediate family may not receive, or have received, during any 12-month period within the preceding 36 months, direct compensation of more than $120,000 per year from Macy's or any of its subsidiaries. Exceptions include director and committee fees and pension or other forms of deferred compensation for prior service that is not contingent on continued service or, in the case of an immediate family member, compensation for service as a non-executive employee.

- The director is not a current partner or employee of a firm that is Macy’s internal or external auditor; no member of the director’s immediate family is a current partner of such firm, or an employee of such

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FURTHER INFORMATION CONCERNING THE BOARD OF DIRECTORS

a firm and personally works on Macy’s audit; or neither the director nor any member of his or her immediate family was within the last three years a partner or employee of such a firm and personally worked on Macy’s audit within that time.

- The director is not a current employee and no member of his or her immediate family is a current executive officer of a company that makes payments to, or receives payments from, Macy’s for property or services in any of the last three fiscal years in an amount which exceeds the greater of $1 million or 2% of the other company’s consolidated gross revenues.

- The director does not serve as an executive officer of a charitable or non-profit organization to which Macy’s has made contributions that, in any of the last three fiscal years, exceed the greater of $1 million or 2% of the charitable or non-profit organization’s consolidated gross revenues.

- Neither the director nor a member of the director’s immediate family is employed as an executive officer (and has not been employed for the preceding 36 months) by another company where any

of Macy’s present executive officers at the same time serves or served on that company’s compensation committee.

Our Board has determined that each of the following Non-Employee Director nominees qualifies as independent under New York Stock Exchange (NYSE) rules and satisfies our Standards for Director Independence: David Abney, Francis Blake, John Bryant, Deirdre Connelly, Leslie Hale, William Lenehan, Sara Levinson, Joyce Roché, Paul Varga and Marna Whittington.

The NCG Committee reviewed each director’s employment status and other board commitments and, where applicable, each director’s (and his or her immediate family members’) affiliation with consultants, service providers or suppliers of the Company. With respect to each Non-Employee Director, the NCG Committee determined that either the director was not providing goods or services to the Company or the amounts involved were below the monetary thresholds set forth in the Standards for Director Independence as noted above.

BOARD LEADERSHIP STRUCTURE

Our Corporate Governance Principles provide that our Board is free to elect its Chairman and the Chief Executive Officer (CEO) in the manner the Board considers to be in the best interests of the Company. At any given point in time, these positions may be held by one individual or by two different individuals. If the Chairman is not an independent director, the Board will designate a lead independent director.

Our Chairman and CEO functions have historically been performed by a single individual. In March 2017, the Board elected Mr. Gennette as Chief Executive Officer and determined that Terry Lundgren, who had served as Chairman and CEO until his retirement as CEO in March 2017, would retain the Chairman of the Board title as part of the Board’s succession plan that included Mr. Gennette’s election as President in 2014. Mr. Lundgren retired from the Board of Directors effective January 31, 2018 at which time the Board appointed Mr. Gennette to the additional position of Chairman of the Board. Our Board believes this combined leadership model works well. When combined with the current composition of the Board, the use of a lead independent director, and the other elements of our corporate governance structure, the combined CEO and Chairman position strikes an appropriate balance between strong and consistent leadership and independent and effective oversight of our business and affairs.

Mr. Gennette is an experienced retail executive and long-time employee with several years of board experience. As CEO he has the primary responsibility of developing corporate strategy and managing our day-to-day business operations. As a board member, he understands the responsibilities and duties of a director and is well positioned to 1) chair regular Board meetings; 2) provide direction to management regarding the needs, interests and opinions of the Board; and 3) help ensure that key business issues and shareholder matters are brought to the attention of the Board. As both CEO and Chairman, Mr. Gennette promotes unified leadership and direction for the Board and management.

In addition, strong corporate governance structure and process ensures our independent directors will continue to effectively oversee management and key issues such as strategy, risk and integrity. Board committees are comprised solely of independent directors. As such, independent directors oversee critical matters, including the integrity of our financial statements, the compensation of our CEO and management executives, financial commitments for capital projects, the selection and annual evaluation of directors, and the development and implementation of corporate governance programs.

Our Board and each Board committee have complete and open access to any member of management and the authority to retain independent legal, financial and other advisors as appropriate. The Non-Employee

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Directors, all of whom are independent, meet in executive session without management either before or after regularly scheduled Board and Board committee meetings to discuss various issues and matters including the effectiveness of management, as well as our performance and strategic plans.

LEAD INDEPENDENT DIRECTOR

In December 2015, our Board transitioned from a presiding director structure to a lead independent director, significantly increasing the duties and responsibilities of the lead independent director role. Marna Whittington, who was our presiding director, has been designated as the lead independent director for a term ending in May 2019.

Accordingly, our Board adopted a Lead Independent Director Policy. Under this policy, the lead independent director has the following responsibilities:

Functions as Liaison with the Chairman and/or the CEO

- Serves as liaison between the independent directors and the Chairman and/or the CEO (although all directors have direct and complete access to the Chairman and/or CEO at any time as they deem necessary or appropriate)
- Communicates Board member feedback to the Chairman and/or CEO

Board Membership and Performance Evaluation

- Provides input, when appropriate, to the chair of the NCG Committee with respect to the annual Board and committee evaluation process
- Advises the NCG Committee and Chairman on the membership of the various Board committees and the selection of committee chairpersons

Meetings of Independent Directors

- Has the authority to call meetings of the independent directors
- Approves the agenda for executive sessions of the independent directors

Shareholder Communication

- Is regularly apprised of inquiries from shareholders and involved in correspondence responding to these inquiries, when appropriate
- If requested by shareholders or other stakeholders, ensures that he/she is available, when appropriate, for consultation and direct communication

Presides at Executive Sessions/Committee Meetings

- Presides at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors

Approves Appropriate Provision of Information to the Board Such as Board Meeting Agendas and Schedules

- Consults with the Chairman on, and approves when appropriate, the information sent to the Board, including the quality, quantity and timeliness of such information, as well as approving meeting agendas
- Facilitates the Board’s approval of the number and frequency of meetings, and approves meeting schedules to ensure there is adequate time for discussion of all agenda items

The lead independent director is selected from among the Non-Employee Directors. The chair of the NCG Committee and management discuss candidates for the lead independent director position, and consider many of the same types of criteria as candidates for the chair of Board committees including:

- Tenure
- Previous service as a Board committee chair
- Diverse experience
- Participation in and contributions to activities of the Board
- Ability and willingness to commit adequate time to the role

The chair of the NCG Committee recommends for consideration by the NCG Committee a nominee for lead independent director every two years at its regularly scheduled meeting in May (or as required to address any vacancy in the position). If the NCG Committee approves the nominee, it will recommend the Board elect the nominee as lead independent director at its next regularly scheduled meeting.

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RISK OVERSIGHT

Enterprise Risk Assessment

We have an enterprise risk management program that identifies and prioritizes enterprise risks. At Board and committee meetings throughout the year, management discusses the risk exposures identified as being most significant to the Company and actions that management may take to monitor the exposures. The Audit Committee discusses with management the risk assessments and risk management policies relating to a variety of risks, including certain financial, operational, IT and compliance risks. The chairman of the Audit Committee updates the full Board on these discussions.

The Audit Committee, and the full Board when appropriate, receives regular updates from management on IT security, internal and external security reviews, data protection, risk assessments, breach preparedness and response plans in overseeing our cybersecurity risk management program.

Compensation Risk Assessment

The Compensation and Management Development (CMD) Committee considers risks associated with our compensation programs. As part of its ongoing independent executive compensation advisory role, Frederic W. Cook & Co., Inc., referred to as FW Cook, continually evaluates the potential for unintended risks associated with the design of our executive compensation program.

At the direction of the CMD Committee, FW Cook completed a comprehensive review of our compensation programs in fiscal 2010. This review was followed by updated assessments every year thereafter to determine whether potential risk exist and whether there were design factors that mitigated potential risk areas. Following each review, including the 2018 review, FW Cook concluded our compensation programs are well-designed and do not encourage behaviors that would create material risk for the Company. FW Cook also noted there are a number of positive features in our programs that mitigate risk and protect against the potential for unintended consequences.

In reaching this conclusion, FW Cook noted the following features of our compensation programs:

- Pay philosophy, peer group and market positioning to support our business objectives are appropriate

- The programs have an effective balance in the mix of cash and equity compensation and measure performance against both annual and multi-year standards

- Performance goals are set at levels that are sufficiently high to encourage strong performance, but with a reasonable probability of achievement to discourage excessively risky business strategies

- Multiple performance metrics in the annual and long-term incentive programs focus participants on growth, profitability, asset efficiency and strategic priorities, as well as absolute and relative stock price appreciation

- The CMD Committee can reduce amounts earned under the annual incentive program to reflect a subjective evaluation of the quality of earnings, individual performance and other factors that influence earned compensation

- Meaningful risk mitigators are in place, including 1) substantial stock ownership guidelines and retention ratios; 2) the three-year relative TSR performance goal in the performance share program; 3) compensation clawback provisions; 4) anti-hedging/pledging policies; and 5) independent CMD Committee oversight

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COMMITTEES OF THE BOARD

The following standing committees of the Board were in existence throughout fiscal 2018: Audit Committee, Compensation and Management Development (CMD) Committee, Finance Committee, and Nominating and Corporate Governance (NCG) Committee.

Audit Committee – John A. Bryant – Leslie D. Hale – William H. Lenehan – Joyce M. Roché – Marna C. Whittington Number of Meetings in Fiscal 2018: 6	The Audit Committee was established in accordance with the applicable requirements of the Securities Exchange Act of 1934 and the NYSE. Its charter is available on our website at www.macysinc.com/investors/corporate-governance/governance-documents.All current members of the Audit Committee are independent under our Standards for Director Independence and the NYSE independence standards and applicable SEC rules. The Board has determined that all members are financially literate for purposes of NYSE listing standards, and that Mr. Bryant qualifies as an “audit committee financial expert” because of his business experience, understanding of generally accepted accounting principles and financial statements, and educational background. Responsibilities • reviewing the professional services provided by our independent registered public accounting firm and the independence of the firm • reviewing the scope of the audit • reviewing and approving any proposed non-audit services by our independent registered public accounting firm • reviewing our annual financial statements, systems of internal controls, and legal compliance policies and procedures • discussing our risk assessment and risk management policies • monitoring the functions of our Compliance and Ethics organization • reviewing with members of our internal audit staff the internal audit department’s staffing, responsibilities and performance, including its audit plans and audit results See “Report of the Audit Committee” for further information regarding certain reviews and discussions undertaken by the Audit Committee.

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Compensation and Management Development Committee – Paul C. Varga – David Abney – Francis S. Blake – Deirdre P. Connelly – Sara Levinson Number of Meetings in Fiscal 2018: 6	The charter for the CMD Committee is available on our website at www.macysinc.com/investors/corporate-governance/governance-documents. All current members of the CMD Committee are independent under our Standards for Director Independence and the NYSE independence standards and applicable SEC rules, are "non-employee directors" under Rule 16b-3 of the Securities Exchange Act of 1934, and are "outside directors" within the meaning of the term for purposes of Section 162(m) of the Internal Revenue Code, as in effect prior to the changes made in connection with December 2017 tax reform. Responsibilities • recommending to the Board annual compensation for our chief executive officer, and determining for other executive officers their annual compensation opportunity including salary, target bonus and target equity compensation • administering our incentive and equity plans, including 1) establishing annual or long-term performance goals and objectives and threshold and maximum annual or long-term incentive awards for the executive officers; 2) determining whether and the extent to which annual and/or long-term performance goals and objectives have been achieved; and 3) recommending or determining related annual and/or long-term incentive award payouts for our CEO and other executive officers, respectively • reviewing and approving any proposed severance, termination or retention plans, agreements or payments applicable to, any of our executive officers • advising and consulting with management regarding our employee benefit programs • establishing executive succession plans, including plans in the event of an emergency, resignation or retirement • delegating its authority and responsibility, as it deems appropriate, to a subcommittee or one or more officers of the Company as permitted by law
Finance Committee – Marna C. Whittington – John A. Bryant – Leslie D. Hale – William H. Lenehan – Paul C. Varga	The charter for the Finance Committee is available on our website at www.macysinc.com/investors/corporate-governance/governance-documents. All current members of the Finance Committee are independent under our Standards for Director Independence. Responsibilities • reviewing and approving capital projects and other financial commitments above $25 million and below $50 million, reviewing and making recommendations to the Board with respect to approval of all such projects and commitments of $50 million and above, and

Number of Meetings in Fiscal 2018: 6	reviewing and tracking the actual progress of approved capital projects against planned projections

- reporting to the Board on potential transactions affecting our capital structure, such as financings, re-financings and issuances, redemptions or repurchases of debt or equity securities
- reporting to the Board on potential material changes in our financial policy or structure
- reviewing and approving the financial considerations relating to acquisitions of businesses and operations involving projected costs, and sales or other dispositions of assets, real estate and other property, above $25 million and below $50 million, and recommending to the Board on all transactions involving projected costs or proceeds of $50 million and above
- reviewing the management and performance of our retirement plans

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Nominating and Corporate Governance Committee – Joyce M. Roché – Francis S. Blake – Deirdre P. Connelly – Sara Levinson Number of Meetings in Fiscal 2018: 5	The charter for the NCG Committee is available on our website at www.macysinc.com/investors/corporate-governance/governance-documents. All current members of the NCG Committee are independent under our Standards for Director Independence and the NYSE independence standards and applicable SEC rules. Responsibilities • identifying and screening candidates for Board membership • proposing nominees for election to the Board by shareholders at annual meetings • reviewing and recommending modifications to our Corporate Governance Principles • overseeing the annual evaluation of and reporting to the Board on the performance and effectiveness of the Board and its committees, and recommending to the Board any changes concerning the composition, size, structure and activities of the Board and its committees • reviewing, reporting and recommending to the Board with respect to director compensation and benefits • considering possible Board and management conflicts of interest and making recommendations to prevent, minimize, or eliminate such conflicts of interest • oversee our programs, policies and practices relating to charitable, political, social and environmental issues, impacts and strategies The NCG Committee reviews our director compensation program periodically. To perform its responsibilities, the NCG Committee makes use of company resources, including members of senior management in our human resources and legal departments. The NCG Committee also engages the services of FW Cook, our independent compensation consultant, to assist the Committee in assessing the competitiveness and overall appropriateness of our director compensation program.

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DIRECTOR NOMINATION AND QUALIFICATIONS

Our By-Laws provide that director nominations may be made by or at the direction of the Board. The NCG Committee is charged with identifying potential Board members and recommending qualified individuals to the Board for its consideration. The NCG Committee is authorized to employ third-party search firms to identify potential candidates. In evaluating candidates, the NCG Committee considers, among other things:

- personal qualities and characteristics, accomplishments and reputation in the business community
- knowledge of the retail industry or other industries relevant to our business
- relevant experience and background that would benefit the Company
- ability and willingness to commit adequate time to Board and committee matters
- the fit of the individual’s skills and personality with those of other directors and potential directors in building a Board that is effective, collegial and responsive to our needs
- diversity of viewpoints, background, experience and demographics

The NCG Committee also considers whether individuals satisfy the independence criteria set forth in the NYSE listing standards and our Standards for Director Independence, together with any special criteria applicable to service on various standing committees of the Board. The NCG Committee does not have a formal policy with respect to diversity. Our Board and the NCG Committee do believe that it is desirable that Board members represent diversity of gender, race and national origin, as well as diversity of viewpoints, background, experience and demographics.

Since 2006, the NCG Committee has retained an independent director search firm, Heidrick & Struggles, to identify and evaluate potential director candidates. The firm provides background information on potential candidates and, if directed, makes initial contact with potential candidates to assess their interest in becoming a director of Macy’s. The NCG Committee members, the CEO, and at times other members of the Board and/or senior management, meet with and interview potential candidates. Mr. Abney, who is standing for election by shareholders for the first time, was recommended to the NCG Committee by the director search firm.

The NCG Committee generally identifies nominees by first assessing whether the current members of the Board continue to provide the appropriate mix of knowledge, skills, judgment, experience, differing viewpoints and other qualities necessary to the Board’s ability to oversee and guide the business and affairs of the Company. The Board generally nominates for re-election current members of the Board who are willing to continue in service, collectively satisfy the criteria listed above and are available to devote sufficient time and attention to the affairs of the Company. When the NCG Committee seeks new candidates for director roles, it seeks individuals with qualifications that will complement the experience, skills and perspectives of the other members of the Board. The full Board 1) considers candidates that the NCG Committee recommends; 2) considers the optimum size of the Board; 3) determines how to address any vacancies on the Board; and 4) determines the composition of all Board committees.

Below we identify and describe the key experience, qualifications and skills the NCG Committee and Board consider in determining if a director is qualified. The experience, qualifications, attributes and skills that the Board considered in the re-nomination of our directors are reflected in their individual biographies beginning on page 5 and the skills matrix beginning on page 21. The matrix is a summary; it does not include all the skills, experiences and qualifications that each director nominee offers, and if a particular experience, skill or qualification is not listed should not signal that a director does not possess that skill.

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Leadership Experience:	Directors with experience in significant senior leadership positions with large organizations over an extended period provide the Company with special insights. Strong leaders bring vision, strategic agility, diverse and global perspectives and broad business insight to the Company. These individuals demonstrate a practical understanding of how large organizations operate, including the importance of succession planning, talent management and how employee and executive compensation is set. They possess skills for managing change and growth and demonstrate a practical understanding of organizations, operations, processes, strategy, risk management and methods to drive growth. The relevant leadership experience we seek includes a past or current leadership role in a major public company or recognized privately-held entity, especially CEO, president or other senior-level positions; a past or current leadership role at a prominent educational institution or senior faculty position in an area of study important or relevant to the Company; a past elected or appointed senior government position; or a past or current senior managerial or advisory position with a highly visible nonprofit organization.
Finance Experience:	An understanding and comprehension of finance and related reporting processes is important for directors. We measure our operating and strategic performance by reference to financial goals, including for purposes of executive compensation. Accurate financial reporting is critical to our success. Directors who are financially literate are better able to analyze our financial statements, capital structure and complex financial transactions and ensure the effective oversight of the Company's financial measures and internal control processes.
Industry Knowledge and Global Business Experience:	We seek directors with experience as executives, directors or in other leadership positions in areas relevant to the global retail industry. We value directors with an international business perspective and those with experience in our high priority areas, including consumer products, customer service, licensing, human resource management and merchandising (including e-commerce and other channels of commerce).
Sales and Marketing Experience:	Directors who have interacted with consumers, particularly in the areas of marketing, marketing-related technology, advertising or otherwise selling products or services to consumers, provide valuable insights to the Company. They understand consumer needs and are experienced in identifying and developing marketing campaigns that might resonate with consumers, the use of technology and emerging and non-traditional marketing media (such as social media, viral marketing and e-commerce), and identifying potential changes in consumer trends and buying habits.
Technology Experience:	Directors with an understanding of technology as it relates to the retail industry, marketing and/or governance to help the Company focus its efforts in developing and investing in new technologies.
Real Estate Experience:	Directors with an understanding of real estate investment and development to assist the Company in developing and executing our business strategies to leverage our large portfolio of stores and distribution centers.
Public Company Board Experience:	Directors who have experience on other public company boards develop an understanding of corporate governance trends affecting public companies and the extensive and complex oversight responsibilities associated with the role of a public company director. They also bring to the Company an understanding of diverse

business processes, challenges and strategies.

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SKILLS MATRIX

Area of Experience	Abney	Blake	Bryant	Connelly	Gennette	Hale	Lenehan	Levinson	Roché	Varga	V
Leadership Experience											
– CEO/President/senior executive of public company											
– Senior advisor to leading financial services firm											
– Senior government position or appointment											
– Senior-level executive position with nonprofit organization											
– Senior-level executive positions with companies that have grown their businesses through mergers and acquisitions											
Finance Experience											
– Financially literate											
– Specific experience in investment or banking matters or as a current or former CFO											

–
Has served as an audit committee financial expert

Industry Knowledge and Global Business Experience

–
Senior executive or director of substantial business enterprise engaged in merchandising, licensing, consumer products and/or consumer and customer service

–
Experience in human resource management

Sales and Marketing Experience

–
Experience in sales and/or marketing, including use of social media, e-commerce and other alternative channels

Technology Experience

–
Understanding of technology as it relates to retail and/or marketing

–
IT Governance

Real Estate Experience

–
Senior-level executive position with real estate investment company or developer

Public Company Board Experience

–
Experience on boards other than Macy’s

Collectively, the composition of our Board reflects a wide range of viewpoints, thought leadership, background, experience and demographics, and includes individuals from a variety of professional disciplines in the business sectors, with leadership experience at well-regarded commercial enterprises and nonprofit organizations.

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DIRECTOR NOMINATIONS BY SHAREHOLDERS

Our NCG Committee will consider candidates for nomination recommended by our shareholders and will evaluate candidates using the same criteria as candidates identified by the NCG Committee. Shareholder nominations should be submitted in writing to the Nominating and Corporate Governance Committee, c/o Elisa D. Garcia, Secretary, Macy’s, Inc., 7 West Seventh Street, Cincinnati, Ohio 45202. The full name and address of the proposed candidate, a description of the proposed candidate’s qualifications and any other relevant biographical information should be included in the nomination

Advance Notice By-Law. The advance notice provision of our By-Laws requires shareholders who nominate candidates to deliver written notice to the Secretary of Macy’s not less than 60 days prior to the meeting of shareholders. If the date of the meeting is not publicly announced by us in a report filed with the SEC, furnished to shareholders, or in a press release at least 75 days prior to the meeting date, the nomination must be delivered to the Secretary of Macy’s not later than the close of business on the 10th day following the announcement of the meeting date. The advance notice provision requires the shareholder to submit specific information concerning itself and the proposed nominee, including ownership information, name and address, and appropriate biographical information about and qualifications of the proposed nominee.

The presiding officer of the meeting may refuse to acknowledge a nomination not made in compliance with these requirements. Similar procedures prescribed by the By-Laws are also applicable to shareholders who bring any other business before an annual meeting of the shareholders. See “Submission of Future Shareholder Proposals.”

Proxy Access By-Law. The proxy access provision in our By-Laws allows an eligible shareholder or group of no more than 20 eligible shareholders that has maintained continuous ownership of 3% or more of our common stock for at least three years to include in our proxy materials for an annual meeting of shareholders a number of director nominees up to the greater of two or 20% of the directors then in office. An eligible shareholder must maintain the required 3% beneficial ownership at least until the annual meeting at which the proponent’s nominee will be considered. Proxy access nominees who withdraw or who do not receive at least a 25% vote in favor of election will be ineligible as a
nominee for the following two years. If any shareholder proposes a director nominee under our advance notice provision, we are not required to include any proxy access nominee in our proxy statement for the annual meeting. The shareholder is required to provide the information about itself and the proposed nominee(s) as indicated in the proxy access provision of our By-Laws. The required information must be in writing and delivered by personal delivery, overnight express courier or U.S. mail, postage pre-paid, addressed to the Secretary of Macy’s as follows:

- received no earlier than the close of business on the 150th calendar day prior to the one-year anniversary of the mailing date of the previous year’s proxy statement; and
- not later than the close of business on the 120th calendar day prior to the one-year anniversary of the mailing date of the previous year’s proxy statement.

If the scheduled annual meeting date differs from the anniversary date of the prior year’s annual meeting by more than 30 calendar days, the required information must be in writing and provided to the Secretary of Macy’s as follows:

- received no earlier than the close of business on the 120th calendar day prior to the date of the annual meeting; and
- not later than the close of business on the 60th calendar day prior to the annual meeting; or
- if public announcement of the date of the annual meeting is not made at least 75 calendar days prior to the date of the annual meeting, notice must be received not later than the close of business on the 10th calendar day following the day

on which public announcement is first made.

For purposes of this By-Law, “close of business” means 5:00 p.m. Eastern Time on any calendar day, whether or not a business day, and “principal executive offices” means 7 West Seventh Street, Cincinnati, Ohio 45202.

We are not required to include any proxy access nominee in our proxy statement if the nomination does not comply with the proxy access requirements of our By-Laws.

RETIREMENT POLICY

Our Corporate Governance Principles provide for a mandatory retirement age of 74. Our directors are required to resign from the Board as of the annual meeting following their 74th birthday.

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RESIGNATION POLICY

The Board does not believe that a Non-Employee Director who retires or experiences an employment position change since becoming a Board member should necessarily resign from the Board. The Board requires, however, that promptly following such an event, the director notify the NCG Committee in writing and tender his or her resignation to the Committee for consideration.

Upon receipt of the notification of a change in status, the NCG Committee will review the continued appropriateness of the director remaining on the Board under the changed circumstances and recommend to the full Board whether to accept the resignation based on its assessment of what is best for the Company and its shareholders.

CORPORATE GOVERNANCE PRINCIPLES AND CODE OF BUSINESS CONDUCT AND ETHICS

Our Corporate Governance Principles and Code of Conduct, both of which apply to our principal executive officer, principal financial officer and principal accounting officer, as well as our Non-Employee Director Code of Business Conduct and Ethics, are available on our website at
www.macysinc.com/investors/ corporate-governance/governance-documents.

Shareholders may obtain copies of these documents and the charters for the Board committees, without charge, by sending a written request to: Secretary, Macy's, Inc., 7 West Seventh Street, Cincinnati, Ohio 45202.

FISCAL 2018 DIRECTOR COMPENSATION PROGRAM

Non-Employee Directors were entitled to receive the following compensation in fiscal 2018:

Type of Compensation	Amount of Compensation
Board Retainer	$80,000 annually
Committee Chair Retainer	$20,000 annually
Committee (non-chair) Member Retainer	$10,000 annually
Lead Independent Director Retainer	$25,000 annually
Equity Grant	Annual award of restricted stock units with a value of $155,000
Matching Philanthropic Gift	Up to $1,000 annually

A Non-Employee Director may elect to defer all or a portion of his or her cash compensation into either stock credits or cash credits under the Director Deferred Compensation Plan. Those amounts are not paid until Board service ends. Stock credits are calculated monthly and shares of Macy's common stock associated with the stock credits are transferred quarterly to a rabbi trust for the benefit of the participating Non-Employee Director. Dividend equivalents on amounts deferred as stock credits are "reinvested" in additional stock credits. Compensation deferred as cash credits earns interest at an annual rate equal to the yield (percent per annum) on 30-Year Treasury Bonds as of December 31 of the prior plan year.

On the date of the 2018 annual meeting, Non-Employee Directors received a grant of restricted stock units with a market value of approximately $155,000. The restricted stock units generally vest at the earlier of 1) the first anniversary of the grant or 2) the next annual meeting of shareholders. Upon vesting, receipt of shares in payment of the restricted stock units is automatically deferred as stock credits under the Director Deferred Compensation Plan. Dividend equivalents on these stock credits are "reinvested" in additional stock credits. The stock credits are paid in shares of Macy's common stock six months after the director's Board service ends.

Non-Employee Directors and retired Non-Employee Directors may participate in the Company's philanthropic matching gift program on the same terms as all regular employees. Macy's matches up to a total of $1,000 of gifts made by the director to qualifying charities in any calendar year.

Each Non-Employee Director and his or her spouse and eligible dependents receive the same merchandise discount on merchandise purchased at our stores that is available to all regular employees. This benefit remains available to them following retirement from the Board.

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DIRECTOR RETIREMENT PLAN

We terminated our retirement plan for Non-Employee Directors on a prospective basis effective May 16, 1997 (Plan Termination Date). Individuals who first became Non-Employee Directors after the Plan Termination Date are not entitled to receive any benefit from the plan.

Individuals who were Non-Employee Directors as of the Plan Termination Date are entitled to receive retirement benefits accrued as of the Plan Termination Date. They are entitled to receive an annual payment equal to the amount of the annual Board retainer earned immediately prior to retirement, payable in monthly installments, commencing at retirement and continuing for the lesser of the person's remaining life or a number of years equal to the person's years of Board service prior to the Plan Termination Date. There are no survivor benefits under the terms of the retirement plan.

Ms. Whittington is the only current Non-Employee Director that participates in the plan. If she had retired on December 31, 2018, she would have been entitled to a $80,000 annual payment for a maximum of four years.

FISCAL 2018 DIRECTOR COMPENSATION PROGRAM REVIEW

During fiscal 2018, the NCG Committee engaged FW Cook to review the design and competitiveness of our compensation program for Non-Employee Directors. FW Cook looked at current overall trends in director compensation and analyzed the competitiveness of the current compensation program for Non-Employee Directors using the following 14-company peer group, which is the same peer group the CMD Committee uses in connection with its review of the compensation of the Named Executive Officers: Bed, Bath & Beyond, Best Buy, Dillard's, Dollar Tree, Gap, Hudson's Bay, J.C. Penney, Kohl's, L Brands, Lowe's Companies, Nordstrom, Ross Stores, Target and TJX Companies.

FW Cook determined the structure of the Non-Employee Director compensation program is aligned with the peer group and corporate governance "best practice" and, therefore, did not propose changes to the structure of the program. It also determined that the value of our Non-Employee Director total compensation (both cash and equity compensation) is between the median and 75th percentile of the peer group. FW Cook noted that our lead independent director retainer falls between the 25th percentile and median of the peer group and that the competitive positioning of our annual committee chair retainers varies, ranging from the 25th to the 75th percentile of the peer group.

Upon the recommendation of the NCG Committee, the Board approved an increase of the lead independent director retainer from $25,000 to $30,000 annually and an increase in the annual retainers of the Committee chairs from $20,000 to $25,000, effective as of the beginning of fiscal 2019.

FISCAL 2018 NON-EMPLOYEE DIRECTOR COMPENSATION TABLE

The following table reflects the compensation earned by each Non-Employee Director for fiscal 2018.

Mr. Gennette did not receive separate compensation for service as a Director.

2018 Non-Employee Director Compensation Table

Name	Fees Earned or Paid in Cash(1) ($)	Stock Awards(2) ($)	Changes in Pension Value and Nonqualified Deferred Compensation Earnings(3) ($)	All Other Compensation(4) ($)	Totals ($)
David P. Abney	37,500	77,497	0	0	114,997
Francis S. Blake	100,000	154,993	0	1,994	256,987
John A. Bryant	110,000	154,993	0	9,008	274,001

Deirdre P. Connelly	100,000	154,993	0	1,535	256,528
Leslie D. Hale	100,000	154,993	0	1,716	256,709
William H. Lenehan	100,000	154,993	0	759	255,752
Sara Levinson	100,000	154,993	0	1,948	256,941
Joyce M. Roché	110,000	154,993	0	2,981	267,974
Paul C. Varga	110,000	154,993	0	1,845	266,838
Marna C. Whittington	135,417	154,993	38,155	7,689	336,254

(1)
All cash compensation is reflected in the “Fees Earned or Paid in Cash” column, whether paid currently in cash or deferred under the Director Deferred Compensation Plan.

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FURTHER INFORMATION CONCERNING THE BOARD OF DIRECTORS

(2)

The Non-Employee Directors other than Mr. Abney received 4,564 restricted stock units on May 18, 2018, valued at $33.96 per share, which was the closing price of our common stock on the grant date. With respect to Non-Employee Directors elected after the annual meeting date, our practice has been to grant restricted stock units valued at 50% of the annual grant if the director is elected within six months after the annual meeting. Pursuant to that practice, Mr. Abney received 2,342 restricted stock units on October 25, 2018, valued at $33.09 per share, which was the closing price of our common stock on the grant date. The following table shows the number of stock options, deferred stock unit credits and restricted stock units held by each of the Non-Employee Directors as of the end of fiscal 2018:

Name	Stock Options Exercisable (#)	Stock Options Unexercisable (#)	Deferred Stock Unit Credits (#)	Restricted Stock Units (#)
Abney	0	0	0	2,342
Blake	0	0	14,371	4,564
Bryant	0	0	22,987	4,564
Connelly	10,000	0	36,302	4,564
Hale	0	0	20,071	4,564
Lenehan	0	0	21,072	4,564
Levinson	0	0	68,773	4,564
Roché	10,000	0	77,112	4,564
Varga	0	0	25,264	4,564
Whittington	0	0	72,380	4,564

(3)

The present value of benefits under the retirement plan for Ms. Whittington was determined as a deferred temporary life annuity based on years of Board service prior to May 16, 1997. The present value of benefits was determined using an effective discount rate of 4.10%. Base mortality rates are the RP-2014 White Collar mortality table adjusted to back out estimated mortality improvements from 2006 to the measurement date using MP-2014, and then projected forward to the measurement date using MP-2018. Mortality is projected generationally from the measurement date using scale MP-2018. Scale MP-2018 defines how future mortality improvements are incorporated into the projected mortality table and is based on a blend of Social Security experience and the long-term assumption for mortality improvement rates by the Society of Actuaries' Retirement Plans Experience Committee. The calculations assume that the annual cash retainer remains at $80,000 (the retainer at the end of fiscal 2018) and a retirement at age 74, the mandatory retirement age for Directors as of the end of fiscal 2018.

(4)

"All Other Compensation" consists of the items shown below. Merchandise discounts are credited to the Directors' Macy's charge accounts.

Name	Merchandise Discount ($)	Matching Philanthropic Gift ($)	Total ($)
Abney	0	0	0

Blake	1,994	0	1,994
Bryant	8,008	1,000	9,008
Connelly	1,535	0	1,535
Hale	716	1,000	1,716
Lenehan	759	0	759
Levinson	1,948	0	1,948
Roché	1,981	1,000	2,981
Varga	845	1,000	1,845
Whittington	6,689	1,000	7,689

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DIRECTOR STOCK OWNERSHIP GUIDELINES; HEDGING/PLEDGING POLICY

The Board has adopted stock ownership guidelines for Non-Employee Directors. Under these guidelines, Non-Employee Directors are required to own Macy's common stock equal in value to five times the annual Board retainer and maintain this ownership level for their Board tenure. As of fiscal 2019, the annual Board retainer is $80,000. The guideline currently is $400,000 worth of our common stock. Shares counted toward this requirement include:

- any shares beneficially owned by the director or immediate family members of the director
- time-based restricted stock or restricted stock units, whether or not vested
- stock credits or other stock units credited to a director's account

Stock subject to unvested or unexercised stock options granted to Non-Employee Directors does not count toward the ownership requirement. Non-Employee Directors must comply with these guidelines within five years from the date the director's Board service commenced. Each Non-Employee Director who has reached his or her ownership guideline date has satisfied the ownership requirement. In addition to these stock ownership guidelines, the restricted stock units granted to Non-Employee Directors each year are automatically deferred upon vesting under the Director Deferred Compensation Plan until six months after termination of Board service.

The Non-Employee Directors are covered by our policy which prohibits directors, officers and other participants in our long-term incentive plan from engaging in hedging and pledging transactions. The policy is described in greater detail on page 48.

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ITEM 2. RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed KPMG LLP, an independent registered public accounting firm, to audit Macy's financial statements for the fiscal year ending February 1, 2020. KPMG LLP and its predecessors have served as our independent registered public accounting firm since 1988. Representatives of KPMG LLP are expected to be present at the annual meeting, will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions. The Audit Committee has asked the Board to submit to shareholders a proposal to ratify the appointment of KPMG LLP.

FEES PAID TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The table below summarizes the fees paid to KPMG LLP during fiscal 2018 and fiscal 2017:

Year	Audit Fees ($)	Audit-Related Fees ($)	Tax Fees ($)	All Other Fees ($)	Total ($)
2018	3,908,470	479,080	75,717	0	4,463,267
2017	4,696,530	543,080	50,520	0	5,290,130

Audit fees represent fees for professional services rendered for the audit of our annual financial statements, the audit of our internal controls over financial reporting and the reviews of the interim financial statements included in our Forms 10-Q.

Audit-related fees represent professional services principally related to the audits of financial statements of employee benefit plans, audits of financial statements of certain subsidiaries and certain agreed upon procedures reports.

Tax fees represent professional services related to tax compliance and consulting services.

The Audit Committee has adopted policies and procedures for the pre-approval of all permitted non-audit services provided by our independent registered public accounting firm. All permitted non-audit services were pre-approved pursuant to this policy. A description of the policies and procedures is attached as Appendix A to this proxy statement and incorporated herein by reference.

The Board of Directors unanimously recommends that you vote FOR ratification of the appointment of KPMG LLP, and your proxy will be so voted unless you specify otherwise.

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REPORT OF THE AUDIT COMMITTEE

The Board has adopted a written Audit Committee Charter. All members of the Audit Committee are independent, as defined in Sections 303A.06 and 303A.07 of the NYSE’s listing standards.

The Audit Committee has reviewed and discussed with Macy’s management and KPMG LLP the audited financial statements contained in Macy’s Annual Report for fiscal 2018. The Audit Committee has also discussed with KPMG LLP the matters required to be discussed by the applicable Public Company Accounting Oversight Board and Securities and Exchange Commission requirements.

The Audit Committee has received and reviewed the written disclosures and the letter from KPMG LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding KPMG LLP’s communications with the Audit Committee concerning independence, and has discussed with KPMG LLP their independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in Macy’s Annual Report on Form 10-K for fiscal 2018 filed with the United States Securities and Exchange Commission.

Respectfully submitted,

John A. Bryant, Chairperson
Leslie D. Hale
William H. Lenehan
Joyce M. Roché
Marna C. Whittington

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ITEM 3. ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

We are asking shareholders to approve, on an advisory basis, the compensation of our named executive officers (the Named Executive Officers or NEOs), as disclosed pursuant to Securities and Exchange Commission rules, including in the Compensation Discussion & Analysis, the executive compensation tables and related material included in this proxy statement. This proposal, commonly known as a say-on-pay proposal, gives shareholders the opportunity to express their views on our executive compensation program and policies. The vote is not intended to address any specific item of compensation, but rather to address our overall approach to the compensation of our Named Executive Officers described in this proxy statement. In 2018, our say-on-pay proposal received a FOR vote of 95.7%.
The text of the resolution setting forth the proposal is as follows:
RESOLVED, that the shareholders of Macy’s, Inc. approve the compensation of the Company’s named executive officers as disclosed in the proxy statement for the Company’s 2019 annual meeting of shareholders pursuant to Item 402 of Regulation S-K, including the Compensation Discussion & Analysis and the 2018 Summary Compensation Table and related compensation tables and narrative discussion.
We urge you to read the Compensation Discussion & Analysis, which begins on page 30 and discusses how our compensation policies and procedures implement our pay-for-performance compensation philosophy.
We have designed our executive compensation structure to attract, motivate, and retain executives with the skills required to formulate and implement our strategic business objectives and deliver on our commitment to build long-term shareholder value. We believe that our executive compensation program is competitive, strongly focused on pay-for-performance principles and appropriately balanced between risk and rewards.
The vote regarding the compensation of the Named Executive Officers is being provided pursuant to Section 14A of the Securities Exchange Act. The vote is advisory and not binding on the Company, the CMD Committee or the Board of Directors. Although non-binding, the Board of Directors and the CMD Committee value the opinions shareholders express by their votes and will take the voting results into consideration when making future compensation decisions as they deem appropriate.
If no voting specification is made on a properly returned or voted proxy card, the proxies named on the proxy card will vote “FOR” the approval of the compensation of the Named Executive Officers as disclosed in this proxy statement and described in this Item 3.

The Board of Directors unanimously recommends that you vote FOR the approval of the compensation of the Named Executive Officers as disclosed in this proxy statement.

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COMPENSATION DISCUSSION & ANALYSIS

This Compensation Discussion and Analysis (CD&A) describes our executive compensation policies and practices and how our Named Executive Officers (NEOs) are compensated.

EXECUTIVE SUMMARY

Our Compensation Program Objectives

Our compensation program objectives are to provide competitive and reasonable compensation opportunities, focus on results and strategic objectives, foster a pay-for-performance culture, and attract and retain key executives. Balancing these key objectives helps ensure accountability to our shareholders.

Our variable compensation programs are designed with a pay-for-performance philosophy, to support our strategic plan, and enhance shareholder value. In 2018,
we accomplished our primary goal of returning the Company to comparable sales growth through execution of the North Star Strategy. We delivered four quarters of comparable sales growth in 2018 on top of a solid fourth quarter in 2017. For a discussion of our short and long-term achievement see pages 40 and 45.

For a discussion of our broader Colleague Compensation Philosophy see page 49.

Shareholder Support for our Compensation Program

We value the opinions shareholders express by their votes and dialog regarding our executive compensation program. At our 2018 annual meeting, shareholders representing 95% of votes cast approved our “say-on-pay” proposal in support of our executive compensation program. This was the 7th consecutive year of shareholder support in excess of 90%.

Pay-for-Performance Mix

Our executive officers have the ability to directly influence overall performance. Thus, the largest portion of our NEOs’ compensation is variable, at-risk pay aligned with the Company’s strategic plan. Based on a combination of annual performance-based incentive awards and long-term performance-based equity incentive awards, 88% of our CEO’s fiscal 2018 target total direct compensation, and 77% of our other
NEOs’ fiscal 2018 target total direct compensation (on average), was delivered through variable incentives. Payout under these variable incentives is tied to a variety of metrics including changes in stock price and predetermined performance objectives (financial and strategic). Performance-based restricted stock units and stock options represent the largest element of pay for our NEOs.

For fiscal 2018, our NEOs were:

Name	Principal Position	Years with Macy’s
Jeff Gennette	Chief Executive Officer	35
Paula A. Price	Chief Financial Officer	<1
Karen M. Hoguet(1)	Former Chief Financial Officer	36
Harry A. Lawton III	President	1
Elisa D. Garcia	Chief Legal Officer	2
Danielle L. Kirgan	Chief Human Resources Officer	1

(1)
Ms. Hoguet served as Chief Financial Officer until July 2018 and retired at the end of fiscal 2018.

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Mr. Gennette was appointed CEO in 2017. The following shows Mr. Gennette's realized versus target pay for the performance periods ending with fiscal 2018 and 2017 and demonstrates the variable nature of our executive compensation program and the degree to which earned pay varies with performance.

CEO Realized Pay for 2018 and 2017

2018	Target	Earned/Paid	Difference
Base Salary	$ 1,300,000	$ 1,300,000	$ 0
2018 Annual Incentive	$ 2,210,000	$ 3,687,200	$ 1,477,200
2016 – 2018 Performance RSUs	$ 1,620,000	$ 0	$ (1,620,000)
Stock Options(1)	$ 1,080,000	$ 0	$ (1,080,000)
Total	$ 6,210,000	$ 4,987,200	$ (1,222,800)

(1)
With the performance restricted stock units awarded in 2016, Mr. Gennette also received a stock option grant with a grant date fair value of $1,080,000 which is currently underwater (grant date stock price of $43.42). The Black-Scholes value of this stock option grant was $521,589 at February 2, 2019.

2017	Target	Earned/Paid	Difference
Base Salary	$ 1,250,000	$ 1,250,000	$ 0
2017 Annual Incentive	$ 2,125,000	$ 2,997,100	$ 872,100
2015 – 2017 Performance RSUs	$ 1,620,000	$ 0	$ (1,620,000)
Stock Options(2)	$ 1,080,000	$ 0	$ (1,080,000)
Total	$ 6,075,000	$ 4,247,100	$ (1,827,900)

(2)
With the performance restricted stock units awarded in 2015, Mr. Gennette also received a stock option grant with a grant date fair value of $1,080,000 which is currently underwater (grant date stock price of $63.65). The Black-Scholes value of this option grant was $315,189 at February 2, 2019.

Overview of 2018 Business

In 2018, we continued implementation of the North Star Strategy that is designed to transform our Macy's brand retail business. The strategy is focused on key growth areas, embraces customer centricity and balances savings and investment. In 2018, we focused on five key strategic initiatives in areas with a significant return on investment and programs that give us a competitive advantage. As part of these five strategic initiatives we:

- Improved benefits to our Macy's Star Rewards member loyalty program, including the launch of a tender-neutral option expanding rewards to non-store credit card payment to bring new

customers into the brand. In fiscal 2018 we added more than three million new bronze members to the loyalty program. We also increased loyalty penetration, with our platinum members spending more and shopping more frequently

- Successfully expanded Backstage, Macy’s on-mall, off-price business, to more than 120 new locations within existing Macy’s stores

- Enhanced our customer pickup options through the expansion “Buy Online Pickup in Store” (BOPS), the launch of the “Buy Online Ship to Store” (BOSS)

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COMPENSATION DISCUSSION & ANALYSIS

feature, and construction of @your service centers in all stores to support in-store pickup.

- Expanded our vendor direct program which vastly increased online assortment thereby creating a more attractive value proposition for our customers and improving our ability to compete electronically. We have nearly doubled our online SKU's in 2018

- Implemented growth investment model in 50 Macy's stores, a mix of size and geography, with upgrades including facilities, fixtures, assortment and customer service. These stores outperformed the fleet for sales growth in 2018 and achieved higher customer retention and brand attachment scores

We continued enhancing Macy's in-store experience with the:

- Acquisition of STORY, a storytelling retail model

- Investment in technology-powered retailer b8ta

- Rollout of virtual reality technology in furniture to more than 100 stores

- Expansion of brands available at The Market @ Macy's

Our e-commerce business continued to be robust and delivered our 38th consecutive quarter of double digit growth. This was driven by improvement to our online offering and experience as a result of our early and continued investment in mobile Macy's app, where we have added numerous features and increased functionality. In 2018, we hit $1 billion in mobile app sales for the first time and added mobile checkout to all our stores.

In addition, we continued to grow bluemercury, our luxury beauty products and spa retailer. We opened 26 freestanding bluemercury stores in urban and suburban markets and online sales of bluemercury products increased more than 50% over 2017. Bloomingdale's completed several stages of the renovation of the 59th Street flagship including an updated and expanded home department, a new shoe floor, and a reinvented cosmetics department.

We also invested in our people through the Path to Growth incentive plan, providing the majority of our colleagues, full-time, part-time and seasonal, the opportunity to earn quarterly performance bonuses. We believe the Path to Growth incentive plan was a meaningful accelerant of our performance in 2018 and intend to continue the program in 2019. In addition, in 2018 we created and contributed to the North Star Relief Fund, a 501(c)(3) charitable organization that provides financial assistance to Macy's, Inc. colleagues
in times of natural disasters and personal hardships.

Operating Performance. Investments in our business contributed to solid 2018 financial and operating results. While net income results fell versus prior year, this was expected based on our strategy to return to growth and sales, earnings and cash flow all exceeded the internal expectations we set at the beginning of the year. We extended the momentum built in 2017 into 2018 through strong execution and scaling of key strategic initiatives. We delivered solid performance across all channels, brands and geographies, our digital business maintained its steady double-digit growth, and our brick & mortar business showed improved trends.

Key financial results for 2018:

- Net sales for 2018 were $24.971 billion, an increase of 1.7% on an owned comparable sales basis and 2.0% on an owned plus licensed comparable sales basis

- Asset sales gains in 2018 were $389 million, $155 million lower than last year

- Net income attributable to Macy’s, Inc. shareholders for 2018 was $1.108 billion, a decrease of $458 million from $1.566 billion in 2017. Earnings before interest and taxes (EBIT) excluding restructuring, impairment, store closing, and other costs and settlement charges for 2018 totaled $1.915 billion, which was $203 million lower than last year

- Cash flow from operating activities was $1.74 billion for 2018, down $241 million from last year

- We used excess cash in 2018 to repurchase $1.094 billion of debt in open market and tender offer transactions

The 2018 Sales goal in our annual incentive plan was set above last year actual reflecting our return to growth objective, while EBIT and Cash Flow goals were set below last year due to planned lower asset sales, investments in the business and inventory build-up in support of the sales growth objective. See “2018 Plan Design” on page 33 and “Fiscal 2018 Goal Setting and Results” on page 42.
Change in comparable sales on an owned plus licensed basis and EBIT, excluding certain items, are non-GAAP financial measures. Reconciliations to the most directly comparable GAAP measures are provided in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Important Information Regarding Non-GAAP Financial Measures” on page 29 of Macy’s Annual Report on Form 10-K.

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EXECUTIVE COMPENSATION HIGHLIGHTS
Annual Incentive Plan

Performance Metric	Fiscal 2018 Results	% of Target Earned
Adjusted EBIT (40% weight) • Earnings before interest and taxes (EBIT), excluding asset impairment and material restructuring charges, acquisition or disposition of material business operations or material group of stores, and any unusual or infrequently occurring items.	Adjusted EBIT for fiscal 2018 totaled $1.877 billion.	170.1%
Sales (25% weight)	Total sales for fiscal 2018 were $25.868 billion.	183.2%
Cash Flow (10% weight)	Cash provided by operating activities net of investing activities was $1.344 billion for fiscal 2018.	200.0%
Strategic Initiatives (25% weight)	Strategic initiative objectives achieved at an average of above target performance.	132.0%

2018 Plan Design. Beginning in 2017, we introduced a strategic initiatives component, weighted 25%, that measures five key business objectives. We continued this plan feature in 2018 and updated the metrics to reflect evolving business objectives. The strategic element complements the financial objectives included in the plan, which were Sales, EBIT and Cash Flow weighted 25%, 40%, and 10%, respectively.

Returning Macy's to positive, profitable growth was a significant goal in designing the 2018 annual incentive plan. Performance measures and targets reflect this goal, were rigorously set and reward performance when achieved. Sales and EBIT targets for 2018 reflect a 52-week year compared to the 53-week retail calendar in 2017. When adjusted for the 53rd week, the 2018 Sales target was set 1% above 2017 actual results and 1% above relative peer company comparable sales guidance for 2018. The 2018 EBIT target was set below 2017 actual results to reflect lower expected asset sales gains,
investments in our Growth 50 stores and digital initiatives as well as to adjust for the 53rd week. The 2018 Cash Flow target reflects lower expected asset sales proceeds over 2017, as well as planned capital expenditures and inventory build-up from 2017 levels.

Strategic initiatives were established to align incentive pay with key initiatives that support business priorities and impact financial results. Achievement of strategic initiatives in 2018 reflected completion of foundational work for the five key initiatives discussed above.

We believe our executive and broad-based incentive plan design helped advance our performance in 2018, which ended with our fifth consecutive quarter of comparable sales growth. See "Fiscal 2018 Goal Setting and Results" on page 42 for further information.

We are making changes to our incentive plans for 2019 to ensure our plans align with our evolving business strategies. See "2019 Compensation Actions" on page 46.

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Long-Term Incentive Plan

Performance Metric	Fiscal 2016 – 2018 Results	% of Target Earned
Adjusted EBITDA Margin • Earnings before interest, taxes, depreciation and amortization (EBITDA), excluding asset impairment and material restructuring charges, acquisition or disposition of material business operations or material group of stores, and any unusual or infrequently occurring items.	Adjusted EBITDA margin was 12.1% for the fiscal 2016 – 2018 period.	0
Return on Invested Capital (ROIC)	ROIC was 19.7% for the fiscal 2016 – 2018 period.	0
Total Shareholder Return (TSR)	3-year compound annualized TSR was -7.3%, the 33.9th percentile of peer group.	0

In alignment with our focus on growth in 2018, we replaced adjusted EBITDA margin with a comparable sales growth metric in our long-term incentive plan for the 2018-2020 performance period and equally weighted all metrics at 33.3% of the incentive opportunity. Inclusive of the Sales measure in the annual incentive plan, the weight on Sales in 2018 is approximately 3.5x greater than in 2017 for our CEO and continues to be balanced by the EBIT and Cash Flow measures in the annual incentive plan and ROIC in the long-term plan to focus on profitable growth and efficient use of capital.

Our long-term equity incentive plans have consistently been aligned with our shareholders through use of stock options and a relative TSR measure in performance-based restricted stock unit awards.

No payouts of performance-based restricted stock units were made for 2018 because our average EBITDA Margin, ROIC and relative TSR over the three-year (2016 – 2018) performance period were below threshold performance levels. This was the third consecutive year that our long-term equity incentive plan did not pay out.

See pages 40 and 45 for information on payouts under our annual incentive and long-term performance plans.

See Macy’s Annual Report on Form 10-K for important information regarding the above non-GAAP financial measures.

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COMPENSATION DISCUSSION & ANALYSIS

SUMMARY OF KEY 2018 COMPENSATION ACTIONS

Mr. Gennette, Chief Executive Officer

The CMD Committee and the Board approved a 2018 compensation package for Mr. Gennette comprised of 1) an increase in base salary from $1,250,000 to $1,300,000; 2) a target annual incentive opportunity of 170% of base salary; and 3) an increase in long-term incentive opportunity from $6,500,000 to $7,250,000, resulting in Mr. Gennette's target total direct
compensation of $10,760,000. This represents a 9% increase from Mr. Gennette's 2017 target total direct compensation opportunity, reflecting his strong performance and leadership during his first year as CEO and resulted in target compensation that fell between the 25th percentile and median of the peer group in consideration of his newness to the role.

Ms. Price, Chief Financial Officer

Ms. Price joined Macy's in July 2018 as Chief Financial Officer with responsibility for leading Macy's finance, accounting, investor relations and internal audit functions. Ms. Price succeeded Karen Hoguet who retired at the end of fiscal 2018.

The CMD Committee and the Board approved a compensation package for Ms. Price comprised of 1) a base salary of $770,000; 2) target annual incentive opportunity of 100% of base salary; and 3) a target long-term equity grant with a grant date fair value of $1,415,000 representing a combination of performance-based restricted stock units and stock options, weighted 60% and 40%, respectively. Annual
incentive opportunity and long-term equity grant were prorated for fiscal 2018. Ms. Price's 2018 target total direct compensation opportunity approximated the peer group median.

Ms. Price received a sign-on bonus of $300,000 payable on hire, subject to a repayment agreement that provides for 100% repayment during the first 12 months and 50% repayment during months 13 to 24 in the event of voluntary termination. Ms. Price also received a sign-on equity grant of stock options and time-based restricted stock units each with a grant date value of $350,000 and vesting in one-third annual increments.

Ms. Hoguet, Former Chief Financial Officer

In early 2018, Ms. Hoguet, our Chief Financial Officer since 1987, announced her intention to retire. In order to enable identification of a successor prior to her departure and a smooth transition, the CMD Committee and the Board approved a retention agreement under which Ms. Hoguet would continue as Chief Financial Officer until a successor was appointed, after which she would assume an advisory role until February 2, 2019 to assist in the transition of duties. Under the retention agreement, Ms. Hoguet is entitled to 1) a retention bonus of $500,000 payable at the end of the retention period; 2) a fiscal 2018 bonus based on actual level of achievement of performance conditions; 3) a fiscal 2018
equity award with a grant date fair value of $1,500,000 in the form of time-based restricted stock units vesting ratably over three years; and 4) vesting of 2017 performance-based restricted stock units based on actual achievement of performance goals over the three-year performance period (2017-2019) without regard to proration. The retention bonus and other payments and benefits under the retention agreement would be forfeited if Ms. Hoguet terminated employment prior to February 2, 2019 for any reason other than 1) involuntarily without cause, 2) resignation following material breach by the Company, or 3) death or disability.

Other Actions

The CMD Committee took the following other specific actions with respect to the compensation of NEOs for fiscal 2018:

- Based on levels of achievement against pre-determined 2018 goals for EBIT, Sales, Cash Flow and Strategic Initiatives, we made annual incentive award payments for 2018 of approximately 166.8% of the target incentive opportunities to NEOs

- Based on failure to achieve pre-determined goals for average EBITDA margin, average ROIC, and relative TSR over the three-year (fiscal 2016 – 2018) performance period, no payouts of fiscal 2016 – 2018 performance-based restricted stock units were made

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COMPENSATION DISCUSSION & ANALYSIS

- Granted fiscal 2018 – 2020 performance-based restricted stock units and stock options to NEOs, with a mix of 60% performance-based restricted stock units and 40% stock options

WHAT WE DO AND DON'T DO		See pages
We align executive compensation with the interests of our shareholders	Focus on performance-based compensation	30
	Compensation well-aligned with performance	38-39
	Annual risk assessment of executive compensation program	15
	Robust stock ownership guidelines for executive officers	48
Our executive compensation program is designed to encourage balanced decision making and to avoid excessive risk taking	Use multiple performance objectives for both annual and long-term incentive plans	40-48
	Measure performance against both annual and multi-year standards	40-46
	Set performance goals at levels high enough to encourage strong performance, but within reasonably attainable parameters to discourage excessive risk taking	42-46
	Cap on performance-based compensation	40-46
	Provide modest perquisites with reasonable business rationale	47
	Annual say-on-pay vote	29
	CMD Committee comprised of independent directors	17

Include a relative-to-peer TSR metric for performance-based restricted stock units	45-46
Provide for recoupment of cash and equity incentive compensation in certain circumstances	48
Prohibit hedging and pledging transactions by directors and executive officers	48
Utilize a compensation consultant independent of management	37
Provide a reasonable post-employment change-in-control plan	64
Equity awards are subject to "double-trigger" vesting in the event of a change-in-control	48
Ø Do not provide excise tax gross-ups upon a change in control	n/a
Ø Do not provide individual employment contracts	24
Ø Do not reprice or buyout for cash underwater stock options without shareholder approval	56
Ø Do not provide individual change-in-control agreements	64

HOW WE DETERMINE EXECUTIVE COMPENSATION

We use a collaborative process in making executive compensation decisions.

Responsible Party	Primary Roles and Responsibilities
CMD Committee	• Administers executive compensation program for senior executives • Oversees annual incentive and long-term incentive plans, as well as benefit plans and policies

- Ensures appropriate succession plans in place for CEO and other key executive positions
- Emphasizes pay-for-performance linkage of executive compensation program and ensures programs are competitive
- When making executive compensation program decisions, considers:
- our compensation philosophy
- our financial, operating and total shareholder return performance
- general compensation policies and practices for our employees
- practices and executive compensation levels within peer companies

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COMPENSATION DISCUSSION & ANALYSIS

Responsible Party	Primary Roles and Responsibilities
Compensation Consultant (FW Cook since 2008)*	• Attends CMD Committee meetings at request of Committee, meets with Committee in executive session without management, and communicates with Committee chairman regarding emerging issues and other matters • Reviews and provides advice relating to: • design of annual and long-term incentive plans, including degree to which incentive plans support business strategies and balance risk-taking with potential reward • setting performance objectives • peer group pay and performance comparisons • competitiveness of key executives' compensation • changes to NEOs' compensation levels • design of other compensation and benefits programs • preparation of public filings related to executive compensation, including CD&A and accompanying tables and footnotes
Management (CEO and Human Resources Executives)	• CMD Committee seeks input from CEO and human resources, legal and finance executives to develop design, operation, objectives and values of various compensation components • Human resources department engages compensation consultant, Korn Ferry, to provide calculations, comparator group and general market data used by management in compensation-related analyses • At beginning of each fiscal year, CEO meets with direct reports, including other NEOs, to set individual performance objectives for the year which includes achieving key financial and business goals. Following fiscal year end, CEO reviews performance of each direct report against Company and individual performance objectives and individual's contribution to performance

- CEO takes active part in CMD Committee discussions of compensation involving direct reports, provides input on individual performance and recommendations on compensation opportunities

- Human resources executives, with assistance of FW Cook, provide CMD Committee with data, analyses and annual information in considering CEO compensation recommendations for direct reports.

Mr. Gennette did not participate in portions of CMD Committee or Board meetings during which his compensation was discussed.

*
FW Cook provides no services to the Company other than those provided directly to, or on behalf, of the CMD Committee, and to, or on behalf of, the Nominating and Corporate Governance Committee with respect to director compensation. The CMD Committee has assessed the independence of FW Cook pursuant to the New York Stock Exchange listing standards and SEC rules and is not aware of any conflict of interest raised by FW Cook's work that would prevent FW Cook from providing independent advice to the CMD Committee.

COMPENSATION DISCUSSION & ANALYSIS

HOW WE SET EXECUTIVE COMPENSATION

Review Process

The CMD Committee annually reviews NEO base salaries, annual incentive award payments and equity awards at its March meeting. At that time, financial and other performance results for the prior fiscal year are available and individual and Company performance against applicable targets are measured.

The target total direct compensation of the NEOs other than Mr. Gennette is generally intended to approximate the median of the peer group of retailers listed below. The CMD Committee determined this peer group to be aligned with the market. Peer group data is one of a number of factors considered in determining compensation levels and packages for NEOs and actual positioning of targeted compensation may be above or below the median based on the executive's experience, unique skill set, scope of responsibilities, supply and demand of critical talent in the market, tenure and other factors. The NEOs' fiscal 2018 target total direct compensation (base salary, target annual incentive and grant date value of long-term incentive awards), other than for Mr. Gennette, fell within a median range of the peer group practice. Actual total direct compensation realized will vary from targeted compensation based upon the level of achievement of short- and long-term operating performance objectives, stock price performance and the Company's total shareholder return relative to peer companies. The CMD Committee also reviews the compensation of other senior executives to ensure the compensation of the NEOs is internally consistent and equitable.

The target total direct compensation for Mr. Gennette was set at approximately the 43rd percentile of the peer group.

Compensation Peer Group

2018 Peer Group. The CMD Committee uses comparative compensation data of the following peer group of 12 publicly-traded retail companies to inform it of the competitiveness of compensation and program design for 2018 and believes the data provides important context for compensation decisions. The CMD Committee recognizes that due to factors unique to Macy's, including business model and strategies, scope and complexity of jobs, and specific talent needs, there is an imperfect comparability of NEO positions among companies. Thus, the CMD Committee does not rely on strict benchmarking or target any specific position for compensation components based on peer group data. We also use the peer group for the TSR measure in our long-term incentive plan. No changes were made to the peer group for 2018.

Bed, Bath & Beyond	Kohl's	Sears Holdings
Dillard's	L Brands	Target
Gap	Nordstrom	TJX Companies
J.C. Penney	Ross Stores	Walmart

At July 20, 2018*, we ranked at the 75th percentile of the peer group in revenue and net income, and between the 25th percentile and median in market capitalization.

($) in millions	Revenue(1)	Net Income(1)	Market Capitalization(2)	Total Assets(3)	Number of Employees(4)
75th Percentile	$ 23,621	$ 1,792	$ 34,818	$ 13,189	165,000
Median	15,540				