FOOT LOCKER INC
Form DEF 14A
April 10, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant S

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))

S Definitive Proxy Statement

£ Definitive Additional Materials

£ Soliciting Material Pursuant to §240.14a-12

FOOT LOCKER, INC.
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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NOTICE OF 2015 ANNUAL MEETING OF SHAREHOLDERS

AND

PROXY STATEMENT

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112 West 34th Street
New York, NY 10120

NOTICE OF 2015 ANNUAL MEETING OF SHAREHOLDERS

DATE AND TIME:	May 20, 2015 at 9:00 a.m., Eastern Daylight Time ("EDT")
LOCATION:	Foot Locker, Inc., 112 West 34th Street, New York, NY 10120
RECORD DATE:	Shareholders of record as of March 23, 2015 can vote at this meeting
ITEMS OF BUSINESS:	•Elect four members to the Board of Directors to serve for one-year terms
	•Ratify the appointment of KPMG LLP as our independent registered public accounting firm for the 2015 fiscal year
	•Advisory approval of the compensation of our named executive officers
	•Transact such other business as may properly come before the meeting and at any adjournment or postponement
PROXY VOTING:	**YOUR VOTE IS IMPORTANT TO US.** Whether or not you plan to attend the 2015 Annual Meeting in person, please promptly vote by telephone or by Internet, or by completing, signing, dating, and returning your proxy card or vote instruction form so that your shares will be represented at the 2015 Annual Meeting.

SHEILAGH M. CLARKE
Secretary

April 10, 2015

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on May 20, 2015

The Company's Proxy Statement and 2014 Annual Report/Form 10-K are available at http://materials.proxyvote.com/344849

PROXY STATEMENT SUMMARY

We are providing this summary of our Notice of 2015 Annual Meeting of Shareholders and Proxy Statement and the items to be voted on by our shareholders. This is only a summary. For more complete information, please review the complete Proxy Statement and our 2014 Form 10-K.

2015 Annual Meeting of Shareholders

Date and Time: Wednesday, May 20, 2015, at 9:00 a.m. EDT

Location: Foot Locker, Inc., 112 West 34th Street, New York, NY 10120

Record Date: March 23, 2015

Board of Directors

Board of Directors		**Independent Lead Director**
Maxine Clark	Guillermo Marmol	Nicholas DiPaolo
Nicholas DiPaolo	Matthew M. McKenna	
Alan D. Feldman	Steven Oakland	
Jarobin Gilbert Jr.	Cheryl Nido Turpin	
Ken C. Hicks	Dona D. Young	
Richard A. Johnson		

Director Independence	**Director Attendance in 2014**
9 out of 11 directors are independent	Attendance at Board and Committee Meetings in 2014 exceeded 98%

Named Executive Officers

Richard A. Johnson	President and Chief Executive Officer
Ken C. Hicks	Executive Chairman, Retired President and Chief Executive Officer
Lauren B. Peters	Executive Vice President and Chief Financial Officer
Robert W. McHugh	Executive Vice President—Operations Support
Paulette Alviti	Senior Vice President and Chief Human Resources Officer
Jeffrey L. Berk	Senior Vice President—Real Estate

Our 2014 Results

Our 2014 fiscal year was the fourth consecutive year that the Company’s sales and profit results represented the highest levels ever achieved in our history as an athletic footwear and apparel business. Our strong 2014 results included:

- Net income, on a non-GAAP basis, of $522 million.
- Earnings-per-share of $3.58, a 25% increase over 2013 and the fifth consecutive year with a double-digit annual increase. (A reconciliation to GAAP is provided on Pages 16 through 17 of our 2014 Form 10-K.)
- An end-of-year market capitalization of $7.5 billion, a 34% increase over year-end 2013.
- Returning $432 million to our shareholders through dividend payments of $127 million and share repurchases of $305 million.
- Total shareholder return (stock price appreciation plus reinvested dividends) of 40.3% compared to 21.6% for the S&P 400 Retailing Index.

Proposals and the Board of Directors' Voting Recommendations

Proposal	**Board Vote Recommendation**	**Page Reference for More Detail**
Election of Four Directors to serve One-Year Terms	FOR EACH NOMINEE	76–82
Ratification of the Appointment of KPMG LLP as Our Independent Registered Public Accounting Firm for the 2015 Fiscal Year	FOR	83–84
Advisory Approval of Our Named Executive Officers' Compensation	FOR	85–86

Election of Directors

Four directors are standing for election for one-year terms at this meeting. The following table provides summary information about each of the nominees for director:

Name	**Age**	**Director Since**	**Primary Occupation**	**Independent**	**Other Public Company Boards**
Maxine Clark	66	2013	Founder, Retired Chairman and Chief Executive Bear of Build-A-Bear Workshop, Inc.	Yes	Build-A-Bear Workshop, Inc. Gymboree Corp.
Alan D. Feldman	63	2005	Retired Chairman, President and Chief Executive Officer of Midas, Inc.	Yes	GNC Holdings, Inc. John Bean Technologies Corporation
Jarobin Gilbert Jr.	69	1981	President and Chief Executive Officer of DBSS Group, Inc.	Yes	None
Richard A. Johnson	57	2014	President and Chief Executive Officer of Foot Locker, Inc.	No	None

Ratification of Appointment of KPMG LLP for 2015

We are asking our shareholders to ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2015. The following is a summary of KPMG's fees for 2014 and 2013:

	2014	2013
Audit Fees	$3,068,000	$2,967,000
Audit-Related Fees	165,000	614,000
Tax Fees	259,000	165,000

All Other Fees	—	—
Total	$3,492,000	$3,746,000

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Advisory Approval of the Named Executive Officers' Compensation

We are asking shareholders to approve, on a nonbinding, advisory basis, the 2014 compensation of our named executive officers, as described in this proxy statement on Pages 23 through 74. Over the past four years, our shareholders overwhelmingly approved our executive compensation program. Given this strong support, the Compensation and Management Resources Committee (the "Compensation Committee") decided to retain the overall program, which ties the executives' pay closely with the Company's performance. Our 2014 fiscal year was the fourth consecutive year that the Company's sales and profit results represented the highest levels ever achieved in our history as an athletic footwear and apparel business. Based on the Company's performance, the named executive officers earned annual bonuses for 2014 and long-term incentive payouts for the 2013-14 performance measurement period payable in 2016.

Financial Metrics	**2013**	**2014**	**2012-16 Long-Term Objectives**
Sales	$6,505 million	$7,151 million	$7,500 million
Sales per Gross Square Foot	$460	$490	$500
Earnings Before Interest and Taxes (EBIT) Margin	10.4%	11.4%	11%
Net Income Margin	6.6%	7.3%	7%
Return on Invested Capital (ROIC)	14.1%	15%	14%

The above table represents non-GAAP results. We provide a reconciliation to GAAP on Pages 16 through 17 of our 2014 Form 10-K.

112 West 34th Street
New York, NY 10120

PROXY STATEMENT

GENERAL INFORMATION

We are providing these proxy materials to you for the solicitation of proxies by the Board of Directors of Foot Locker, Inc. for the 2015 Annual Meeting of Shareholders and for any adjournments or postponements of this meeting. We are holding this annual meeting on May 20, 2015 at 9:00 a.m., local time, at our corporate headquarters located at 112 West 34th Street, New York, NY 10120. In this Proxy Statement, we refer to Foot Locker, Inc. as “Foot Locker,” “the Company,” “we,” “our,” or “us.”

We are furnishing proxy materials to our shareholders primarily over the Internet under the U.S. Securities and Exchange Commission’s (the “SEC”) notice and access rules instead of mailing full sets of the printed materials. We believe that this procedure reduces costs, provides greater flexibility to our shareholders, and lessens the environmental impact of our Annual Meeting. On or about April 10, 2015, we started mailing to most of our shareholders in the United States a Notice of Internet Availability of Proxy Materials (the “Foot Locker Notice”). The Foot Locker Notice contains instructions on how to access and read our 2015 Proxy Statement and our 2014 Annual Report to Shareholders on the Internet and to vote online. **If you received a Foot Locker Notice by mail, you will not receive paper copies of the proxy materials in the mail unless you request them.** Instead, the Foot Locker Notice instructs you on how to access and read the Proxy Statement and Annual Report and how you may submit your proxy over the Internet. If you received a Foot Locker Notice by mail and would like to receive a printed copy of the materials, please follow the instructions on the Foot Locker Notice for requesting the materials, and we will promptly mail the materials to you.

We are mailing to shareholders, or making available to shareholders via the Internet, this Proxy Statement, form of proxy card, and our 2014 Annual Report/Form 10-K on or about April 10, 2015.

QUESTIONS AND ANSWERS ABOUT THIS ANNUAL MEETING AND VOTING

What is included in these proxy materials?

The proxy materials include our 2015 Proxy Statement and 2014 Annual Report and Form 10-K. If you received printed copies of these materials by mail, these materials also include the proxy card for the 2015 Annual Meeting.

May I obtain an additional copy of the Form 10-K?

You may obtain an additional copy of our 2014 Form 10-K without charge by writing to our Investor Relations Department at Foot Locker, Inc., 112 West 34th Street, New York, NY 10120. It is also available free of charge through our corporate website at *http://www.footlocker-inc.com/investors.cfm?page=corporate-governance.*

What constitutes a quorum for the Annual Meeting?

We will have a quorum and will be able to conduct the business of the Annual Meeting if the holders of a majority of the shares outstanding are present at the meeting, either in person or by proxy. We will count abstentions and broker non-votes, if any, as present and entitled to vote in determining whether we have a quorum.

What is the record date for this meeting?

The record date for this meeting is March 23, 2015. If you were a Foot Locker shareholder on this date, you are entitled to vote on the items of business described in this Proxy Statement.

Who may vote at the Annual Meeting?

Each share of the Company’s common stock, par value $0.01 per share (“Common Stock”), is entitled to one vote. Only shareholders of record on the books of the Company as of March 23, 2015 are entitled to vote at the Annual Meeting and any adjournments or postponements. There were 139,851,993 shares of Common Stock outstanding as of March 23, 2015.

Can I vote shares held in employee plans?

If you hold shares of Foot Locker Common Stock through the Foot Locker 401(k) Plan or the Foot Locker Puerto Rico 1165(e) Plan, your proxy card includes the number of shares allocated to your plan account. Your proxy card will serve as a voting instruction card for these shares for the plan trustee to vote the shares. The trustee will vote only those shares for which voting instructions have been given. To allow sufficient time for voting by the trustees of these plans, your voting instructions must be received by 11:59 p.m. EDT on May 17, 2015.

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QUESTIONS AND ANSWERS

What proposals are shareholders voting on at this meeting and what are the voting recommendations of the Board of Directors and the vote requirements to approve the proposals?

The proposals that you are being asked to vote on at the Annual Meeting, our Board's voting recommendations, and the vote required to approve each proposal are as follows:

	Proposal	Board's Voting Recommendation	Vote Required to Approve
Proposal 1	Election of Four Directors	FOR EACH NOMINEE	Plurality of Votes Cast by Shareholders *Please see our policy described on Page 9 regarding resignations by directors who do not receive more "For" votes than "Withheld" votes.*
Proposal 2	Ratification of the Appointment of KPMG LLP as Our Independent Registered Public Accounting Firm for 2015	FOR	Majority of Votes Cast by Shareholders
Proposal 3	Advisory Approval of Executive Compensation	FOR	Majority of Votes Cast by Shareholders

Could other matters be voted on at the Annual Meeting?

We do not know of any other business that will be presented at the 2015 Annual Meeting. If any other matters are properly brought before the meeting for consideration, then the persons named as proxies will have the discretion to vote on those matters for you using their best judgment.

What happens if I do not vote my shares?

This depends on how you hold your shares and the type of proposal. If you hold your shares in "street name," such as through a bank or brokerage account, it is important that you cast your vote if you want it to count for Proposals 1 and 3. If you do not instruct your bank or broker how to vote your shares on these proposals, no votes will be cast on your behalf because the broker does not have discretionary authority to vote. This is called a "broker non-vote." With regard to Proposal 2, your bank or broker will have discretion to vote any uninstructed shares for this proposal.

If you are a “shareholder of record” where your stock ownership is reflected directly on the books and records of the Company’s transfer agent, or if you hold your shares through the Foot Locker 401(k) Plan or Foot Locker 1165(e) Plan, no votes will be cast on your behalf on any of the proposals if you do not cast your vote.

How will the votes be counted?

Votes will be counted and certified by an independent inspector of election.

Votes withheld for the election of one or more of the nominees for director will not be counted as votes cast for them. If you abstain from voting or there is a broker non-vote on any matter, your

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abstention or broker non-vote will not affect the outcome of such vote because abstentions and broker non-votes are not considered to be votes cast.

The Company's Certificate of Incorporation and By-laws do not contain any provisions on the effect of abstentions or broker non-votes.

How do I vote my shares?

You may vote using any of the following methods:

- ***Telephone***

If you are located within the United States or Canada, you can vote your shares by calling 1-800-690-6903 and following the recorded instructions. Telephone voting is available 24 hours a day and will be accessible until 11:59 p.m. EDT on May 19, 2015. The telephone voting system has easy to follow instructions and allows you to confirm that the system has properly recorded your vote. **If you vote by telephone, you do NOT need to return a proxy card or voting instruction form.**

- ***Internet***

You can also choose to vote your shares through the Internet at www.proxyvote.com. Internet voting is available 24 hours a day and will be accessible until 11:59 p.m. EDT on May 19, 2015. As with telephone voting, you will be able to confirm that the system has properly recorded your vote. **If you vote via the Internet, you do NOT need to return a proxy card or voting instruction form.**

- ***QR Code***

You may also choose to scan the QR Code provided to you to vote your shares through the Internet with your mobile device. Internet voting is available 24 hours a day and will be accessible until 11:59 p.m. EDT on May 19, 2015. You will be able to confirm that the system has properly recorded your vote. **You do NOT need to return a proxy card or voting instruction form if you scan your QR code to vote.**

- ***Mail***

If you received printed copies of the proxy materials by mail, you may choose to vote by mail. Simply mark your proxy card or voting instruction form, date and sign it, and return it in the postage-paid envelope that we included with your materials.

- ***Ballot at the Annual Meeting***

You may also vote by ballot at the Annual Meeting if you decide to attend in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the meeting.

All shares that have been properly voted and not revoked will be voted at the Annual Meeting. If you sign and return a proxy card but do not give voting instructions, the shares represented by that proxy card will be voted as recommended by the Board.

Can I change my mind after voting my shares?

You may revoke your proxy at any time before it is used by (i) sending a written notice to the Company at its corporate headquarters, (ii) delivering a valid proxy card with a later date, (iii) providing a later dated vote by telephone or Internet, or (iv) voting by ballot at the Annual Meeting.

QUESTIONS AND ANSWERS

Will my vote be confidential?

We maintain the confidentiality of our shareholders' votes. All proxy cards, electronic voting, voting instructions, ballots, and voting tabulations identifying shareholders are kept confidential from the Company, except:

- as necessary to meet any applicable legal requirements,
- when a shareholder requests disclosure or writes a comment on a proxy card,
- in a contested proxy solicitation, and
- to allow independent inspectors of election to tabulate and certify the vote.

Do I need a ticket to attend the Annual Meeting?

You will need an admission ticket to attend the Annual Meeting. Attendance at the meeting will be limited to shareholders as of March 23, 2015 (or their authorized representatives) having an admission ticket or proof of their share ownership, and guests of the Company. If you plan to attend the meeting, please indicate this when you are voting by telephone or Internet or check the box on your proxy card, and we will promptly mail an admission ticket to you.

If your shares are held in the name of a bank, broker, or other holder of record and you plan to attend the meeting, you can obtain an admission ticket in advance by providing proof of your ownership, such as a bank or brokerage account statement, to the Secretary at Foot Locker, Inc., 112 West 34th Street, New York, NY 10120. If you do not have an admission ticket, you must show proof of your ownership of the Company's Common Stock at the registration table at the door.

Who pays the cost of this proxy solicitation?

We will pay for the cost of the solicitation of proxies, including the preparation, printing, and mailing of the proxy materials.

Proxies may be solicited, without additional compensation, by our directors, officers, or employees by mail, telephone, fax, in person, or otherwise. We will request banks, brokers, and other custodians, nominees, and fiduciaries to deliver proxy materials to the beneficial owners of Foot Locker's Common Stock and obtain their voting instructions, and we will reimburse those firms for their expenses under both SEC and New York Stock Exchange ("NYSE") rules. In addition, we have retained Innisfree M&A Incorporated to assist us in the solicitation of proxies for a fee of $12,500 plus out-of-pocket expenses.

BENEFICIAL OWNERSHIP OF THE COMPANY'S STOCK

Directors and Executive Officers

The following table shows the number of shares of Common Stock reported to us as beneficially owned by each of our directors and named executive officers as of March 23, 2015. The table also shows beneficial ownership by all directors, named executive officers, and executive officers as a group as of that date, including shares of Common Stock that they have a right to acquire within 60 days after March 23, 2015 by the exercise of stock options.

Ken C. Hicks beneficially owned 1.8% of the total number of outstanding shares of Common Stock as of March 23, 2015. No other director, named executive officer, or executive officer beneficially owned 1% or more of the total number of outstanding shares as of that date. Each person has sole voting and investment power for the number of shares shown unless otherwise noted.

Amount and Nature of Beneficial Ownership

Name	Common Stock Beneficially Owned Excluding Stock Options(a)		Stock Options Exercisable Within 60 Days After 3/23/2015	RSUs and Deferred Stock Units(b)	Total	
Paulette Alviti	40,203		12,666	—	52,869	
Jeffrey L. Berk	28,539		126,666	—	155,205	
Maxine Clark	3,940		—	1,157	5,097	
Nicholas DiPaolo	67,893	(c)	4,439	1,157	73,489	
Alan D. Feldman	50,947		4,439	27,055	82,441	
Jarobin Gilbert Jr.	14,112		4,439	1,157	19,708	
Ken C. Hicks	547,914		1,959,333	—	2,507,247	
Richard A. Johnson	277,953		327,666	—	605,619	
Guillermo G. Marmol	22,587		—	1,157	23,744	
Robert W. McHugh	181,009		288,333	—	469,342	
Matthew M. McKenna	72,024		4,287	1,157	77,468	
Steven Oakland	903		—	1,157	2,060	
Lauren B. Peters	117,088		258,333	—	375,421	
Cheryl Nido Turpin	43,288		4,439	42,653	90,380	
Dona D. Young	33,781		4,439	54,393	92,613	
All 19 directors and executive officers as a group, including the named executive officers	1,638,524		3,186,077	140,434	4,965,035	(d)

Notes to Beneficial Ownership Table

(a) This column includes shares held in the Company’s 401(k) Plan and, where applicable, executives’ unvested shares of restricted stock as listed below over which they have sole voting power but no investment power:

Name	**Number of Unvested Shares of Restricted Stock**
R. Johnson	78,520
K. Hicks	74,000
L. Peters	20,000
R. McHugh	20,000
P. Alviti	30,000
J. Berk	—

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BENEFICIAL OWNERSHIP

(b) This column includes (i) the number of deferred stock units credited as of March 23, 2015 to the account of the directors who elected to defer all or part of their annual retainer fee, and (ii) time-vested restricted stock units (“RSUs”). The deferred stock units and RSUs do not have current voting or investment power.

(c) Includes 1,050 shares held by his spouse.

(d) This number represents approximately 3.6% of the shares of Common Stock outstanding at the close of business on March 23, 2015.

Persons Owning More Than Five-Percent of the Company’s Stock

The following table provides information on shareholders who beneficially own more than 5% of our Common Stock according to reports filed with the SEC. To the best of our knowledge, there are no other shareholders who beneficially own more than 5% of a class of the Company’s voting securities.

Name and Address of Beneficial Owner	**Amount and Nature of Beneficial Ownership**	**Percent of Class**
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	10,237,795(a)	7.2 %(a)
The Vanguard Group 100 Vanguard Boulevard Malvern, PA 19355	8,841,262 (b)	6.22%(b)
Harris Associates L.P. and Harris Associates Inc. 2 North LaSalle Street, Suite 500 Chicago, IL 60602	7,729,025 (c)	5.4 %(c)

<u>Notes to Table on Persons Owning More than Five-Percent of the Company’s Stock</u>

(a) Reflects shares beneficially owned as of December 31, 2014 according to Amendment No. 5 to Schedule 13G filed with the SEC. As reported in this schedule, BlackRock, Inc., a parent holding company, holds sole voting power with respect to 9,226,028 shares and sole dispositive power with respect to 10,237,795 shares.

(b) Reflects shares beneficially owned as of December 31, 2014 according to Amendment No. 3 to Schedule 13G filed with the SEC. As reported in this schedule, The Vanguard Group, an investment adviser, holds sole voting power with respect to 125,037 shares, sole dispositive power with respect to 8,731,125 shares, and shared dispositive power with respect to 110,137 shares. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The

Vanguard Group, Inc., is the beneficial owner of 83,237 shares as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 68,700 shares as a result of its serving as investment manager of Australian investment offerings.

(c) Reflects shares beneficially owned as of December 31, 2014 according to Amendment No. 1 to Schedule 13G filed with the SEC. As reported in this schedule, Harris Associates L.P., an investment adviser, holds sole voting and dispositive power with respect to 7,708,225 shares.

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BENEFICIAL OWNERSHIP

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires that our directors and executive officers file with the SEC reports of ownership and changes in ownership of Foot Locker's Common Stock. Based on our records and other information, we believe that during the 2014 fiscal year, the directors and executive officers complied with all applicable SEC filing requirements, except that one Form 4 to report an open market sale of 9,479 shares by Mr. Berk was inadvertently filed late due to an administrative error.

CORPORATE GOVERNANCE

The Board is committed to good corporate governance and has adopted Corporate Governance Guidelines and other policies and practices to guide the Board and senior management in this area. This section of the Proxy Statement summarizes our key corporate governance policies and practices.

Board Diversity

Our Board comprises directors having a mix of business experience, education, skills, and service on our Board, as well as on the boards of other organizations. Our Board also reflects diversity in terms of gender, age, ethnicity, and viewpoints. We have refreshed our Board over the past four years, as five new directors have been elected, three directors retired in accordance with the retirement policy for directors, and a new independent lead director was appointed.

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines. The Board periodically reviews the guidelines and may revise them when appropriate. The Corporate Governance Guidelines are available on the corporate governance section of the Company's corporate website at *http://www.footlocker-inc.com/investors.cfm?page=corporate-governance*. You may also obtain a printed copy of the guidelines by writing to the Secretary at the Company's headquarters.

Committee Charters

The Board has adopted charters for the Audit Committee, the Compensation Committee, the Finance and Strategic Planning Committee (the “Finance Committee”), and the Nominating and Corporate Governance Committee (the “Nominating Committee”). Copies of the charters for these committees are available on the corporate governance section of the Company’s corporate website at *http://www.footlocker-inc.com/investors.cfm?page=corporate-governance*. You may also obtain printed copies of these charters by writing to the Secretary at the Company’s headquarters.

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Policy on Voting for Directors

Our Corporate Governance Guidelines provide that if a nominee for director in an uncontested election receives more votes “withheld” from his or her election than votes “for” election, then the director must offer his or her resignation for consideration by the Nominating Committee. The Nominating Committee will evaluate the resignation, weighing the best interests of the Company and its shareholders, and make a recommendation to the Board on the action to be taken. For example, the Nominating Committee may recommend (i) accepting the resignation, (ii) maintaining the director but addressing what the Nominating Committee believes to be the underlying cause of the withheld votes, (iii) resolving that the director will not be re-nominated in the future for election, or (iv) rejecting the resignation. When making its determination, the Nominating Committee will consider all factors that it deems relevant, including (i) any stated reasons why shareholders withheld votes from the director, (ii) any alternatives for curing the underlying cause of the withheld votes, (iii) the director’s tenure, (iv) the director’s qualifications, (v) the director’s past and expected future contributions to the Board and to the Company, and (vi) the overall composition of the Board, including whether accepting the resignation would cause the Company to fall below the minimum number of directors required under the Company’s By-laws or fail to meet any applicable SEC or NYSE requirements. We will promptly disclose the Board’s decision on whether or not to accept the director’s resignation, including, if applicable, the reasons for rejecting the offered resignation.

Director Independence

The Board believes that a significant majority of its members should be independent, as determined by the Board based on the criteria established by the NYSE. Each year, the Nominating Committee reviews any relationships between outside directors and the Company that may affect independence. As of the date hereof, two of the eleven members of the Board serve as officers of the Company, and the remaining nine directors are independent under the criteria established by the NYSE. Please see Pages 14 through 15 for more information regarding director independence.

Committee Rotation

As a general principle, the Board believes that the periodic rotation of committee assignments on a staggered basis is desired and provides an opportunity to foster diverse perspective and develop breadth of knowledge within the Board.

Lead Director

We have had a lead director since 2004. The lead director’s responsibilities include reviewing and approving Board agendas; chairing executive sessions of the Board and meetings of the independent directors, both of which are held in conjunction with each quarterly Board meeting; leading the annual review of the Chief Executive Officer’s performance; attending meetings of Board committees; and serving as a liaison between the independent directors and the Chief Executive Officer. The Board considers the periodic rotation of the lead director from time to time, taking into account experience, continuity of leadership, and the best interests of the Company.

Nicholas DiPaolo currently serves as the lead director. The Board believes that Mr. DiPaolo is well-suited to serve as lead director, given his business and financial background and more than eleven years of service on our Board.

Board Leadership Structure

The Board evaluates, from time to time as appropriate, whether the same person should serve as Chairman and Chief Executive Officer, or whether the positions should be split, in light of all relevant factors and circumstances, and what it considers to be in the best interests of the Company and its shareholders. Since 2001, the Board has utilized various leadership structures. For example, from 2001 to 2004, the positions were separated, with a previously independent director serving as Chairman. From 2004 to 2009, the positions of Chairman and Chief Executive Officer were held by the same person, with an independent member of the Board serving as lead director. From August 2009 to January 2010, the positions were again separated, with the former Chairman and Chief Executive Officer serving as Executive Chairman and an independent member of the Board serving as lead director. From January 2010 to December 2014, the positions of Chairman and Chief Executive Officer were held by the same person with an independent member of the Board serving as lead director. Since December 2014, the positions of Chairman and Chief Executive Officer have been separated, with the former Chairman and Chief Executive Officer, Ken C. Hicks, serving as Executive Chairman, and an independent member of the Board, Nicholas DiPaolo, serving as lead director. The Board is currently reviewing the leadership structure in light of Mr. Hicks' forthcoming retirement. Following Mr. Hicks' retirement—and at its meeting immediately following the 2015 Annual Meeting—the Board is expected to make its determination regarding whether the positions of Chairman and Chief Executive Officer will be combined, with an independent lead director, or separated. We will disclose the Board's determination promptly following its decision.

Executive Sessions of Non-Management Directors

The Board holds regularly scheduled executive sessions of non-management directors in conjunction with each quarterly Board meeting. Nicholas DiPaolo, as lead director, presides at these executive sessions.

Board Evaluations

Each year, the Board and its committees conduct a self-evaluation. The Nominating Committee oversees the evaluation process and reviews the procedures, which may vary from year to year, in advance of each year's assessment process. The self-evaluation process is designed to elicit candid feedback regarding the areas where the Board and its committees could improve their effectiveness.

Board Members' Attendance at Annual Meetings

Although we do not have a policy on our Board members' attendance at annual shareholders' meetings, we encourage each director to attend these important meetings. The annual meeting is normally scheduled on the same day as a quarterly Board meeting. In 2014, 9 of the 10 directors then serving attended the annual shareholders' meeting.

Director Orientation and Education

We have an orientation program for new directors that is intended to educate a new director on the Company and the Board's practices. At the orientation, the newly elected director generally meets with the Company's Chief Executive Officer, Chief Financial Officer, General Counsel and Secretary, and other senior officers of the Company, to review the Company's business operations, financial matters, investor relations, corporate governance policies, composition of the Board and its committees, and succession and development plans. Additionally, he or she has the opportunity to visit our stores at the Company's New York headquarters, or elsewhere, with a senior division officer for an introduction to store operations. We also provide the Board with educational training from time to time on subjects applicable to the Board and the Company, including with regard to retailing, accounting, financial reporting, and corporate governance, using both internal and external resources.

Payment of Directors Fees in Stock

The nonemployee directors receive one-half of their annual retainer fees, including committee chair and lead director retainer fees, in shares of Common Stock, with the balance payable in cash. Directors may elect to receive up to 100% of their fees in stock.

Director Retirement

The Board has established a policy in its Corporate Governance Guidelines that directors retire from the Board at the annual meeting of shareholders following the director’s 72nd birthday. As part of the Nominating Committee’s regular evaluation of the Company’s directors and the overall needs of the Board, the Nominating Committee may ask a director to remain on the Board for an additional period of time beyond age 72, or to stand for re-election after reaching age 72. For any director over age 72, the Nominating Committee evaluates such director each year in light of the retirement policy to consider his or her continued service on the Board. The Nominating Committee and the Board reviewed the continued service of Nicholas DiPaolo, age 73, on the Board and have asked him to continue his service.

Change in a Director’s Principal Employment

The Board has established a policy whereby a director is required to advise the Chair of the Nominating Committee of any change to his or her principal employment. If requested by the Chair of the Committee, after consultation with the members of the Committee, the director will submit a letter of resignation to the Chair of the Committee, and the Committee would then meet to consider whether to accept or reject the letter of resignation.

Risk Oversight

The Board has oversight responsibilities regarding risks that could affect the Company. This oversight is conducted primarily through the Audit Committee. The Audit Committee has established procedures for reviewing the Company’s risks. These procedures include regular risk monitoring by management to update current risks and identify potential new and emerging risks, quarterly risk reviews by management with the Audit Committee, and an annual risk report to the full Board. The Audit Committee Chair reports on the committee’s meetings, considerations, and actions to the full Board at the next Board meeting following each committee meeting. In addition, the Compensation Committee considers risk in relation to the Company’s compensation policies and practices. The Compensation Committee’s independent compensation consultant provides an annual report to the committee on risk relative to the Company’s compensation programs.

The Company believes that this process for risk oversight is appropriate in light of the nature of the Company's business, its size, and the active participation of senior management, including the Chief Executive Officer, in managing risk and holding regular discussions on risk with the Audit Committee, the Compensation Committee, and the Board.

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CORPORATE GOVERNANCE

Stock Ownership Guidelines

The Board has adopted Stock Ownership Guidelines. The Guidelines were initially adopted in 2006 and were most recently amended as of the start of the 2012 fiscal year. These guidelines cover the Board, the Chief Executive Officer, and Other Principal Officers. The Guidelines are as follows:

Covered Position	**Current Ownership Guidelines**
Nonemployee Directors	4 x Annual Retainer Fee
Chief Executive Officer	6 x Annual Base Salary
Executive Vice Presidents	3 x Annual Base Salary
Senior Vice Presidents and Chief Executive Officers of Operating Divisions	2 x Annual Base Salary
Managing Directors of Operating Divisions and Corporate Vice Presidents	0.5 x Annual Base Salary

Shares of unvested restricted stock, unvested RSUs, and deferred stock units are counted towards beneficial ownership. Performance-based RSUs are counted once earned. Stock options and shares held through the Foot Locker 401(k) Plan are disregarded in calculating beneficial ownership for purposes of the Stock Ownership Guidelines.

Nonemployee directors and executives who are covered by the guidelines are required to be in compliance within five years after the effective date of becoming subject to these guidelines. In the event of any increase in the required ownership level, whether as a result of an increase in the annual retainer fee or base salary or an increase in the required ownership multiple, the target date for compliance with the increased ownership guideline is five years after the effective date of such increase.

All nonemployee directors and executives who were required to be in compliance as of the end of the 2014 fiscal year are in compliance. Mr. Hicks continued to exceed the ownership guidelines at the Chief Executive Officer level. The Company measures compliance with the guidelines at the end of each fiscal year based on the market value of the Company’s stock, with the compliance determination at that point in time applying for the next fiscal year, regardless of fluctuations in the Company’s stock price.

If a director or covered executive fails to be in compliance by the required compliance date, he or she must hold the net shares obtained through future stock option exercises and the vesting of restricted stock and RSUs, after payment of applicable taxes, until coming into compliance with the guidelines. In order to take into consideration fluctuations in the Company’s stock price, any person who has been in compliance with the guidelines as of the end of at least one of the two preceding fiscal years and who has not subsequently sold shares will not be subject to this holding requirement. For nonemployee directors, the Nominating Committee will consider a director’s failure to comply with the Stock Ownership Guidelines when considering that director for re-election.

Political Contributions

Our Code of Business Conduct prohibits making contributions on behalf of the Company to political parties, political action committees, political candidates, or holders of public office. The Company is a member of several trade associations which, as part of their overall activities, may engage in advocacy activities with regard to issues important to the retail industry or the business community generally.

CORPORATE GOVERNANCE

Communications with the Board of Directors

The Board has established a procedure for shareholders and other interested parties to send communications to the non-management members of the Board. Shareholders and other interested parties who wish to communicate directly with the non-management directors of the Company should send a letter to:

Board of Directors

c/o Secretary, Foot Locker, Inc.

112 West 34th Street

New York, NY 10120

The Secretary will promptly send a copy of the communication to the lead director, who may direct the Secretary to send a copy of the communication to the other non-management directors and may determine whether a meeting of the non-management directors should be called to review the communication.

A copy of the Procedures for Communications with the Board is available on the corporate governance section of the Company's corporate website at *http://www.footlocker-inc.com/investors.cfm?page=corporate-governance*. You may obtain a printed copy of the procedures by writing to the Secretary at the Company's headquarters.

Retention of Outside Advisors

The Board and all of its committees have authority to retain outside advisors and consultants that they consider necessary or appropriate in carrying out their respective responsibilities. The independent accountants are retained by, and report directly to, the Audit Committee. In addition, the Committee is responsible for the selection, assessment, and termination of the internal auditors to which the Company has outsourced a portion of its internal audit function, which is ultimately accountable to the Audit Committee. Similarly, the consultant retained by the Compensation Committee to assist in the evaluation of senior executive compensation reports directly to that committee.

Code of Business Conduct

The Company has adopted a Code of Business Conduct for directors, officers, and employees, including its Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer. A copy of the Code of Business Conduct is available on the corporate governance section of the Company's corporate website at *http://www.footlocker-inc.com/investors.cfm?page=corporate-governance*. You may obtain a printed copy of the Code of Business Conduct by writing to the Secretary at the Company's headquarters.

Any waivers of the Code of Business Conduct for directors and executive officers must be approved by the Audit Committee. The Company promptly discloses amendments to the Code of Business Conduct and any waivers of the Code of Business Conduct for directors and executive officers on the corporate governance section of the Company's corporate website at *http://www.footlocker-inc.com/investors.cfm?page=corporate-governance*.

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BOARD OF DIRECTORS

Organization and Powers

The Board has responsibility for establishing broad corporate policies, reviewing significant developments affecting the Company, and monitoring the general performance of the Company. Our By-laws provide for a Board consisting of between 7 and 13 directors. The exact number of directors is determined from time to time by the entire Board. Our Board currently has 11 members. Mr. Hicks will retire as Executive Chairman at the conclusion of the 2015 Annual Meeting. The Board has fixed the number of directors at 10, effective at the conclusion of the 2015 Annual Meeting.

The Board held eight meetings during 2014. All of our directors attended at least 75% of the meetings of the Board and committees on which they served in 2014.

Director Qualifications

The Board, acting through the Nominating Committee, considers its members, including those directors being nominated for reelection to the Board at the 2015 Annual Meeting, to be qualified for service on the Board due to a variety of factors reflected in each director's education, areas of expertise, and experience serving on the boards of directors of other organizations. Generally, the Board seeks individuals of broad-based experience who have the background, judgment, independence, and integrity to represent the shareholders in overseeing the Company's management in their operation of the business rather than specific, niche areas of expertise. Within this framework, specific items relevant to the Board's determination for each director are listed in each director's biographical information beginning on Page 77.

Directors' Independence

A director is considered independent under NYSE rules if he or she has no material relationship to the Company that would impair his or her independence. In addition to the independence criteria established by the NYSE, the Board has adopted categorical standards to assist it in making its independence determinations regarding individual directors. These categorical standards are contained in the Corporate Governance Guidelines, which are posted on the Company's corporate website at *http://www.footlocker-inc.com/investors.cfm?page=corporate-governance*.

The Board has determined that the categories of relationships listed in the following table are immaterial for purposes of determining whether a director is independent under the NYSE listing standards.

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Categorical Relationship	Description
Investment Relationships with the Company	A director and any family member may own equities or other securities of the Company.
Relationships with Other Business Entities	A director and any family member may be a director, employee (other than an executive officer), or beneficial owner of less than 10% of the shares of a business entity with which the Company does business, provided that the aggregate amount involved in a fiscal year does not exceed the greater of $1 million or 2% of either that entity's or the Company's annual consolidated gross revenue.
Relationships with Not-for-Profit Entities	A director and any family member may be a director or employee (other than an executive officer or the equivalent) of a not-for-profit organization to which the Company (including the Foot Locker Foundation) makes contributions, provided that the aggregate amount of the Company's contributions in any fiscal year do not exceed the greater of $1 million or 2% of the not-for-profit entity's total annual receipts.

The Board, upon the recommendation of the Nominating Committee, has determined that the following directors are independent under the NYSE rules because they have no material relationship to the Company that would impair their independence:

Maxine Clark	Matthew M. McKenna
Nicholas DiPaolo	Steven Oakland
Alan D. Feldman	Cheryl Nido Turpin
Jarobin Gilbert Jr.	Dona D. Young
Guillermo Marmol	

In making its decisions on independence, the Board reviewed recommendations of the Nominating Committee and considered Nicholas DiPaolo's spouse's relationship as a trustee with the Greater Paramus Chamber of Commerce Education Foundation, a not-for-profit corporation. The Foot Locker Foundation made a contribution of $5,000 to this organization in 2014. As the amount of the contribution does not exceed the greater of $1 million or 2% of the not-for-profit entity's total annual receipts, this relationship falls under the Company's categorical standards of relationships that are immaterial for purposes of determining director independence because it constitutes a relationship with a not-for-profit entity.

The Board has determined that all members of the Audit Committee, the Compensation Committee, the Finance Committee, and the Nominating Committee are independent as defined under the NYSE listing standards and the director independence standards adopted by the Board.

Related Person Transactions

We individually inquire of each of our directors and executive officers about any transactions in which the Company and any of these related persons or their immediate family members are participants. We also make inquiries within the Company's records for information on any of these kinds of transactions. Once we gather the information, we then review all relationships and transactions in which the Company and any of our directors, executive officers, or their immediate

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BOARD OF DIRECTORS

family members are participants to determine, based on the facts and circumstances, whether the Company or the related persons have a direct or indirect material interest. The General Counsel's office coordinates the related person review process. The Nominating Committee reviews any reported transactions involving directors and their immediate families in making its recommendation to the Board on the independence of the directors. The Company's written policies and procedures for related person transactions are included within the Corporate Governance Guidelines and Foot Locker's Code of Business Conduct. There were no related person transactions in 2014.

Committees of the Board of Directors

The Board has delegated certain duties to committees, which assist the Board in carrying out its responsibilities. There are five standing committees of the Board. Each independent director serves on at least two committees. The current committee memberships, the number of meetings held during 2014, and the functions of the committees are described below.

Audit Committee	**Compensation and Management Resources Committee**	**Finance and Strategic Planning Committee**	**Nominating and Corporate Governance Committee**	**Executive Committee**
G. Marmol, *Chair*	A. Feldman, *Chair*	M. McKenna, *Chair*	D. Young, *Chair*	K. Hicks, *Chair*
M. Clark	N. DiPaolo	M. Clark	J. Gilbert Jr.	N. DiPaolo
J. Gilbert Jr.	S. Oakland	N. DiPaolo	S. Oakland	A. Feldman
M. McKenna	C. Turpin	A. Feldman	C. Turpin	R. Johnson
	D. Young	G. Marmol		G. Marmol
				M. McKenna
				D. Young

Audit Committee

The Audit Committee held eight meetings in 2014. The Committee has a charter, which is available on the corporate governance section of our corporate website at *http://www.footlocker-inc.com/investors.cfm?page=corporate-governance*. The Audit Committee Report appears on Page 84.

This committee appoints the independent accountants and is responsible for approving the independent accountants' compensation. This committee also assists the Board in fulfilling its oversight responsibilities in the following areas:

- accounting policies and practices,
- the integrity of the Company's financial statements,
- compliance with legal and regulatory requirements,
- risk oversight,
- the qualifications, independence, and performance of the independent accountants, and
- the qualifications, performance, and compensation of the internal auditors.

The Audit Committee has established procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters.

The Audit Committee consists of four independent directors, as independence is defined under the NYSE rules. All of the Audit Committee members meet the expertise requirements under the NYSE rules. The Board has determined that Matthew M. McKenna, qualifies as an "audit committee financial expert," as defined by the rules under the Exchange Act, through his relevant experience as a former senior financial executive of a large multinational corporation. Mr. McKenna is independent under the NYSE rules and the Exchange Act.

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Compensation and Management Resources Committee

The Compensation Committee held five meetings in 2014. The committee has a charter, which is available on the corporate governance section of the Company's corporate website at *http://www.footlocker-inc.com/investors.cfm?page=corporate-governance*.

The Compensation Committee determines the compensation of the Chief Executive Officer, reviews and approves all compensation for the Company's executive management group, which consists of the executive officers and corporate officers, and determines significant elements of the compensation of the chief executive officers of our operating divisions. Decisions regarding equity compensation for other employees are also the Compensation Committee's responsibility. Decisions regarding non-equity compensation of the Company's other associates are made by the Company's management. The committee also considers risk in relation to the Company's compensation policies and practices. Please see the Compensation Discussion and Analysis on Pages 23 through 39 for a discussion of the Compensation Committee's procedures for determining compensation.

The Compensation Committee also administers the Company's various compensation plans, including the incentive plans, the equity-based compensation plans, and the employees' stock purchase plan. Other than the Company's 2007 Stock Incentive Plan (the "Stock Incentive Plan"), committee members are ineligible to participate in these compensation plans. This committee also reviews and makes recommendations to the Board concerning executive development and succession, including for the position of Chief Executive Officer.

Finance and Strategic Planning Committee

The Finance Committee held four meetings in 2014. This committee reviews the overall strategic and financial plans of the Company, including capital expenditure plans, proposed debt or equity issues of the Company, and the Company's capital structure. The committee also considers and makes recommendations to the Board concerning dividend payments and share repurchases, and reviews acquisition and divestiture proposals.

Nominating and Corporate Governance Committee

The Nominating Committee held four meetings in 2014. This committee has responsibility for overseeing corporate governance matters affecting the Company, including developing and recommending criteria and policies relating to service and tenure of directors. The Nominating Committee is responsible for collecting the names of potential nominees to the Board, reviewing the background and qualifications of potential candidates for Board membership, and making recommendations to the Board for the nomination and election of directors. The Nominating Committee reviews membership on the Board committees and, after consultation with the lead director and the Chief Executive Officer, makes recommendations to the Board annually regarding committee members and committee chair assignments. In addition, the Nominating Committee meets jointly with the Compensation Committee to review nonemployee directors' compensation and make recommendations to the Board concerning the form and amount of nonemployee directors' compensation.

While the Nominating Committee does not have a formal policy regarding board diversity, the Board reflects diversity in terms of gender, age, ethnicity, and viewpoints. In selecting new directors and considering the re-nomination of existing directors, the Nominating Committee considers a variety of factors that it believes contribute to an individual's ability to be an effective director, as well as the overall effectiveness of the Board. These include independence, integrity, high personal and professional ethics, sound business judgment, and the ability and willingness to devote sufficient time to Board responsibilities. The Nominating Committee also considers an individual's understanding of business, finance, corporate governance, marketing, and other disciplines relevant to the oversight of a large publicly-traded company; understanding of our industry; educational and professional background; international experience; personal accomplishment; community involvement; and cultural and ethnic diversity. The Nominating Committee may establish criteria for candidates for Board membership. These criteria may include area of expertise, diversity of experience, independence, commitment to representing the long-term interests of the Company's stakeholders, and other relevant factors, taking into consideration the needs of the Board and the Company and the mix of expertise and experience among current directors. From time to time, the Nominating Committee may retain the services of a third-party search firm to identify potential director candidates.

After a potential nominee is identified, the Nominating Committee Chair will review the potential nominee's biographical information and discuss with the other members of the Nominating Committee whether to request additional information about the individual or to schedule a meeting with the potential candidate. The committee's determination on whether to proceed with a formal evaluation of a potential candidate is based on the person's experience and qualifications, as well as the current composition of the Board and its anticipated future needs.

Shareholders who wish to recommend candidates may contact the Nominating Committee in the manner described on Page 13 under "Communications with the Board of Directors." Shareholder nominations must be made according to the procedures required under our By-laws and within the timeframe described in the By-laws and on Pages 86 through 87 of this Proxy Statement. Shareholder-recommended candidates and shareholder nominees whose nominations comply with these procedures will be evaluated by the Nominating Committee in the same manner as the Nominating Committee's nominees.

Executive Committee

The Executive Committee did not meet in 2014. Except for certain matters reserved to the Board, this committee has all of the powers of the Board in the management of the business of the Company during intervals between Board meetings.

Compensation and Management Resources Committee Interlocks and Insider Participation

Nicholas DiPaolo, Alan D. Feldman, Steven Oakland, Cheryl Nido Turpin, and Dona D. Young served on the Compensation Committee during 2014. None of the committee members was an officer or employee of the Company or any of its subsidiaries, and there were no interlocks with other companies within the meaning of the SEC's proxy rules.

Directors’ Compensation and Benefits

Nonemployee directors are paid an annual retainer fee and meeting fees for attendance at each Board and committee meeting. The lead director and the committee chairs are paid an additional retainer fee for service in these capacities. We do not pay additional compensation to any director who is also an employee of the Company for service on the Board or any committee. The table below summarizes the fees paid to the nonemployee directors in 2014.

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Summary of Directors' Compensation

Annual Retainer:	$110,000 (increased to $130,000 beginning January 2015). The annual retainer is payable 50% in cash and 50% in shares of our Common Stock. Directors may elect to receive up to 100% of their annual retainer, including committee chair retainer, in stock. We calculate the number of shares paid to the directors for their annual retainer by dividing their retainer fee by the closing price of a share of our stock on the last business day preceding the July payment date.
Committee Chair Retainers:	The committee chair retainers are paid in the same form as the annual retainer. $25,000: Audit Committee Chair $25,000: Compensation and Management Resources Committee Chair $15,000: Finance and Strategic Planning Committee Chair $15,000: Nominating and Corporate Governance Committee Chair N/A: Executive Committee
Lead Director Retainer:	$50,000 payable in the same form as the annual retainer
Meeting Fees:	$2,000 for attendance at each Board and committee meeting
Restricted Stock Units:	In 2014, the directors received a grant of 1,157 RSUs. The number of RSUs

granted was calculated by dividing $55,000 by the closing price of a share of our stock on the date of grant. The RSUs will vest one year following the date of grant—in May 2015. Each RSU represents the right to receive one share of Common Stock on the vesting date.

Deferral Election

Nonemployee directors may elect to receive all or a portion of the cash component of their annual retainer fee, including committee chair retainers, in the form of deferred stock units or to have these amounts placed in an interest account. Directors may also elect to receive all or part of the stock component of their annual retainer fee in the form of deferred stock units. The interest account is a hypothetical investment account bearing interest at the rate of 120% of the applicable federal long-term rate, compounded annually, and set as of the first day of each plan year. A stock unit is an accounting equivalent of one share of Common Stock.

Miscellaneous

Directors and their immediate families are eligible to receive the same discount on purchases of merchandise from our stores, catalogs, and Internet sites that is available to employees. The Company reimburses nonemployee directors for their reasonable expenses in attending meetings of the Board and committees, including their transportation expenses to and from meetings, hotel accommodations, and meals.

Fiscal 2014 Director Compensation

The amounts paid to each nonemployee director for fiscal 2014, including amounts deferred under the Company's stock plan, and the RSUs granted to each director are reported in the tables below.

BOARD OF DIRECTORS

Director Compensation

(a) Name	(b) Fees Earned or Paid in Cash ($)	(c) Stock Awards ($)(1)(2)	(d) Change in Pension Value and Nonqualified Deferred Compensation Earnings	(e) Total ($)
M. Clark	95,853	110,007	—	205,860
N. DiPaolo	114,848	135,012	—	249,860
A. Feldman	100,333	144,788(3)	—	245,121
J. Gilbert Jr.	95,853	110,007	3,678	209,538
G. Marmol	108,376	122,485	—	230,861
M. McKenna	40,026	180,001	—	220,027
S. Oakland	76,575	100,827	—	177,402
C. Turpin	89,853	146,142(3)	—	235,995
D. Young	85,247	176,668(3)	—	261,915

Notes to Director Compensation Table

(1) Column (c) reflects the following three bulleted items:

- **Retainer fees paid in stock or deferred by the director.** The fiscal 2014 grant date fair value for the portion of the annual retainer fees, including committee chair retainer fees and the lead director retainer fee, paid in shares of Common Stock or deferred by the director, as shown in the following table:

Name	**Number of Shares**	**Number of Deferred Stock Units**	**Grant Date Fair Value ($)**
M. Clark	1,084	—	54,980
N. DiPaolo	1,577	—	79,985
A. Feldman	—	1,330.8360	67,500
J. Gilbert Jr.	1,084	—	54,980
G. Marmol	1,330	—	67,458
M. McKenna	2,464	—	124,974
S. Oakland	903	—	45,800

C. Turpin	1,084	—	54,980
D. Young	—	1,489.9199	75,569

Stock portion of retainer fee: In 2014, we made the annual stock payment to each director on July 1. Under the terms of the Stock Incentive Plan, the stock payment was valued at the closing price of a share of Common Stock on June 30, which was $50.72. The 2014 grant date fair value is equal to the number of shares received or deferred by the director multiplied by $50.72, calculated in accordance with stock-based compensation accounting rules (ASC Topic 718). Directors who deferred the stock portion of their annual retainer were credited with deferred stock units on the annual payment date valued at $50.72 per unit.

Cash portion of retainer fee: One director deferred part of the cash portion of her 2015 annual retainer fee and, therefore, was credited during the 2014 fiscal year with deferred stock units on January 2, 2015 ($56.04; pro rated for one month of 2014 fiscal year). The 2014 grant date fair value is equal to the number of deferred stock units received multiplied

BOARD OF DIRECTORS

by $56.04, which was the fair market value on the payment date, calculated in accordance with stock-based compensation accounting rules (ASC Topic 718).

- **Dividend equivalents.** The fiscal 2014 grant date fair value for dividend equivalents credited in the form of additional stock units to three directors during the year on the quarterly dividend payment dates, valued at the fair market value of the Common Stock on the dividend payment dates, as shown in the following table:

Name	**05/02/14 FMV: $47.10**	**08/01/14 FMV: $48.12**	**10/31/14 FMV: $56.01**	**01/30/15 FMV: $53.22**
A. Feldman	112.7089	116.9195	100.9086	106.6158
C. Turpin	190.5047	187.3375	161.6836	170.8280
D. Young	237.3759	240.1900	207.2984	219.1618

The **Total Number of Deferred Stock Units** credited to directors' accounts for fiscal 2014, including the dividend equivalents and the units credited representing 2014 retainer fees reported in the above two tables, and the total number of units held at the end of fiscal 2014, are reported in the following table:

Name	Total # of Units Credited for 2014	Total # of Units Held at 01/31/15
A. Feldman	1,767.9888	25,897.9381
C. Turpin	710.3538	41,495.6777
D. Young	2,393.9460	53,213.9676

- **Restricted Stock Units.** The fiscal 2014 grant date fair value for the RSUs granted to the nonemployee directors in 2014 is shown in the table below. The number of RSUs granted was calculated by dividing $55,000 by $47.56, which was the closing price of a share of our stock on the date of grant. The RSUs will vest in May 2015. As provided under the SEC's rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information on the valuation assumptions, please refer to Note 21 to the Company's financial statements in our 2014 Form 10-K. The following table shows the aggregate number of RSUs granted in 2014 and the number of RSUs outstanding at the end of the 2014 fiscal year:

Name	**Number of RSUs Granted**	**Grant Date Fair Value ($)**	**Number of RSUs Outstanding on 1/31/2015**
M. Clark	1,157	55,027	1,157
N. DiPaolo	1,157	55,027	1,157
A. Feldman	1,157	55,027	1,157

J. Gilbert Jr.	1,157	55,027	1,157
G. Marmol	1,157	55,027	1,157
M. McKenna	1,157	55,027	1,157
S. Oakland	1,157	55,027	1,157
C. Turpin	1,157	55,027	1,157
D. Young	1,157	55,027	1,157

(2) No stock options were granted to the nonemployee directors in 2014. The following table provides information on the number of stock options outstanding for each of the nonemployee directors at the end of the 2014 fiscal year, all of which are exercisable:

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Name	Number of Stock Options Outstanding on 1/31/2015
M. Clark	—
N. DiPaolo	4,439
A. Feldman	4,439
J. Gilbert Jr.	4,439
G. Marmol	—
M. McKenna	4,287
S. Oakland	—
C. Turpin	4,439
D. Young	4,439

(3) Stock payment deferred in the form of stock units under the Stock Incentive Plan.

Directors' Retirement Plan

The Directors' Retirement Plan was frozen as of December 31, 1995. Consequently, only Jarobin Gilbert Jr. is entitled to receive a benefit under this plan when his service as a director ends because he had completed at least five years of service as a director on December 31, 1995. The retirement benefit under this plan is an annual retirement benefit of $24,000 that is payable quarterly for a period of 10 years after the director leaves the Board or until his death, if sooner.

Directors and Officers Indemnification and Insurance

We have purchased directors and officers liability and corporation reimbursement insurance from a group of insurers comprising ACE American Insurance Co., Zurich American Insurance Co., Arch Insurance Co., St. Paul Mercury Insurance Co., Freedom Specialty Insurance Co., Berkley Insurance Co., Navigators Insurance Co., Aspen American Insurance Co., XL Insurance Bermuda Ltd., Illinois National Insurance Co., and Endurance American Insurance Co. These policies insure the Company and all of the Company's wholly-owned subsidiaries. They also insure all of the directors and officers of the Company and the covered subsidiaries. The policies were written for a term of 12 months, from October 12, 2014 until October 12, 2015. The total annual premium for these policies, including fees and taxes, is $996,183. Directors and officers of the Company, as well as all other employees with fiduciary responsibilities under the Employee Retirement Income Security Act of 1974, as amended, are insured under policies issued by a group of insurers comprising Arch Insurance Co., St. Paul Mercury Insurance Co., Federal Insurance Co., and ACE

American Insurance Co., which have a total premium, including fees and taxes, of $384,320 for the 12-month period ending October 12, 2015.

The Company has entered into indemnification agreements with its directors and officers, as approved by shareholders at the 1987 Annual Meeting.

EXECUTIVE COMPENSATION

Compensation and Risk

The Company has completed a risk-related review and assessment of our compensation program and considered whether our executive compensation is reasonably likely to result in a material adverse effect on the Company. As part of this review, the independent compensation consultant to the Compensation Committee reviewed risk in relation to the Company’s compensation policies and practices with the Company’s human resources executives directly involved in compensation matters. The consultant reviewed the compensation policies and practices in effect for corporate and division employees through the manager level, store managers, and store associates and reviewed the features we have built into the compensation programs to discourage excessive risk taking by employees, including a balance between different elements of compensation, differing time periods for different elements, consistent Company-wide programs, plan performance targets based on the corporate budgeting process, and stock ownership guidelines for senior management.

Compensation Discussion and Analysis

Executive Summary and Highlights

Our executive compensation program is designed to attract, motivate, and retain talented executives in order to achieve the Company’s short- and long-term performance goals and deliver value to its shareholders. To accomplish this, we have a compensation program for our executives that ties pay closely to performance. The more senior an executive’s position, the greater the portion of his or her compensation that is tied to performance. The Compensation Committee, which is comprised of five independent directors, oversees the executive compensation program.

In December 2014, Richard A. Johnson was promoted to President and Chief Executive Officer, succeeding Ken C. Hicks, who retired as President and Chief Executive Officer, as part of a planned succession process (the “CEO Succession”). Mr. Hicks remains Executive Chairman and an employee through the conclusion of the 2015 Annual Meeting. Prior to his promotion, Mr. Johnson served as Executive Vice President and Chief Operating Officer. As a consequence of this succession, we have six named executive officers included in this Compensation Discussion and Analysis and the related compensation tables.

Richard A. Johnson	President and Chief Executive Officer
Ken C. Hicks	Executive Chairman, Retired President and Chief Executive Officer

Lauren B. Peters	Executive Vice President and Chief Financial Officer
Robert W. McHugh	Executive Vice President—Operations Support
Paulette Alviti	Senior Vice President and Chief Human Resources Officer
Jeffrey L. Berk	Senior Vice President—Real Estate

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EXECUTIVE COMPENSATION

2014 Performance and Compensation Highlights

Our 2014 fiscal year was the fourth consecutive year that the Company's sales and profit results represented the highest levels ever achieved in our history as an athletic footwear and apparel business. Our strong 2014 results included:

- Net income, on a non-GAAP basis, of $522 million.
- Earnings-per-share of $3.58, a 25% increase over 2013 and the fifth consecutive year with a double-digit annual increase.
- An end-of-year market capitalization of $7.5 billion, a 34% increase over year-end 2013.
- Returning $432 million to our shareholders through dividend payments of $127 million and share repurchases of $305 million.
- Total shareholder return (stock price appreciation plus reinvested dividends) of 40.3% compared to 21.6% for the S&P 400 Retailing Index.

As a result of this strong performance, the Company reached three of the objectives set in our long-range strategic plan adopted in early 2012, and came close on the others, as shown in the chart below:

Financial Metrics	2013	2014	2012-16 Long-Term Objectives
Sales	$6,505 million	$7,151 million	$7,500 million
Sales per Gross Square Foot	$460	$490	$500
Earnings Before Interest and Taxes (EBIT) Margin	10.4%	11.4%	11%
Net Income Margin	6.6%	7.3%	7%
Return on Invested Capital (ROIC)	14.1%	15.0%	14%

The chart above reflects non-GAAP results. There is a reconciliation to GAAP on Pages 16 through 17 of our 2014 Form 10-K.

As a result of our strong performance in 2014, above-target bonuses were earned under both the Annual Incentive Compensation Plan ("Annual Bonus Plan") and the Long-Term Bonus Plan. Each of our named executive officers earned a bonus of 136% of their respective target awards under the Annual Bonus Plan and 129% of their respective target awards under the Long-Term Bonus Plan for 2013-14. Please see Pages 30 through 32 and the Summary Compensation Table on Page 40 for more details on these incentive programs and the named executive officers' earned bonuses under the plans.

EXECUTIVE COMPENSATION

Our Key Compensation Governance Policies

What We Do: