

Macy's, Inc.

Proposed Language for [2018 proxy statement](#):

MACY'S OVERALL COMPENSATION PHILOSOPHY – PROXY DISCLOSURE

Our Compensation Philosophy

Macy's compensation philosophy and practices are integral to our objective of being an employer of choice in every location we do business, with competitive pay and benefits in a caring and service-oriented work environment. Compensation is scaled to job position, responsibilities, experience and performance, with annual incentive opportunities at certain levels that reward both company and individual performance.

Pay-for-Performance. We seek to align pay and performance. Because senior executives have the ability to directly influence our overall performance, a majority of their annual targeted total direct compensation is variable at-risk pay tied to financial performance, corporate objectives and both absolute and relative stock price performance in the form of annual cash and long-term equity incentive award opportunities.

Pay-for-performance extends beyond senior executives to align broad groups of our employees with the interests of shareholders. For example:

- Employees through the director level participate in an annual cash incentive plan. A portion of the incentive is based on the achievement of the same financial and strategic performance metrics as our Senior Executive Incentive Plan and a portion is based on individual performance results.
- Store managers and above are eligible for grants of equity under our core management equity program.
- In 2017 we provided approximately 1,100 equity grants to employees to align their pay with senior executives and our shareholders.
- Sales associates in certain merchandise areas are eligible for commissions or special bonuses for performance.

Pay Levels. The Compensation and Management Development (CMD) Committee of our Board of Directors ensures appropriate pay levels for senior executives. Management deploys that philosophy throughout the company in determining pay amounts.

The CMD Committee is provided compensation information for individuals and employee groups beyond executive officers to inform the Committee of company compensation practices and executive pay levels. The CMD Committee also approves annual incentive awards to bonus-eligible non-executive officers and equity awards in aggregate for designated director level employees and above.

We try to balance internal and external pay fairness. We use market surveys to determine the external competitiveness of our compensation levels and we utilize pay ranges to help ensure internal pay fairness. We assess internal pay levels based on the relative internal value of each job or job classification, a subjective process that considers direct job duties, responsibilities, skills, experience and education required, leadership expectations, organizational needs, talent sector, variance to external job titles and other factors. We feel that internal pay fairness is more than numerical relationships between the pay of individual employees or employee classifications.

Work and Career Opportunities. Macy's believes that compensation is an important part, but not the only element, of a satisfying job. Macy's offers a wide variety of retail employment opportunities to build a career or to earn extra money. We offer merchandise discounts and flexible, predictable schedules

for part-time store associates, internships for college students and full-time employment in the retail business for graduates through our Executive Development Program. We offer exciting career opportunities in creative, marketing, technology, merchandising, store operations, accounting/finance, human resources, legal, communications/media and real estate at our major corporate work centers in Atlanta, Cincinnati, San Francisco and New York as well as employment opportunities at our stores, distribution centers and call centers across the United States.