Court File No. CV-23-00695619-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,* R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **NORDSTROM CANADA RETAIL, INC., NORDSTROM CANADA HOLDINGS, LLC** and **NORDSTROM CANADA HOLDINGS II, LLC**

APPLICANTS

APPLICATION RECORD
VOLUME 2 OF 5

March 2, 2023

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Lawyers for the Applicants

This is Exhibit “H” referred to in the Affidavit of Misti Heckel
sworn March 1, 2023.

Commissioner for Taking Affidavits (or as may be)

HANNAH DAVIS

INTER-AFFILIATE SERVICES AGREEMENT

THIS INTER-AFFILIATE SERVICES AGREEMENT (the "Agreement") is entered into as of December 10, 2014 (the "Effective Date") by and between Nordstrom Canada Leasing LP, a limited partnership under the laws of Alberta, with offices at 1700 7th Avenue, Suite 1000, Seattle, WA 98101 ("NCL") and Nordstrom Canada Retail, Inc., a British Columbia corporation, with offices at P.O. box 10424, Pacific Centre, 1300 – 777 Dunsmuir Street, Vancouver, BC V7Y 1K2 ("NCRI").

WHEREAS, the parties desire to provide services to each other; and

WHEREAS, each party is prepared to render such services in accordance with the Agreement;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I
TERM AND TERMINATION

Section 1.1 Term.

This Agreement shall be effective commencing on the Effective Date and remain in full force and effect until otherwise terminated as provided in Section 1.2.

Section 1.2 Termination.

This Agreement may be terminated by either party, at any time, with thirty (30) days written notice to the other party. This right of termination may be exercised by either party whether or not good cause has been demonstrated to the other party. Following termination, neither party shall have any further obligations under this Agreement except as specifically provided herein.

ARTICLE II
SERVICES

Section 2.1 Services Provided.

Each party will provide services to the other as set forth in **Exhibit A**, which is attached hereto and incorporated herein by reference, and which may be amended from time to time by mutual written agreement of the parties (individually and collectively, the "Services").

Section 2.2 Provision of Services.

Each party shall, at all times, provide sufficient personnel or resources to perform any Services. The party performing Services shall be an independent contractor and/or service provider. Nothing contained herein shall be construed to create or imply a joint venture, principal and agent, employer and employee, partnership or any other relationship other than that of an independent contractor. Accordingly, neither party shall have the right or power of authority to create any obligation, express or implied, on behalf of the other in connection with the performance of this Agreement.

Each party may, at its own election, provide Services through its own employees and be under its direction and control. In such case, the party providing Services shall be responsible for the employees' salaries, benefits, wages, supervision, insurance (including liability and worker's compensation coverage) and other incidentals of their employment. Alternatively, a party may, at its own election, provide the Services through a duly qualified independent agent. However, neither party may assign this Agreement in whole or in part to a third party except as discussed in Article VII ("Assignability").

Each party reserves the right to engage in the various business activities set forth in **Exhibit B**, which is attached hereto and incorporated herein by reference, and which may be amended from time to time by mutual written agreement of the parties. Such activities may or may not involve the other party and do not require any written notification to the other party. Notwithstanding the foregoing, each party shall continue its obligations as described in the Agreement.

Section 2.3 Requisition of Services.

Each party acknowledges it has sole responsibility under this Agreement to provide sufficient documentation to enable the party performing Services to fulfill its responsibilities. Each party shall exercise its best efforts, upon receipt of sufficient documentation, to execute the Services. In the event sufficient documentation is not provided such that it results in an economic cost, that economic cost shall either be directly assumed or reimbursed by the party receiving the Services.

Each party agrees to use its best efforts in its scheduling of Services to ensure the other party is able to fulfill its responsibilities without delay.

Section 2.4 Indemnification.

The party providing Services agrees to indemnify the other party and hold it harmless against any loss, liability, claim or expense arising out of or in connection with its Services under this Agreement.

The party receiving Services agrees to indemnify the other party and hold it harmless against any loss, liability, claim or expense arising out of or in connection with its duties or obligations under this Agreement.

Section 2.5 Risk of Loss.

The party receiving Services shall bear the loss associated with third party regulations or actions, such as (but not limited to) product recalls, violations of laws, changes in laws or any Force Majeure situations. For purposes of this Agreement, the term "Force Majeure" shall mean circumstances beyond a party's reasonable control.

Section 2.6 Regulatory Requirements.

Each party shall exercise best efforts to comply with regulatory requirements and associated requests by the other party. The party receiving Services shall assume any and all risks of compliance with regulatory laws, regulations, filing responsibilities and other regulatory requirements.

The parties will promptly notify each other of any information of regulatory significance concerning any Services. The parties will cooperate to the extent necessary to enable each party to file such reports and maintain such records as may be required of each party by any regulatory agency. In the event that either party is contacted by a regulatory agency, the contacted party shall promptly notify the other party. The parties will fully cooperate in responding to any inquiries, requests for information or other investigations.

ARTICLE III
COMPENSATION

Section 3.1 Fees.

Each party agrees to pay the other the U.S. dollar amount set forth in **Exhibit A.** Any ancillary services provided that are outside the scope of this Agreement may be billed with adequate supporting documentation, as needed.

If it is subsequently determined that the mutually agreed upon periodic billings do not reflect an arm's length price, the parties agree to make any necessary year-end compensating adjustments to ensure that the fees paid provide an arm's length result.

The party receiving Services is responsible for any sales, use, value-added or other taxes, and any tariffs, duties, fees or other charges, imposed by any government authority (collectively, "Taxes") as a result of the Services, with the exception of taxes based on net income. If a party providing Services has the legal obligation to pay or collect Taxes for which such party is responsible under this section, the appropriate amount will be invoiced to and paid by the party receiving Services unless it provides the party providing Services with a valid exemption/resale certificate.

Section 3.2 Payment.

Any payment set forth in Section 3.1 shall not be paid at the end of each monthly accounting period, but shall accrue during successive monthly accounting periods and be paid within thirty (30) days after the end of each quarterly accounting period. Accordingly, the quarterly payment schedule shall be established such that any and all accrued amounts are paid within thirty (30) days of Nordstrom's fiscal year end.

ARTICLE IV
FORCE MAJEURE AND DEFAULT

Section 4.1 Force Majeure.

Any delay in performance or any non-performance by either party (the "Non-Performing Party") will not constitute a breach of this Agreement if and to the extent the delay or non-performance is caused by a Force Majeure as defined in Section 2.5. If any such delay or non-performance occurs, then the time for performance will be extended by the number of days of such delay that occur after notice of the cause of delay is given to the other party, together with the details thereof. If this notice is not given within ten (10) business days after the cause of the delay or non-performance first becomes known, then the Non-Performing Party will be deemed to have waived its rights to extend the time for its performance due to that cause.

Section 4.2 Right to Cover.

In the event a party is unable or unwilling to perform or provide any of the Services, it may contract with any other person or entity to perform such Services as it deems reasonably appropriate. The contracting party will provide the other party with timely notice of such an arrangement. Such contract shall not relieve the contracting party of, nor be deemed an assignment of, its rights or obligations under this Agreement.

Section 4.3 Default.

Except as provided in Section 4.1, upon the occurrence of a material default by either party in performing its obligations under this Agreement, the non-defaulting party shall serve the other party with a written notice of default, which shall include a detailed explanation of the default. Should the defaulting party not cure the default within thirty (30) days of the date of such notice, then the Agreement shall be deemed terminated and the non-defaulting party may avail itself of the remedies provided in Article V ("Dispute Resolution and Remedies").

ARTICLE V
DISPUTE RESOLUTION AND REMEDIES

The parties shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiation between their respective representatives. If the matter is not resolved within thirty (30) days of a party's request for negotiation, it may be escalated to the parties' executive committees for resolution.

In addition to the remedies specifically set forth herein, the parties shall have all remedies otherwise available to them at law or in equity. The remedies herein provided shall be cumulative, and the exercise of any one remedy shall not preclude the non-defaulting party from exercising any other remedy available to it.

ARTICLE VI
NOTICES

Any notice required or permitted to be given hereunder shall be either delivered in person or delivered via certified mail, return receipt requested, addressed to the appropriate party at the following addresses:

Nordstrom Canada Leasing LP
Attention: Corporate Secretary
1700 7th Avenue, Suite 1000
Seattle, WA 98101

Nordstrom Canada Retail, Inc.
P.O. Box 10424
Pacific Centre
1300 – 777 Dunsmuir Street
Vancouver, BC V7Y 1K2

With a copy to:
c/o Nordstrom, Inc.
Attention: Corporate Secretary
1700 7th Avenue, Suite 1000
Seattle, WA 98101

Either party may change its address by written notice to the other party.

ARTICLE VII
ASSIGNABILITY

This Agreement binds and inures to the benefit of the parties, their successors and assigns. Except as provided in the preceding sentence, neither party may assign or delegate any right or duty under this Agreement, without the prior written consent of the other party, such consent not to be unreasonably withheld.

ARTICLE VIII
REPRESENTATIONS

Each party represents and warrants to the other that it is validly organized, in good standing and qualified to do business under any applicable law, and has the requisite corporate power and authority and has obtained all necessary approvals and consents to enter into this Agreement and to make the commitments set forth in this Agreement.

ARTICLE IX
CONFIDENTIALITY

During the course of fulfilling their obligations under this Agreement, the parties may be exposed to or come into possession of information which is confidential and proprietary to the other. For purposes of this Article IX, the party receiving Protected Information is referred to as the "Recipient" and the party disclosing such information is referred to as the "Disclosing Party."

Section 9.1 Protected Information.

"Protected Information" means information, in any format, that Disclosing Party designates as confidential or that reasonably should be understood to be confidential, proprietary or a trade secret given its nature and circumstances of disclosure. Confidential Information includes, but is not limited to, business and marketing plans, technology and technical information, product plans and designs, research and development activities, business processes, costs, pricing, profits, compensation, financial information, and Personal Information.

Personal Information is a subset of Confidential Information and means all data that identifies or can be used to identify, contact or locate a natural person such as name, address, and telephone number, email address, credit card number, medical records, driver's license, social security number, marital status, ethnicity, age, or photograph as well as less obvious information such as IP address or information gathered from online data collection technologies.

Section 9.2 Exclusions.

Confidential Information shall not include any information that (i) is or becomes publicly available without Recipient's breach of this Agreement, (ii) was known to Recipient prior to its disclosure by Disclosing Party pursuant to the terms of this Agreement, (iii) Disclosing Party has approved for release, in writing, or, (iv) which has been independently developed by Recipient. In any dispute between the Parties with respect to these exclusions the burden of proof shall be on Recipient with a standard of clear and convincing evidence.

Section 9.3 Use of Protected Information.

Recipient shall: (i) not disclose Confidential Information to any third party without Disclosing Party's prior written consent, except as expressly set forth in the Agreement, and (ii) take security precautions, in the same manner it takes to protect its own confidential information, but in no event less than reasonable care or the measures required by applicable privacy and security laws or industry standards, to safeguard the Confidential Information.

Recipient may only disclose Confidential Information: (i) to its employees, consultants, attorneys, insurers, auditors ("Representatives"), and to its Affiliates' Representatives on a need-to-know basis, if such Representatives have entered into an agreement no less protective of the Confidential Information than what is contained in this Agreement; (ii) If Recipient is required to do so by law or court order, provided Recipient gives Disclosing Party prior written notice (to the extent legally permitted) and reasonable assistance, at Disclosing Party's expense, to allow Disclosing Party the opportunity to seek a protective order. In the event that a protective order or other remedy is not obtained, or that Disclosing Party waives compliance with these provisions, the Recipient agrees to furnish only that portion of the Confidential Information which the Recipient is legally required to furnish and will exercise its best efforts to obtain assurances that any Confidential Information disclosed will be treated as confidential.

Section 9.4 Return of and Title to Protected Information.

All Protected Information is and shall remain the property of the Disclosing Party. Upon written request, the Recipient shall promptly return or destroy Disclosing Party's Protected Information and provide confirmation of such destruction. Nothing in this Agreement is intended to grant any express or implied right to Recipient to or under any patents, copyrights, trademarks, or trade secret information except as otherwise provided in this Agreement.

Section 9.5 Recipient Liability.

Recipient shall be fully liable for any breach of this Article IX by its officers, directors, partners, employees, agents or representatives.

Section 9.6 Duration of Confidentiality Obligation.

The parties' confidentiality obligations shall survive and remain in effect for so long as any of the Protected Information remains confidential or proprietary to Disclosing Party.

Section 9.7 Remedies.

The parties acknowledge and agree that any violation of this Agreement will cause irreparable harm to Disclosing Party. The parties therefore acknowledge and agree that the harmed party may seek injunctive relief from a court of competent jurisdiction in addition to any other remedy available at law or equity.

ARTICLE X
MISCELLANEOUS

Section 10.1 Governing Law, Venue and Attorneys' Fees.

This Agreement shall be governed by the laws of the State of Washington, excluding its conflict of laws rules. The parties hereby submit to the jurisdiction and venue of the state and federal courts of Washington State for purposes of all legal proceedings arising out of or relating to this Agreement. Any award or judgment of any of said courts may be entered and enforced in any other domestic or foreign court of competent jurisdiction, and shall be awarded full faith and credit. If either party brings an action against the other by reason of a breach or alleged violation, enforcement of any provision, or otherwise arising out of this Agreement, the prevailing party in such suit shall be entitled to its costs of suit and reasonable attorneys' fees which shall be payable whether or not such action is prosecuted to judgment.

Section 10.2 Amendments.

This Agreement may be amended only in writing and signed by both parties.

Section 10.3 Severability.

The parties agree that each provision herein shall be treated as a separate and independent clause, and the unenforceability of any one clause shall in no way impair the enforceability of any of the other clauses. If one or more provisions contained in this Agreement shall for any reason be held to be unenforceable at law, such provision(s) shall be construed so as to be enforceable to the maximum extent compatible with the applicable law as it shall then appear.

Section 10.4 Facsimile and Electronic Signatures.

This Agreement may be executed as facsimile originals and each copy of this Agreement bearing the facsimile transmitted signature of either of the authorized representatives listed below shall be deemed to be an original. This Agreement also may be executed by use of an electronic signature process.

Section 10.5 Cumulative Rights.

The rights and remedies contained in this Agreement shall be construed as cumulative, and no one remedy shall be exclusive of any other remedy, or of any other legal or equitable remedy which either party might otherwise have in the event of breach or default in the terms hereof, and the exercise of one right or remedy by such party shall not impair its right to any other right or remedy until all obligations imposed upon the other party have been fully performed.

Section 10.6 Entire Agreement.

This Agreement contains the entire understanding of the parties with respect to the matters covered, and no other previous agreement, statement or promise made by either party that is not contained in the terms of this Agreement or an applicable Exhibit shall be binding or valid, unless specifically incorporated by reference or attachment hereto.

IN WITNESS WHEREOF, the parties hereto acknowledge and agree to be bound by the terms and conditions herein as of the Effective Date.

NORDSTROM CANADA LEASING LP	NORDSTROM CANADA RETAIL, INC.
By: James A Howell	By: Karen McKibbin
Name: James A. Howell	Name: KSM
Title: VP Treasurer	Title: Pres. Nordstrom CA.

EXHIBIT A
SERVICES PROVIDED

(1) The following Services will be provided by NCL to NCRI. In consideration of such Services, NCRI will pay to NCL all reasonable costs and expenses incurred:

(a) Property Management

(2) The following Services will be provided by NCRI to NCL. In consideration of such Services, NCL will pay to NCRI all reasonable costs and expenses incurred:

(a) Payroll
(b) Finance
(c) Accounting

EXHIBIT B
SCOPE OF AGREEMENT

The following rights have been reserved by each party as set forth in Section 2.2 of the Agreement:

(a) **Services** - the right to increase or decrease the level of services required.

(b) **Financing Activities** - the right to offer financing assistance in conjunction with its operation or expansion. Any material financing activities would be subject to a separate agreement.

(c) **Affiliated Entities** - the right to request Services be provided to any affiliated entities.

(d) **Non-Affiliated Entities** - the right to contract with a non-affiliated party to receive some or all of the Services described in this Agreement. In the event that a contract with a non-affiliated party is executed, the parties hereby agree that the cost structure of a non-affiliated contract will have no bearing or adjustment on this Agreement.

(e) **Service Activities** - the right to provide services to unaffiliated entities. In the event that a contract with a non-affiliated party is executed, the parties hereby agree that the cost structure of a non-affiliated contract will have no bearing or adjustment on this Agreement.

This is Exhibit "I" referred to in the Affidavit of Misti Heckel
sworn March 1, 2023.

Commissioner for Taking Affidavits (or as may be)

HANNAH DAVIS

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended January 29, 2022
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________ to___________
Commission file number 001-15059

NORDSTROM

Nordstrom, Inc.
(Exact name of registrant as specified in its charter)

Washington	91-0515058
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

1617 Sixth Avenue, Seattle, Washington 98101
(Address of principal executive offices)
Registrant's telephone number, including area code (**206) 628-2111**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, without par value	JWN	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

☑ Large Accelerated Filer	☐ Accelerated filer
☐ Non-accelerated filer	☐ Smaller reporting company
	☐ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

As of July 30, 2021, the aggregate market value of the Registrant's voting and non-voting stock held by non-affiliates of the Registrant was approximately $4.2 billion using the closing sales price on that day of $33.10. On March 7, 2022, 159,398,577 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2022 Annual Meeting of Shareholders, scheduled to be held on May 18, 2022, are incorporated into Part II and III.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the “safe harbor” created by those sections. Forward-looking statements are based on our management’s beliefs and assumptions and on information currently available to our management. In some cases, forward-looking statements can be identified by terms such as “may,” “will,” “should,” “could,” “goal,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “project,” “predict,” “potential,” “pursue,” “going forward,” and similar expressions intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, our anticipated financial outlook for the fiscal year ending January 28, 2023, trends in our operations and the following:

Strategic and Operational

- COVID-19, which may make it necessary to close our physical stores and facilities in affected areas, may have a negative impact on our business and results, and may exacerbate the risks below,
- successful execution of our customer strategy to provide customers superior service, products and experiences, online, through our fulfillment capabilities and in stores,
- timely and effective implementation and execution of our evolving business model, including:
  - winning at our market strategy by providing a differentiated and seamless experience, which consists of the integration of our digital and physical assets, development of new supply chain capabilities and timely delivery of products,
  - broadening the reach of Nordstrom Rack, including expanding our price range and selection and leveraging our digital and physical assets,
  - enhancing our platforms and processes to deliver core capabilities to drive customer, employee and partner experiences both digitally and in-store,
- our ability to effectively manage our merchandise strategy, including our ability to offer compelling assortments,
- our ability to effectively allocate and scale our marketing strategies and resources, as well as realize the expected benefits between The Nordy Club, advertising and promotional campaigns,
- our ability to respond to the evolving retail environment, including new fashion trends, environmental considerations and our customers’ changing expectations of service and experience in stores and online, and our development of new market strategies and customer offerings,
- our ability to mitigate the effects of disruptions in the global supply chain, including factory closures, transportation challenges or stoppages of certain imports, and rising prices of raw materials and freight expenses,
- our ability to control costs through effective inventory management, fulfillment and supply chain processes and systems,
- our ability to acquire, develop and retain qualified and diverse talent by providing appropriate training, compelling work environments and competitive compensation and benefits, especially in areas with increased market compensation,
- our ability to realize the expected benefits, anticipate and respond to potential risks and appropriately manage costs associated with our credit card revenue sharing program,
- potential goodwill impairment charges, future impairment charges, fluctuations in the fair values of reporting units or of assets in the event projected financial results are not achieved within expected time frames or our strategic direction changes,

Data, Cybersecurity and Information Technology

- successful execution of our information technology strategy, including engagement with third-party service providers,
- the impact of any systems or network failures, cybersecurity and/or security breaches, including any security breach of our systems or those of a third-party provider that results in the theft, transfer or unauthorized disclosure of customer, employee or Company information, or that results in the interruption of business processes, and our compliance with information security and privacy laws and regulations, as well as third-party contractual obligations in the event of such an incident,

Reputation and Relationships

- our ability to maintain our reputation and relationships with our customers, employees, vendors and third-party partners and landlords,
- our ability to act responsibly and with transparency with respect to our corporate social responsibility practices and initiatives, meet any communicated targets, goals or milestones,
- our ability to market our brand and distribute our products through a variety of third-party publisher or platform channels, as well as access mobile operating system and website identifiers for personalized delivery of targeted advertising,

Investment and Capital

- efficient and proper allocation of our capital resources,
- our ability to properly balance our investments in technology, Supply Chain Network facilities and existing and new store locations, including the expansion of our market strategy,
- our ability to maintain or expand our presence, including timely completion of construction associated with Supply Chain Network facilities and new, relocated and remodeled stores, as well as any potential store closures, all of which may be impacted by third parties, consumer demand and other natural or man-made disruptions, and government responses to any such disruptions,
- market fluctuations, increases in operating costs, exit costs and overall liabilities and losses associated with owning and leasing real estate,
- compliance with debt and operating covenants, availability and cost of credit, changes in our credit rating and changes in interest rates,
- the actual timing, price, manner and amounts of future share repurchases, dividend payments, or share issuances, if any,

Economic and External

- the length and severity of epidemics or pandemics, such as the COVID-19 pandemic, or other catastrophic events, and the related impact on customer behavior, store and online operations and supply chain functions, as well as our future consolidated financial position, results of operations and cash flows,
- the impact of the seasonal nature of our business and cyclical customer spending,
- the impact of economic and market conditions in the U.S. and Canada, including inflation and resulting changes to customer purchasing behavior, unemployment and bankruptcy rates, as well as any fiscal stimulus, or the cessation of any fiscal stimulus and the resulting impact on consumer spending and credit patterns,
- the impact of economic, environmental or political conditions,
- the impact of changing traffic patterns at shopping centers and malls,
- financial insecurity or potential insolvency experienced by our vendors, suppliers, landlords, competitors, or customers as a result of any economic downturn,
- weather conditions, natural disasters, climate change, national security concerns, civil unrest, other market and supply chain disruptions, the effects of tariffs, or the prospects of these events and the resulting impact on consumer spending patterns or information technology systems and communications,

Legal and Regulatory

- our, and our vendors', compliance with applicable domestic and international laws, regulations and ethical standards, including those related to COVID-19, minimum wage, employment and tax, information security and privacy, consumer credit and environmental regulations and the outcome of any claims, litigation and regulatory investigations and resolution of such matters,
- the impact of the current regulatory environment, financial system and tax reforms,
- the impact of changes in accounting rules and regulations, changes in our interpretation of the rules or regulations, or changes in underlying assumptions, estimates or judgments.

These and other factors, including those factors we discussed in Part I, Item 1A. Risk Factors, could affect our financial results and cause our actual results to differ materially from any forward-looking information we may provide. Given these risks, uncertainties and other factors, undue reliance should not be placed on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this filing. This Annual Report on Form 10-K should be read completely and with the understanding that our actual future results may be materially different from what we expect. We hereby qualify our forward-looking statements by these cautionary statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

All references to "we," "us," "our," or the "Company" mean Nordstrom, Inc. and its subsidiaries.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the filing date of this Annual Report on Form 10-K, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

DEFINITIONS OF COMMONLY USED TERMS

Term	Definition
2019 Plan	2019 Equity Incentive Plan
2021 Annual Report	Annual Report on Form 10-K filed on March 11, 2022
Adjusted EBITDA	Adjusted earnings (loss) before interest, income taxes, depreciation and amortization (a non-GAAP financial measure)
Adjusted EBITDAR	Adjusted earnings (loss) before interest, income taxes, depreciation, amortization and rent, as defined by our Revolver covenant (a non-GAAP financial measure)
Adjusted ROIC	Adjusted return on invested capital (a non-GAAP financial measure)
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
CARES Act	Coronavirus Aid, Relief and Economic Security Act
CODM	Chief operating decision maker
COVID-19	Novel coronavirus
Digital sales	Sales conducted through a digital platform such as our websites or mobile apps. Digital sales may be self-guided by the customer, as in a traditional online order, or facilitated by a salesperson using a virtual styling or selling tool. Digital sales may be delivered to the customer or picked up in our Nordstrom stores, Nordstrom Rack stores or Nordstrom Local service hubs. Digital sales also include a reserve for estimated returns.
EBIT	Earnings (loss) before interest and income taxes
EPS	Earnings (loss) per share
ESPP	Employee Stock Purchase Plan
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
Fiscal year 2021	52 fiscal weeks ending January 29, 2022
Fiscal year 2020	52 fiscal weeks ending January 30, 2021
Fiscal year 2019	52 fiscal weeks ending February 1, 2020
GAAP	U.S. generally accepted accounting principles
GMV	Gross merchandise value
Gross profit	Net sales less cost of sales and related buying and occupancy costs
Leverage Ratio	The sum of the preceding twelve months of rent expense under the previous lease guidance multiplied by six and funded debt divided by the preceding twelve months of Adjusted EBITDAR as defined by our Revolver covenant. See Capital Resources in Item 7 for a reconciliation of our non-GAAP financial measure.
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
Nordstrom	Nordstrom.com, TrunkClub.com, Nordstrom-branded U.S. stores, Canada, which includes Nordstrom.ca, Nordstrom Canadian stores and Nordstrom Rack Canadian stores, and Nordstrom Local
Nordstrom Local	Nordstrom Local service hubs, which offer Nordstrom order pickups, returns, alterations and other services
Nordstrom NYC	Our New York City Nordstrom flagship store, including the Men's location
Nordstrom Rack	NordstromRack.com, Nordstrom Rack-branded U.S. stores, Last Chance clearance stores and, prior to the first quarter of 2021, HauteLook.com
The Nordy Club	Our customer loyalty program
NYSE	New York Stock Exchange
Operating Lease Cost	Fixed rent expense, including fixed common area maintenance expense, net of developer reimbursement amortization
PCAOB	Public Company Accounting Oversight Board (United States)
Property incentives	Developer and vendor reimbursements
PSU	Performance share unit
Revolver	Senior revolving credit facility
ROU asset	Operating lease right-of-use asset
RSU	Restricted stock unit
SEC	Securities and Exchange Commission
SERP	Unfunded defined benefit Supplemental Executive Retirement Plan
Secured Notes	8.750% senior secured notes due May 2025
SG&A	Selling, general and administrative
Supply Chain Network	Fulfillment centers that primarily process and ship orders to our customers, distribution centers that primarily process and ship merchandise to our stores and other facilities and omni-channel centers that both fulfill customer orders and ship merchandise to our stores
TD	Toronto-Dominion Bank, N.A.

PART I

Item 1. Business.

DESCRIPTION OF BUSINESS

Overview
The Company was founded in 1901 as a retail shoe business in Seattle, Washington under the guiding principle that success would come by offering customers the very best service, selection, quality and value. We aspire to be the best fashion retailer in a digitally-connected world by leveraging the strength of the Nordstrom and Nordstrom Rack brands. We offer an extensive selection of high-quality brand-name and private label merchandise for women, men, young adults and children focused on apparel, shoes, beauty, accessories and home goods. No matter how customers choose to shop, we are committed to delivering superior service, product and experience, including alterations, order pickup, dining and styling, to make shopping fun, personalized and convenient.

Nordstrom is a leading destination for a breadth of products across brands, styles and prices complemented by unmatched services and experiences. Nordstrom includes the following digital and physical properties:

- Nordstrom.com website and mobile application
- Nordstrom.ca website
- TrunkClub.com website
- 94 Nordstrom stores in the U.S.
- six Nordstrom stores and seven Nordstrom Rack stores in Canada
- seven Nordstrom Locals

Nordstrom Rack is a premier off-price destination with an industry-leading off-price digital presence, offering in-demand product and a treasure hunt experience at compelling prices. Nordstrom Rack includes the following digital and physical properties:

- NordstromRack.com website and mobile application
- 240 Nordstrom Rack stores in the U.S.
- two Last Chance clearance stores

Nordstrom Rack purchases merchandise primarily from the same vendors carried at Nordstrom and also serves as an outlet for clearance merchandise from the Nordstrom banner. We plan to expand our offerings of the most coveted brands we carry, as well as source from new vendors, to ensure we have the selection our customers want. Currently, NordstromRack.com offers both a selection of Nordstrom Rack merchandise and limited-time flash sale events on fashion and lifestyle brands, which formerly existed on HauteLook.com prior to the first quarter of 2021 when it was consolidated into NordstromRack.com.

As a business, one of our key advantages lies in our ability to leverage an integrated network of physical and digital assets across both Nordstrom and Nordstrom Rack banners. This creates flexibility and convenience for our customers, no matter how they choose to shop – online, through our apps or in stores. This omni-channel platform is our differentiator, providing customers with four times more product available for next day pickup, the ability to pickup or return orders to any store location regardless of purchase origin, and our suite of personalized services.

As our business evolves, our market strategy is a key strategic growth priority. Our strategy leverages a strong store fleet and links our omni-channel capabilities at the local market level, positioning us physically closer to the customer and allowing us to drive customer engagement through better service and greater access to product. There are two elements to this strategy: first, we aim to provide customers a greater selection of merchandise available for next-day pickup or delivery without increasing inventory levels. Second, we are increasing engagement with customers by offering express services such as order pickup, returns and alterations at additional convenient locations. In 2021, we expanded our strategy to 20 of our top markets, which encompass approximately 75% of our revenues.

We also receive credit card revenue through our program agreement with TD, whereby TD is the exclusive issuer of our consumer credit cards and we perform account servicing functions. Credit card revenues, net include our portion of the ongoing credit card revenue, net of credit losses, pursuant to our program agreement with TD.

Products
In order to offer merchandise that our customers want, we purchase from a wide variety of high-quality domestic and foreign suppliers. Additionally, we utilize alternative vendor partnership models beyond traditional wholesale arrangements that provide a broader assortment in new and existing categories without a corresponding increase in owned inventory. We also have arrangements with agents and contract manufacturers to produce our private label merchandise.

Nordstrom Rack invests in pack and hold inventory, which involves the strategic purchase of merchandise from some of our top brands in advance of the upcoming selling seasons or to minimize inventory gaps from supply chain disruptions, allowing us to buy larger quantities of relevant items when available, then hold a portion of it to deploy in periods with high demand, tight supply or system constraints. This inventory is typically held for six months on average.

Return Policy
We have a fair and reasonable approach to returns, handling them on a case-by-case basis with the ultimate objective of making our customers happy. Almost all merchandise can be returned by mail or at any store location. We have no formal policy on how long we accept returns at Nordstrom stores, Nordstrom.com or Nordstrom.ca. Our goal is to take care of our customers, which includes making returns and exchanges easy, whether in stores or online, where we offer free shipping on purchases and returns. Trunk Club allows customers five days from delivery to decide what items they would like to keep or send back for free if the items are in original condition. Trunks can be returned via mail or at any Nordstrom store. Our Nordstrom Rack stores and NordstromRack.com generally accept returns of apparel, footwear, accessories and home products up to 45 days from the date of purchase or date of shipment with the original price tag and sales receipt.

Loyalty Program
The Nordy Club is our customer loyalty program that incorporates a traditional point and benefit system, while providing customers exclusive access to products and events, enhanced services, personalized experiences and more convenient ways to shop. Customers accumulate points based on their level of spending and type of participation. Upon reaching certain point thresholds, customers receive Nordstrom Notes, which can be redeemed for goods or services across Nordstrom and Nordstrom Rack. The Nordy Club benefits vary based on the level of customer spend, and include Bonus Points days and shopping and fashion events.

We offer customers access to a variety of payment products and services, including a selection of Nordstrom-branded Visa® credit cards in the U.S. and Canada, as well as a Nordstrom-branded private label credit card for Nordstrom purchases. When customers use a Nordstrom-branded credit or debit card, they also participate in The Nordy Club and receive additional benefits, which can vary depending on the level of spend, including early access to the Anniversary Sale, enhanced alteration and stylist benefits and incremental accumulation of points toward Nordstrom Notes.

Supply Chain Network
Our Supply Chain Network consists of:

- fulfillment centers that primarily process and ship orders to our customers
- distribution centers that primarily process and ship merchandise to our stores and other facilities
- omni-channel centers that both fulfill customer orders and ship merchandise to our stores

We are continually expanding and enhancing our Supply Chain Network facilities and inventory management systems to support our omni-channel capabilities and provide greater access to merchandise selection and faster delivery. We select locations and customize inventory allocations to enable merchandise to flow more efficiently and quickly to our customers. Nordstrom online purchases are primarily shipped to our customers from our fulfillment centers but may also be shipped from our Nordstrom stores, distribution centers or omni-channel centers. Nordstrom in-store purchases are primarily fulfilled from that store's inventory, but when inventory is unavailable at that store, it may also be shipped to our customers from our fulfillment centers, distribution centers, omni-channel centers or from other Nordstrom stores. Nordstrom Rack online purchases are primarily shipped to our customers from our fulfillment centers and distribution centers, but may also be shipped from our Nordstrom Rack stores. Both Nordstrom and Nordstrom Rack selectively use vendor dropship to supplement online offerings, which are then shipped directly from the vendor to the end customer.

Our first large-scale omni-channel center in Riverside, California, which supports our Nordstrom customers in the West Coast region, opened in 2020. Nordstrom Rack inventory and fulfillment will be added to this facility in the future. Our smaller Local Omni-channel Hub in Torrance, California was opened in 2019 and supports the greater Los Angeles market as part of our market strategy and has highly curated inventory that serves the specialized needs of that market.

EMPLOYEES
We believe that creating an outstanding customer experience begins with creating an environment that celebrates and supports all employees. As we strive to attract and retain the best talent in the industry, we are committed to cultivating a workplace culture in which each of our employees is supported and feels confident bringing their full self to work.

In 2021, we employed an average of 60,000 full- and part-time employees. Due to the seasonal nature of our business, employment increased to approximately 72,000 for the holiday season. All of our employees are non-union.

Diversity, Inclusion & Belonging

Our diversity, inclusion and belonging strategy focuses on four pillars:

- Talent — increasing demographic diversity among our employees
- Culture — cultivating a greater sense of belonging throughout our organization
- Marketplace — consistently serving our customers through a lens of anti-racism and equity
- Leadership — setting consistent, future-oriented expectations for our leaders

Over the past several years, we amplified our efforts in these areas and set specific goals to achieve by the end of 2025, which include:

- Doubling our charitable giving to nonprofit organizations that promote anti-racism, bringing that total to approximately $1 million a year.
- Delivering $500 million in retail sales from brands owned by, operated by or designed by Black and/or Latinx individuals.
- Increasing representation of Black and Latinx individuals in people-manager roles by at least 50%.
- Leveraging our internship program and other initiatives to help us reach qualified candidates early in their careers, with a goal on average of at least 50% of participants in these programs coming from underrepresented populations.

We monitor and track progress against our strategy. Leading this work and driving accountability is our Diversity, Inclusion and Belonging Action Council, co-chaired by Erik B. Nordstrom, Chief Executive Officer, Peter E. Nordstrom, President and Chief Brand Officer and Farrell Redwine, Chief Human Resources Officer. The Council brings together a diverse mix of leaders from across our Company and a representative from our Board of Directors to monitor, assess and measure outcomes on Company-wide programs that drive our strategy forward.

Our Culture

We recognize the need for our employees to feel a sense of belonging and connection, especially throughout the past two years of continued isolation. One way we seek to facilitate this sense of connection is through our eight employee-led, Nordstrom-sponsored Employee Resource Groups that represent a variety of seen and unseen identities and serve to advance understanding and celebrate voices from across our organization.

Looking ahead, we are committed to strengthening our employees’ sense of belonging. We survey all employees annually regarding their sense of inclusion and psychological safety at work. With greater understanding of employees' challenges and perspectives, we can work toward building an ever-more supportive and inclusive culture.

Employee Safety and Well-being

The health and safety of our customers, employees and communities is something we take very seriously. At the onset of the pandemic, we worked quickly to close our stores, find new ways to support and protect our teams and customers and keep our employees informed throughout a tumultuous period.

When our stores reopened, we implemented robust health and safety measures designed to keep our teams and our customers safe, including social distancing, mask wearing, hand washing, sanitizing and daily health screenings. We also installed health advisors in each store location, fulfillment center and distribution center to support our employees and keep them informed. We continue to adjust our approach to health and safety in keeping with Centers for Disease Control and Prevention and local jurisdictional guidance and are prepared to make changes as the situation continues to evolve.

The pandemic also underscored the importance of supporting our employees’ mental well-being in addition to their physical safety. We continue to offer a variety of mental, emotional and physical wellness resources to support our employees.

Total Rewards

To support our goals to retain and attract talented employees, we review our benefits and compensation approach annually.

- **Benefits:** We offer a range of benefits to all employees upon meeting eligibility requirements, including health care, wellness programs, financial/retirement plans and time away. Throughout 2021, we provided a short-term disability paid benefit for employees with a confirmed or presumptive COVID-19 diagnosis, high-risk employees and employees who had first degree exposure. We also provided paid time off to quarantine following potential COVID-19 exposure in the workplace, and vaccination pay for employees to receive both doses of the COVID-19 vaccine. In addition, we increased our focus on well-being by activating a multi-year strategy to bring our people new resources and tools to support total well-being including mental health support.
- **Compensation:** We regularly review our pay in the markets in which we operate to ensure we are competitive, and update accordingly throughout the year.

CORPORATE RESPONSIBILITY

We believe we have a responsibility to support the many people and communities we serve. In 2020, we updated our Corporate Social Responsibility strategy with a new set of five-year goals focused on environmental sustainability, human rights and corporate philanthropy. These goals guide us as we work to address areas where our Company and industry have the most impact to create positive change.

In 2021, we made meaningful progress to advance our commitment toward responsible business. Specific highlights include:

- **Human Rights:** We audited Nordstrom Made factories for compliance with our Partner Code of Conduct and implemented corrective action plans where necessary. We also strengthened our policies and programs to enhance human rights protections and launched a human rights impact assessment.
- **Women's Rights:** This year we hit a milestone: nearly 45% of Nordstrom Made products were produced in factories that offer women's empowerment training, bringing us closer to our goal of producing 90% of Nordstrom Made products in factories that invest in women's empowerment by 2025.
- **Charitable Giving:** We donated nearly $11 million to over 320 organizations located in communities where we operate. Our employees gave donations and volunteered their time to over 2,700 qualifying nonprofits and other organizations, many of which were supported with Company matching. Together with our customers and our employees, we used our platform to drive more than $14 million in nonprofit donations across the U.S. and Canada.
- **Environmental Sustainability:** We kept approximately 290 tons of clothing out of landfills through donation, resale or refurbishment, exceeding our goal of 250 tons. We also expanded BEAUTYCYCLE, our in-store beauty take-back and recycling program, to our Canadian stores, and took back over five tons of beauty packaging.

Read our full list of 2025 goals and more on our corporate social responsibility efforts at NordstromCares.com.

TRADEMARKS

Our most notable trademarks include Nordstrom, Nordstrom Rack, Trunk Club, Zella, BP., Treasure & Bond, Halogen, Abound and Caslon. Each of our trademarks is renewable indefinitely, provided it is still used in commerce at the time of the renewal.

SEASONALITY

Our business, like that of other retailers, is subject to seasonal fluctuations and cyclical trends in consumer spending. Our sales are typically higher in our second quarter, which usually includes most of the Anniversary Sale, and in our fourth quarter due to the holidays. In 2021, approximately one week of the Anniversary Sale shifted into our third quarter, and in 2020, as a result of COVID-19, the Anniversary Sale fell entirely in our third quarter. Results for any one quarter are not indicative of the results that may be achieved for a full fiscal year. We plan our merchandise purchases and receipts to coincide with expected sales trends. For instance, our merchandise purchases and receipts increase prior to the Anniversary Sale, and we purchase and receive a larger amount of merchandise in the fall as we prepare for the holiday shopping season (typically from late November through December). Consistent with our seasonal fluctuations, our working capital requirements have historically increased during the months leading up to the Anniversary Sale and the holidays as we purchase inventory in anticipation of increased sales.

COMPETITIVE CONDITIONS

We operate in a highly competitive business environment. We regularly compete with other international, national, regional and local retailers, including internet-based businesses, omni-channel department stores, specialty stores, off-price stores and boutiques, which may carry similar lines of merchandise. Our specific competitors vary from market to market. We believe the keys to competing in our industry are what will always matter most to our customers: providing compelling product and outstanding service, both digitally and in stores, backed by people who care. This includes serving customers on their terms by providing a seamless digital and physical experience, offering compelling, curated and quality products across a range of price points, and by strategically partnering with relevant and limited distribution brands, all in top markets.

AVAILABLE INFORMATION

We file annual, quarterly and current reports, proxy statements and other documents with the SEC. The SEC maintains a website at SEC.gov that contains reports, proxy and information statements, and other information regarding issuers that file with the SEC.

Our website address is Nordstrom.com. Our annual and quarterly reports on Form 10-K and Form 10-Q, current reports on Form 8-K, proxy statements, our executives' statements of changes in beneficial ownership of securities on Form 4 and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available for free on or through our website as soon as reasonably practicable after we electronically file the report with or furnish it to the SEC. Interested parties may also access a webcast of quarterly earnings conference calls and other financial events through our website at investor.nordstrom.com.

We have a long-standing commitment to upholding a high level of ethical standards. In addition, we have adopted Codes of Business Conduct and Ethics for our employees, officers and directors and Corporate Governance Guidelines, which comply with the listing standards of the NYSE and SEC requirements. Our Codes of Business Conduct and Ethics, Corporate Governance Guidelines and Committee Charters for the following Board of Director Committees are available through our website:

- Audit and Finance
- Compensation, People and Culture
- Corporate Governance and Nominating
- Technology

Any amendments to these documents, or waivers of the requirements they contain, will also be available on our website.

For printed versions of these items or any other inquiries, please contact:

Nordstrom Investor Relations
1617 Sixth Avenue
Seattle, Washington 98101
InvRelations@Nordstrom.com

Item 1A. Risk Factors.

Our business faces many risks. We believe the risks described below outline the items of most concern to us. In evaluating our Company, you should carefully consider the following factors, in addition to the other information in this 2021 Annual Report. Before you buy our common stock or invest in our debt, you should know that making such an investment involves risks including, but not limited to, the risks described below. Any one of the following risks could harm our business, financial condition, results of operations or reputation, each of which could cause our stock price to decline or a default on our debt payments, and you may lose all or a part of your investment. Additional risks, trends and uncertainties not presently known to us or that we currently believe are immaterial may also harm our business, financial condition, results of operations or reputation.

COVID-19 RISKS

The COVID-19 global pandemic has had and may continue to have an adverse effect on our business and results of operations.
The COVID-19 pandemic continued to have widespread, rapidly evolving and unpredictable impacts on workforces, customers, consumer sentiment, economies, financial markets and business practices. Numerous state and local jurisdictions have imposed, and others in the future may impose, shelter-in-place orders, quarantines, vaccination requirements, executive orders and similar government orders and restrictions for their residents to control the spread of COVID-19. The direct effects of COVID-19 and associated consumer and governmental responses have had, and may continue to have, a material adverse impact on global economic conditions and our business, results of operations and financial condition.

OPERATIONAL
We have experienced disruptions within our business, and our results for fiscal year 2021 were adversely impacted. Due to the uncertainty of COVID-19 and the speed at which the pandemic has developed over the past two years, we continue to assess the situation in real time, including government-imposed restrictions, market by market. We also saw the shifts in product and channel preferences in 2020 persist into 2021, such as a shift from occasion-based apparel to casual and home offerings, as well as a reduction in-store traffic in favor of ecommerce.

We, as well as our vendors and third-party service providers, have experienced and will continue to experience adverse operational effects due to supply chain disruptions, labor shortages, social distancing restrictions and the need to adapt to ever-changing regulatory requirements, operating procedures and protocols. To the extent that our employees contract COVID-19, it leads to slowdowns in business processes and other disruptions in business operations as we engage in contact tracing and seek to limit further spread of the virus. We are unable to accurately predict the full impact COVID-19 will have on our longer-term operations as well, particularly with respect to our current mix of merchandise offerings, event-based categories, store traffic trends, employment relations and corporate culture.

In addition, the operations, supply chain and financial condition of many of our vendors have been and may continue to be affected by COVID-19, including difficulty sourcing products and labor or obtaining the financing necessary to manufacture the products they sell to us. As a result, the business disruptions caused by the spread of COVID-19 have impacted our ability to timely acquire the products we sell to our customers. To the extent our vendors may be unable to produce, sell or ship products to us or our customers, our business may be negatively impacted.

ECONOMIC

We have been, and may in the future be, negatively impacted by the deterioration in economic conditions caused by the spread of COVID-19 and the follow-on impact of that deterioration on discretionary consumer spending and changes in consumer behavior. Public concern regarding the risk of contracting COVID-19 has reduced store traffic and materially and adversely affected our business. Any resurgence could impede economic activity, consumer confidence or discretionary spending. We are unable to accurately predict the full impact that COVID-19 will have on our operations going forward due to uncertainties, including the currently unknowable duration and spread of COVID-19, actions taken to limit the spread, the public's willingness to comply with such actions, testing availability, the efficacy, including the duration and protection level, and degree of public acceptance of vaccines and other treatments for COVID-19, and the impact of any governmental regulations imposed in response to the pandemic.

To the extent the COVID-19 pandemic and its associated economic challenges adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described below, such as those risks relating to our level of indebtedness, our need to generate sufficient cash flows to service our indebtedness and other liabilities, our ability to comply with the covenants contained in the agreements that govern our indebtedness, our ability to attract, retain, train and develop talent and future leaders, the performance of our credit card program with TD Bank and our ability to maintain our relationships with our customers, vendors, landlords and employees.

STRATEGIC AND OPERATIONAL RISKS

If we are unable to successfully execute our customer strategy or evolve our business model, it could negatively impact our business and future profitability and growth.

Our market strategy is a powerful enabler for the business, allowing us to better serve customers and provide greater access to product by leveraging all of our assets of people, product and place at the market level. As our business evolves, we continue to scale our market strategy and focus on better serving our customers through three priorities with significant potential for growth: winning in our most important markets, broadening the reach of Nordstrom Rack and increasing our digital velocity. Our market strategy focuses on our customers by providing a differentiated and seamless experience in a digital world by bringing all of our assets together in each market to serve customers when, where and how they want to shop. We aim to balance our assortment, increase the breadth of selection and continue to leverage our digital and physical assets to increase selection and improve profitability in our Nordstrom Rack brand. As a digital first business, we are well positioned to support our customers with a scalable platform that has been built to support continued growth. We are expanding our inventory flexibility through alternative partnership models, including strategic brands, wholesale, vertical brands, concession, dropship and other strategies. Additionally, we are scaling our Nordstrom Media Network, which allows our brand partners to directly connect with our customers through on and off-site media campaigns to drive traffic, sales and engagement.

Our focus on the customer requires us to build new supply chain capabilities and enhance existing ones, develop applications for electronic devices, improve customer-facing technology, deliver purchased products timely, enhance inventory management systems and allow greater and more fluid inventory availability between digital and retail locations through our market strategy. In addition, these strategies will require further expansion of and reliance on data science and analytics. This business model has a highly variable cost structure driven by fulfillment and marketing costs and will continue to require investments in cross-channel operations and supporting technologies. There are also inherent risks associated with the investment in new technologies and such operational and supporting technologies can be subject to failure, disruption or unavailability and increased vulnerability to cyberattacks and other cyber incidents.

If we do not successfully implement our customer strategy, including thoroughly understanding and delivering on our customer needs and wants, effectively integrating our digital operations and stores and scaling our market strategy, strengthening our brand awareness, expanding our supply chain initiatives, and efficiently getting product to our customers, we may fall short of our customers' expectations, which would impact our brand, reputation, profitability and growth. Also, if customers shift to digital channels at a different pace than we anticipate, we may need to quickly modify our digital and store or Nordstrom and Nordstrom Rack initiatives and investments, or if we do not have or devote the resources necessary to execute upon these strategies, our business could be negatively impacted.

Our business could suffer if we do not appropriately assess and react to competitive market forces and changes in customer behavior.
The retail environment is rapidly evolving. Customer shopping preferences continue to shift, including to digital channels, and increasing expectations for faster delivery of product. In addition, the retail environment is under significant pressure from non-traditional retailers, including the pressure from the emergence of rental and recommerce companies. We regularly compete with other international, national, regional and local retailers, including internet-based businesses, omni-channel department stores, specialty stores, off-price stores and boutiques, which may carry similar lines of merchandise. Digital channels continue to facilitate comparison shopping, intensifying competition in the retail market, and marketing digitally is controlled by a few key platforms. If we fail to adequately anticipate or respond to customer behavior and expectations, or changing market dynamics, we may lose market share or our ability to remain competitive, causing our sales and profitability to suffer. If the efficiency and allocation of loyalty marketing, advertising and promotional campaigns that attract customers through various programs and media, including digital media and print, is unsuccessful in influencing consumer behavior in our digital channels and stores, or if our competitors are more effective with their programs than we are, our growth and profitability could suffer. We also may not gather accurate and relevant data or effectively utilize that data, which may impact our strategic planning, marketing and loyalty programs and our overall decision making.

Our customer relationships and sales may be negatively impacted if we do not anticipate and respond to consumer preferences and fashion trends or manage inventory levels appropriately.
Our ability to predict or respond to constantly changing fashion trends, demographics, consumer preferences and spending patterns significantly impacts our sales and operating results. We must effectively manage our merchandise mix to curate an assortment that offers newness and greater selection at various price points. Some merchandise may take several months from the time we place a purchase order to the time it is received, and our ability to accelerate or modify that timeline or purchase order contents may be limited. If we do not identify and respond to emerging trends in consumer spending and preferences quickly enough, identify the right partners that align with our customer strategy, broaden or expand our category offering fast enough or in the right areas or develop, evolve, and retain our team's talent, mindset and technical skills to support changing operating models, we may harm our ability to retain our existing customers or attract new customers. We also store a certain level of pack-and-hold inventory to deploy in periods with high demand, tight supply or system constraints. As a result, we are vulnerable to shifts in consumer demand and misjudgments in the assortment and timing of merchandise purchases which may impact our ability to sell through this inventory in future periods. Ensuring we optimize our inventory and improve the planning and management of inventory through use of data and analytics is critical to serving the customer, driving growth and maximizing profitability. If we purchase too much inventory, we may be forced to sell our merchandise at lower average margins by taking significant markdowns, which could harm our business. Conversely, if we fail to purchase enough merchandise, or inventory does not arrive fast enough or as expected, we may lose opportunities for additional sales and potentially harm relationships with our customers.

Any inability to mitigate global labor and merchandise pricing pressures or disruptions may negatively impact our profitability.
Our profitability depends in part on our ability to anticipate and react to operating volatility, including the cost and availability of labor and merchandise. Increases in product and/or delivery costs, including changes in the price of raw materials to us and our vendors that are directly or indirectly related to the production and distribution of our products or increases in energy, labor, or fuel and transportation costs, may translate to higher sales prices, which may then impact customer demand. In the near term, we are focused on improving our internal network and processes by diversifying our carrier capacity, gaining better end-to-end visibility of inventory and increasing velocity and throughput in our Supply Chain Network. If we are unable to respond effectively to ongoing pricing pressures or labor shortages, or offset such costs, there could be a material adverse impact on our business and financial results.

Our employees are key to supporting our business and operations effectively, and increased labor costs put pressure on our operating expenses. When wage rates or benefit levels increase in particular markets, increasing our wages or benefits has negatively impacted and may continue to negatively impact our earnings. Conversely, failing to offer competitive wages or benefits could adversely affect our ability to attract or retain sufficient or quality employees, causing increased turnover and our customer service to suffer. Excessive turnover may result in higher costs associated with finding, hiring, and training new employees.

Any impediment to our inventory optimization may impact our ability to drive growth and meet customer demand, affecting future results and profitability. Shortages in certain materials and increasing pricing pressures in the highly competitive retail environment have contributed, and may in the future continue to contribute, to fluctuations in the quality, availability and price of our merchandise. The availability of raw materials to the U.S. may hinder our ability to meet customer demand. Vendors and other suppliers of the Company may experience similar fluctuations or restrictions, which may subject us to the effects of their price increases. Additionally, if we do not gather complete, accurate and timely competitive pricing data, or adequately utilize this data to implement an effective pricing strategy, our ability to successfully compete could be negatively impacted causing our sales, profitability and results of operations to suffer.

Improvements to our fulfillment, inventory, buying, vendor payment and accounting processes and systems could adversely affect our business if not successfully executed.
Our business depends on accuracy throughout our product flow process. We are making investments to streamline and standardize our fulfillment, inventory, buying, vendor payments and accounting capabilities through changes in technology, methodologies and processes. If we encounter challenges associated with change management, inventory integrity and implementation of associated information technology or adoption of new processes, features or capabilities, our ability to continue to successfully execute or evolve our strategy with changes in the retail environment could be adversely affected. Or, if we are unable to maintain accurate, reliable and effective inventory tracking systems, which are critical to our integrated omni-channel business strategy, it may adversely impact our sales and profitability and may result in canceled orders and increased costs relative to our current expectations.

If we do not effectively attract, retain, train and develop talent and future leaders, our business may suffer.
We rely on the experience of our senior management, who have specific knowledge relating to us and our industry that is difficult to replace, to execute our business strategies and objectives. We have succession plans in place and our Board of Directors reviews these succession plans. If our succession plans do not adequately cover significant and unanticipated turnover, the loss of the services of any of these individuals, or any resulting negative perceptions or reactions, could damage our reputation and our business.

Additionally, our success depends on the talents and abilities of our workforce in all areas of our business, especially personnel that can adapt to complexities and grow their skillset across the changing environment. Our ability to successfully execute our customer strategy depends on attracting, developing and retaining qualified talent with diverse sets of skills, especially functional and technology specialists that directly support our strategies. We have a large workforce, and our ability to meet our labor needs is subject to various external factors such as regional minimum wage and benefits requirements, market pressures, including prevailing wage rates, benefit mix, unemployment levels, changing demographics, economic conditions and a dynamic regulatory environment.

We have experienced, and may continue to experience, increased employee attrition due to an intense competition for talent, a competitive wage environment and labor shortages. In the Seattle metropolitan area, where our corporate headquarters are located, we regularly compete for talent with many larger technology-focused companies, which may increase market compensation, especially for certain employee groups. If we are unable to offer competitive compensation and benefits, appropriate training and development, and a compelling work environment or sustain employee satisfaction, our culture may be adversely affected, our reputation may be damaged and we may incur costs related to turnover.

Our program agreement with TD, or changes to that agreement, could adversely impact our business.
The program agreement with TD was consummated on terms that allow us to maintain customer-facing activities, while TD provides Nordstrom-branded payment methods and payment processing services. If we fail to meet certain service levels, TD has the right to assume certain individual servicing functions including managing accounts and collection activities. If we lose control of such activities and functions, if we do not successfully respond to potential risks and appropriately manage potential costs associated with the program agreement with TD, or if these transactions negatively impact the customer service associated with our cards, resulting in harm to our business reputation and competitive position, our operations, cash flows and earnings could be adversely affected. If, upon expiration of our current program agreement in 2024, a new contract has less favorable terms, our results could be negatively impacted. If TD became unwilling or unable to provide these services or if there are changes to the risk management policies implemented under our program agreement with TD, our results may be negatively impacted. If we lose control over certain servicing functions and TD is unable to successfully manage accounts and collection activities, it may heighten the risk of credit losses.

DATA, CYBERSECURITY AND INFORMATION TECHNOLOGY RISKS

Even if we take appropriate measures to safeguard our information, network and environment from security breaches, our customers, employees and business could still be exposed to risk.
We and third-party providers access, collect, store and transmit sensitive and confidential Company, customer, and employee data and information, including consumer preferences and credit card information, all of which are subject to demanding and constantly changing privacy and security laws and regulations. A number of jurisdictions where we do business have enacted or are considering new privacy and data protection laws which impact our responsibilities with respect to this data, such as the California Consumer Privacy Act and the California Privacy Rights Act. In addition, the fact that the substantial majority of our corporate employees working remotely has resulted in increased demand on our information technology infrastructure, which can be subject to failure, disruption or unavailability and increased vulnerability to cyberattacks and other cyber incidents.

We have taken measures to help prevent a breach of our information security and comply with cybersecurity requirements by implementing safeguards and procedures designed to protect the security and confidentiality of, and the access to, such information. In addition, where possible, we require our third-party providers to implement administrative, physical and technical safeguards and procedures. We, like many companies with an ecommerce presence, as well as several of our vendors, have suffered breaches of our cybersecurity in the past and are at risk for such breaches in the future.

Although we and our third-party providers have implemented measures to prevent intentional or inadvertent information security breaches, these measures do not completely eliminate cybersecurity risk. Security breaches and cyber incidents and their remediation, whether at our Company, our third-party providers or other retailers, could expose us to a risk of loss, unauthorized release of customer, employee or Company confidential information, litigation, investigation, regulatory enforcement action, penalties and fines, orders to stop any alleged noncompliant activity, information technology system failures or network disruptions, increased cyber-protection and remediation costs, financial losses, potential liability, or loss of customers', employees' or third-party providers' trust and business, any of which could adversely impact our reputation, competitiveness and financial performance. Concerns about our practices with regard to the collection, use, retention, security or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation and adversely affect our operating results.

Our business may be impacted by information technology system failures or network disruptions.
Our ability to transact with customers and operate our business depends on the efficient operation of various internal and third-party information technology systems, including cloud computing, data centers, hardware, software and applications, to manage certain aspects of our Company, including online and store transactions, logistics and communication, inventory and reporting systems. We seek to build quality and secure systems, select reputable system vendors and implement procedures intended to enable us to protect our systems when we modify them. We test our systems to address vulnerabilities and train our employees regarding practices to protect the safety of our systems.

There are inherent risks associated with modifying or replacing systems, and with new or changed relationships, including accurately capturing and maintaining data, realizing the expected benefit of the change and managing the potential disruption of the operation of the systems as the changes are implemented. Potential issues associated with implementing technology initiatives and the time and resources required to optimize the benefits of new elements of our systems and infrastructure could reduce the efficiency of our operations in the short term.

If we encounter an interruption or deterioration in critical systems or processes or experience the loss of critical data, which may result from security or cybersecurity threats or attacks, natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins or third-party or other disruptions, our business could be harmed both in the short-term and over a longer period. Depending on the severity of the failure, our disaster recovery plans may be inadequate or ineffective. These events could also damage our reputation, result in increased costs or loss of sales and be expensive and time-consuming to remedy.

REPUTATION AND RELATIONSHIP RISKS

Our customer, employee, vendor, third-party partner, landlord and other stakeholder relationships could be negatively affected if we fail to maintain our corporate culture and reputation.
We have a well-recognized culture and reputation that consumers may associate with a high level of integrity, customer service and quality merchandise, and it is one of the reasons customers shop with us and employees choose us as a place of employment. Any significant damage to our reputation, including damages arising from our business, privacy, diversity, environmental or social responsibility practices, news about our Company or factors outside our control or on social media, could diminish customer trust, weaken our vendor relationships, reduce employee morale and productivity and lead to difficulties in recruiting and retaining qualified employees. Additionally, management may not accurately assess the impact of significant legislative changes, including those that relate to privacy, employment matters, labor issues, environmental compliance and health care, impacting our relationship with our customers or our workforce and adversely affecting our sales and operations.

There is also increased focus from both internal and external stakeholders on corporate social responsibility and sustainability matters. If we do not, or are perceived not to, act responsibly with respect to our practices and initiatives, meet any communicated targets, goals or milestones or lack transparency with our initiatives, our reputation could be damaged. We may also incur additional costs as we invest in new ways to operate to better support our communities and the customer.

Our business depends on third parties for the production, supply and delivery of goods, and a disruption could result in lost sales or increased costs.
Timely receipts of quality merchandise from third parties is critical to our business. Our process to identify qualified vendors and access quality products in an efficient manner on acceptable terms and cost can be complex. Vendors and factors may also be subject to credit capacity limits that restrict shipments. In addition, we rely on a limited number of carriers to deliver our product to customers. Ongoing disruptions in the global supply chain, including factory closures, transportation challenges, rising freight expenses, violations of law or global standards with respect to human rights, quality and safety by any of our importers, manufacturers or distributors, or parties upstream within their respective supply chains, could result in delays in shipments and receipt of goods or damage our reputation. These third parties may experience supply chain or port disruptions, stoppages of certain imports, or other difficulties due to economic, business, political, environmental or epidemic conditions, or may shift their business models away from prior practice, any of which could negatively impact our inventory levels, delivery timelines and ability to meet customer demand. Additionally, the countries in which merchandise is manufactured could become subject to new trade restrictions, including increased taxation on imported goods, customs restrictions, tariffs or quotas. Such violations, disruptions or changes could have a material adverse effect on our business, results of operations and liquidity.

We are party to contracts, transactions and business relationships with various third parties, including vendors, suppliers, service providers, landlords and lenders, who may have performance, payment and other obligations to us. If any of the third parties with which we do business become subject to bankruptcy, receivership or similar insolvency proceedings, our rights and benefits in relation to our contracts, transactions and business relationships with such third parties could be terminated, modified in a manner adverse to us or otherwise impaired. We cannot make any assurances that we would be able to arrange for alternate or replacement contracts, transactions or business relationships on terms as favorable as our existing contracts, transactions or business relationships, if at all. Any inability on our part to do so could negatively affect our cash flows, financial condition and results of operations.

Distribution and marketing of, and access to, our products depends on a variety of third-party publishers and platforms. If these third parties limit, prohibit or otherwise interfere with or change the terms of the distribution, use or marketing of our products, it could adversely affect our results of operations.
We market our brands and distribute our products through a variety of third-party publisher and platform channels. Our ability to market on any given platform or channel is subject to the policies of that party. We are dependent on the interoperability of our products with popular mobile operating systems, such as Android or iOS, websites, networks, technologies, products and standards that we do not control. Additionally, mobile operating systems and websites have identifiers within their platforms that advertisers use to deliver personalized and targeted advertising, requiring users to “opt-in”.

Changes in our relationships with mobile operating system partners, websites or mobile carriers, or in their terms of service, could reduce or eliminate our ability to update or distribute our products on these platforms. Any changes, bugs or technical issues in such systems or websites may limit our ability to deliver, target or measure the effectiveness of ads. There is no guarantee that popular platforms will continue to feature our products, or that mobile device users will continue to use our products rather than competing products. If we do not pick the platforms relevant to our customers, if the platforms give preferential treatment to competitors, limit our ability to deliver, target or measure the effectiveness of ads, or if there is a sudden shift in platform preference, our ability to market our brand effectively could be negatively impacted. Furthermore, to the extent that users choose not to “opt-in” for advertiser access to customer tracking, our ability to deliver, target or measure the effectiveness of ads or drive usage on our apps is limited.

The concentration of stock ownership in a small number of our shareholders may limit a shareholder’s ability to influence corporate matters and impact the price of our shares.
We have regularly reported in our annual proxy statements the holdings of members of the Nordstrom family, including Bruce A. Nordstrom, our former Co-President and Chairman of the Board, his sister Anne E. Gittinger and certain members of the Nordstrom family within our Executive Team. As of March 11, 2022, these individuals beneficially owned an aggregate of approximately 30% of our common stock. As a result, either individually or acting together, they may be able to exercise considerable influence over matters requiring shareholder approval, including the election of directors or other matters impacting our management or corporate governance. In addition, as reported in our periodic filings, our Board of Directors has from time to time authorized share repurchases. While these share repurchases may be partially offset by share issuances under our equity incentive plans and as consideration for acquisitions, the repurchases may nevertheless have the effect of increasing the overall percentage ownership held by these shareholders. The corporate law of the State of Washington, where we are incorporated, provides that approval of a merger or similar significant corporate transaction requires the affirmative vote of two-thirds of a company’s outstanding shares. The interests of these shareholders may differ from the interests of our shareholders as a whole, and the beneficial ownership of these shareholders may have the effect of discouraging offers to acquire us, delay or otherwise prevent a significant corporate transaction because the consummation of any such transaction would likely require their approval. As a result of any of these factors, the market price of our common stock may be affected.

INVESTMENT AND CAPITAL RISKS

If we fail to appropriately manage our capital, we may negatively impact our operations and shareholder return.
We utilize working capital to finance our operations, pay for capital expenditures and acquisitions, manage our debt levels and return value to our shareholders through dividends and share repurchases. Additionally, in 2021, we amended our Revolver to create flexibility for dividends and share repurchases during our Collateral Period (see Note 5: Debt and Credit Facilities in Item 8). Sufficient cash and liquidity are necessary to fund our business. Changes in the credit and capital markets, including market disruptions, limited liquidity and interest rate fluctuations, may increase the cost of financing or restrict access to a potential source of liquidity. A deterioration in our capital structure or the quality and stability of our earnings could result in noncompliance with our debt covenants or a downgrade of our credit rating, constraining the financing available to us or limiting our ability to issue dividends or repurchase shares. In 2021, Moody’s Investor Service downgraded certain of our debt and other credit ratings. These downgrades, and any future reductions in our credit ratings, could result in restricted access to financing and increased borrowing costs and could adversely impact our operations and financial condition. In addition, if we do not properly allocate our capital to maximize returns, or we do not maintain financial flexibility, our operations, cash flows and returns to shareholders could be adversely affected.

Owning and leasing real estate exposes us to possible liabilities and losses.
We own or lease the land, buildings and equipment for all of our Supply Chain Network facilities, stores and corporate locations and are therefore subject to all of the risks associated with owning and leasing real estate. In particular, the value of the assets could decrease, their operating costs could increase or facilities or stores may not be opened as planned due to changes in the real estate market, demographic trends, site competition, dependence on third-party performance or overall economic environment or may be constrained as a result of the COVID-19 pandemic. We are also potentially subject to liability for environmental conditions, exit costs associated with disposal of a store and commitments to pay base rent for the entire lease term or operate a store for the duration of an operating covenant. In addition, the invalidity of, or default or termination under, any of our leases may interfere with our ability to use and operate all or a portion of certain of our facilities, which may have an adverse impact on our operations and results.

The investment in existing and new locations may not achieve our expected returns.
The locations of our Supply Chain Network facilities and existing stores, planned store openings and relocations are assessed based upon desirability, demographics and retail environment. In particular, we have expanded our market strategy, where we leverage and connect our digital and physical assets within discrete geographic markets to seamlessly serve our customers within those markets and create synergies between our digital assets, Supply Chain Network and stores. We must equip our locations with the proper processes, technology and tools for timely and accurate fulfillment and inventory replenishment. This involves certain risks, including properly balancing our capital investments between fulfillment capabilities, technology, digital channels, new stores, relocations and remodels, assessing the suitability of locations in new domestic and international markets and constructing, furnishing and supplying a facility or store in a timely and cost-effective manner, which may be affected by the actions of third parties, including but not limited to private entities and local, state or federal regulatory agencies.

Customers' expectations regarding speed of delivery are evolving. If we do not effectively integrate our digital and physical assets as part of our market strategy, or select locations to optimize our market strategy, we could incur significantly higher costs and shipping times that do not meet customer expectations, which in turn could have a material adverse effect on our business. Particularly in light of the changing trends between digital and brick-and-mortar shopping channels, sales through our digital channels or at our stores may not meet projections, which could adversely affect our return on investment. If we do not properly allocate capital expenditures between locations, timely complete construction projects associated with Supply Chain Network facilities and new, relocated and remodeled stores or properly maintain any of our properties, customer expectations may not be met, we may lose sales and may incur additional expenses.

ECONOMIC AND EXTERNAL MARKET RISKS

Our revenues and operating results are affected by the seasonal nature of our business and cyclical trends in consumer spending.
Our business, like that of other retailers, is subject to seasonal fluctuations and cyclical trends in consumer spending. Our sales are typically higher in our second quarter, which usually includes most of the Anniversary Sale, and in our fourth quarter due to the holidays. In 2021, approximately one week of the Anniversary Sale shifted into our third quarter, and in 2020, as a result of COVID-19, the Anniversary Sale fell entirely in our third quarter. To provide shareholders a better understanding of management's expectations surrounding results, we provide our financial outlook on our expected operating and financial results for future periods comprised of forward-looking statements subject to certain risks and uncertainties. Any factor that negatively impacts these selling seasons could have an adverse and disproportionate effect on our results of operations for the entire year.

Additionally, factors such as results differing from our outlook, changes in sales and operating income, changes in our market valuations, performance results for the general retail industry, news or announcements by us or our industry competitors or changes in analysts' recommendations may cause volatility in the price of our common stock and our shareholder returns.

A downturn in economic conditions, currency fluctuations, inflation, increased unemployment and bankruptcy rates, changes in fiscal stimulus and other external market factors has had and could have a significant adverse effect on our business and stock price.
During economic downturns, including those resulting from the impacts of COVID-19, fewer customers may shop as these purchases may be seen as discretionary, and those who do shop may limit the amount of their purchases. Any reduced demand or changes in customer purchasing behavior may lead to lower sales, higher markdowns and an overly promotional environment or increased marketing and promotional spending.

Our stores located in shopping centers and malls have been and may be affected by consumer traffic at shopping centers and malls.
The majority of our stores are located within shopping centers and malls and may benefit from the abilities that we and other anchor tenants have to generate consumer traffic. A decline in shopping center traffic in favor of ecommerce, the development of new shopping centers and malls, the lack of availability of favorable locations within existing or new shopping centers and malls, the success of individual shopping centers and malls and the success or failure of other anchor tenants have impacted and may impact our ability in the future to maintain or grow our business, as well as our ability to open new stores, which could have an adverse effect on our financial condition or results of operations.

The results from our credit card operations could be adversely affected by changes in market conditions or laws.
Revenues earned under our program agreement with TD are indirectly subject to economic and market conditions that are beyond our control, including, but not limited to, interest rates, consumer credit availability, demand for credit, consumer debt levels, payment patterns, delinquency rates, frequency of fee waivers, frequency or volume of governmental stimulus, personal bankruptcy rates, employment trends, laws and other factors. Additionally, changes in net sales partially translate to program agreement revenues. Changes in economic, market or regulatory conditions or customer behavior, or changes in our mix of sales and program agreement revenues, could impact our revenues and profitability.

Our business and operations could be materially and adversely affected by severe weather patterns, climate change, natural disasters, widespread pandemics, epidemics, civil unrest and other natural or man-made economic, political or environmental disruptions.
Disruptions, and government responses to any disruption, could cause, among other things, a decrease in consumer spending that would negatively impact our sales, declines in traffic in urban centers, staffing shortages in our Supply Chain Network facilities, stores or corporate offices, interruptions in the flow of merchandise to our stores, disruptions in the operations of our merchandise vendors or property developers, increased costs and a negative impact on our reputation and long-term growth plans, and may vary based on the length and severity of the disruption. We have a significant amount of our total sales, stores and square footage on the west coast of the United States, particularly in California, where we have experienced earthquakes, wildfires and power outages and shortages that increase our exposure to any market-disrupting conditions in this region.

LEGAL AND REGULATORY RISKS

We are subject to certain laws, litigation, regulatory matters and ethical standards, and compliance or failure to comply with or adequately address developments as they arise could adversely affect our reputation and operations.
Our policies, procedures and practices and the technology we implement are intended to comply with applicable federal, state, local and foreign laws, tariffs, rules and regulations, as well as responsible business, social and environmental practices, all of which may change from time to time. Our and our vendors' compliance with these requirements and/or changes to them may cause our business to be adversely impacted, or even limit or restrict the activities of our business. In addition, if we fail to comply with applicable laws and regulations or implement responsible business, social, environmental and supply chain practices, we could be subject to damage to our reputation, class action lawsuits, regulatory investigations, legal and settlement costs, charges and payments, civil and criminal liability, increased cost of regulatory compliance, losing our ability to accept credit and debit card payments from our customers, restatements of our financial statements, disruption of our business and loss of customers. New and emerging privacy and data protection laws may increase compliance expenses and limit business opportunities and strategic initiatives, including customer engagement. Any required changes to our employment practices could result in the loss of employees, reduced sales, increased employment costs, low employee morale and harm to our business and results of operations. In addition, political and economic factors could lead to unfavorable changes in federal, state and foreign tax laws, which may affect our tax assets or liabilities and adversely affect our results of operations. We are also regularly involved in various litigation matters that arise in the ordinary course of business. Litigation or regulatory developments could adversely affect our business and financial condition.

Compliance with Section 404 of the Sarbanes-Oxley Act of 2002 requires management assessments of the effectiveness of our internal controls over financial reporting through documenting, testing, monitoring and enhancement of internal control over financial reporting. If we fail to implement or maintain adequate internal controls, we may not produce reliable financial reports or fail to prevent or detect financial fraud, which may adversely affect our financial position, investor confidence or our stock price.

Changes to accounting rules and regulations could affect our financial results or financial condition.
Accounting principles and related pronouncements, implementation guidelines and interpretations with regard to a wide variety of accounting matters that are relevant to our business, including, but not limited to, revenue recognition, inventory valuation, long-lived asset recoverability and income taxes, are highly complex and involve subjective assumptions, estimates and judgments. Changes in these rules and regulations, changes in our interpretation or our misapplication of the rules or regulations, changes in accounting policies or changes in underlying assumptions, estimates or judgments could adversely affect our financial performance or financial position.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

(Square footage amounts in thousands)

The following table summarizes the Supply Chain Network and retail locations we own or lease and the total square footage by category as of January 29, 2022:

	Number of locations			
	Supply Chain Network	Nordstrom	Nordstrom Rack	Total square footage
Leased buildings on leased land	3	33	241	**15,096**
Owned buildings on leased land	—	55	—	**10,092**
Owned buildings on owned land	8	24	1	**8,250**
Partly owned and partly leased	—	2	—	**544**
Total	11	114	242	**33,982**

The following table summarizes our Supply Chain Network and retail store count and square footage activity:

	Count		Square footage	
Fiscal year	**2021**	**2020**	**2021**	**2020**
Total, beginning of year	**369**	390	**34,080**	35,632
Openings[1]:				
Supply Chain Network	**—**	1	**(7)**	1,000
Nordstrom	**—**	3	**—**	23
Nordstrom Rack	**1**	—	**29**	—
Closures	**(3)**	(25)	**(120)**	(2,575)
Total, end of year	**367**	369	**33,982**	34,080
Relocations and other[1]	**—**	2	**(7)**	(11)

[1] Openings' square footage include adjustments due to relocations, remodels or changes in lease-term square footage.

The following table lists our Supply Chain Network and retail store count and square footage by state/province as of January 29, 2022:

	Supply Chain Network		Nordstrom		Nordstrom Rack		Total	
	Count	Square Footage	Count	Square Footage	Count	Square Footage	Count	Square Footage
U.S.								
Alabama	—	—	—	—	1	35	**1**	**35**
Alaska	—	—	—	—	1	35	**1**	**35**
Arizona	—	—	1	235	9	313	**10**	**548**
California	5	2,876	28	4,051	54	1,979	**87**	**8,906**
Colorado	—	—	2	387	7	239	**9**	**626**
Connecticut	—	—	2	341	1	36	**3**	**377**
Delaware	—	—	1	127	1	32	**2**	**159**
Florida	1	221	6	1,031	16	534	**23**	**1,786**
Georgia	—	—	2	383	4	153	**6**	**536**
Hawaii	—	—	1	195	2	78	**3**	**273**
Idaho	—	—	—	—	1	37	**1**	**37**
Illinois	—	—	4	947	16	594	**20**	**1,541**
Indiana	—	—	1	134	2	60	**3**	**194**
Iowa	2	1,529	—	—	1	35	**3**	**1,564**
Kansas	—	—	1	219	1	35	**2**	**254**
Kentucky	—	—	—	—	1	33	**1**	**33**
Louisiana	—	—	—	—	3	90	**3**	**90**
Maine	—	—	—	—	1	30	**1**	**30**
Maryland	1	451	3	603	6	219	**10**	**1,273**
Massachusetts	—	—	4	595	7	266	**11**	**861**
Michigan	—	—	2	430	5	178	**7**	**608**
Minnesota	—	—	2	380	5	173	**7**	**553**
Missouri	—	—	2	342	2	69	**4**	**411**
Nevada	—	—	1	207	3	101	**4**	**308**
New Jersey	—	—	4	817	8	284	**12**	**1,101**
New Mexico	—	—	—	—	1	34	**1**	**34**
New York	—	—	5	838	11	394	**16**	**1,232**
North Carolina	—	—	2	300	2	74	**4**	**374**
Ohio	—	—	3	549	6	224	**9**	**773**
Oklahoma	—	—	—	—	2	67	**2**	**67**
Oregon	1	374	2	363	6	218	**9**	**955**
Pennsylvania	1	976	2	381	7	240	**10**	**1,597**
Rhode Island	—	—	—	—	1	38	**1**	**38**
South Carolina	—	—	—	—	3	101	**3**	**101**
Tennessee	—	—	1	145	2	69	**3**	**214**
Texas	—	—	8	1,413	18	613	**26**	**2,026**
Utah	—	—	2	277	4	130	**6**	**407**
Virginia	—	—	2	452	7	268	**9**	**720**
Washington	—	—	6	1,270	10	383	**16**	**1,653**
Washington D.C.	—	—	—	—	2	66	**2**	**66**
Wisconsin	—	—	1	150	2	67	**3**	**217**
Canada								
Alberta	—	—	3	208	—	—	**3**	**208**
British Columbia	—	—	2	262	—	—	**2**	**262**
Ontario	—	—	8	899	—	—	**8**	**899**
Total	**11**	**6,427**	**114**	**18,931**	**242**	**8,624**	**367**	**33,982**

Our headquarters are located in Seattle, Washington, where our offices consist of both leased and owned space.

As of March 11, 2022, we have no announced store openings in 2022.

Item 3. Legal Proceedings.

We are subject from time to time to various claims and lawsuits arising in the ordinary course of business, including lawsuits alleging violations of state and/or federal wage and hour and other employment laws, privacy and other consumer-based claims. Some of these lawsuits may include certified classes of litigants, or purport or may be determined to be class or collective actions and seek substantial damages or injunctive relief, or both, and some may remain unresolved for several years. We believe the recorded accruals in our Consolidated Financial Statements are adequate in light of the probable and estimable liabilities. As of the date of this report, we do not believe any currently identified claim, proceeding or litigation, either alone or in the aggregate, will have a material impact on our results of operations, financial position or cash flows. Since these matters are subject to inherent uncertainties, our view of them may change in the future.

Item 4. Mine Safety Disclosures.

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.

(Dollar and share amounts in millions, except per share amounts and where noted otherwise)

MARKET AND SHAREHOLDER INFORMATION

Our common stock, without par value, is traded on the NYSE under the symbol "JWN." The approximate number of record holders of common stock as of March 7, 2022 was 4,604. On this date, we had 159,398,577 shares of common stock outstanding.

Further information required under this item is included in the *Security Ownership of Certain Beneficial Owners and Management* section of our Proxy Statement for our 2022 Annual Meeting of Shareholders, the section of which is incorporated by reference herein and will be filed within 120 days after the end of our fiscal year.

DIVIDENDS

On March 23, 2020, in response to uncertainty from the COVID-19 pandemic, we announced the suspension of our quarterly dividend payments beginning in the second quarter of 2020. We remain committed to this program over the long term and anticipate that we will be in a position to resume returning cash to shareholders in the first quarter of 2022 subject to the completion of certain year-end certification requirements with our bank group. Any future determination to pay cash dividends and the amount of dividends will be at the discretion of the Board of Directors and will be dependent upon our financial condition, operating results, capital requirements, contractual commitments and such other factors as the Board of Directors deems relevant (see Note 11: Shareholders' Equity in Item 8).

The following table summarizes our historical dividends declared and paid per share:

Fiscal year	2021	2020
1st Quarter	**$—**	$0.37
2nd Quarter	**—**	—
3rd Quarter	**—**	—
4th Quarter	**—**	—
Full Year	**$—**	$0.37

SHARE REPURCHASES

In August 2018, our Board of Directors authorized a program to repurchase up to $1,500 of our outstanding common stock, with no expiration date. As a result of uncertainties from COVID-19 impacts, we repurchased no shares of our common stock in 2021 and 2020 and we had $707 remaining in share repurchase capacity as of January 29, 2022. The actual timing, price, manner and amounts of future share repurchases, if any, will be subject to the discretion of the Board of Directors, contractual commitments, market and economic conditions and applicable SEC rules.

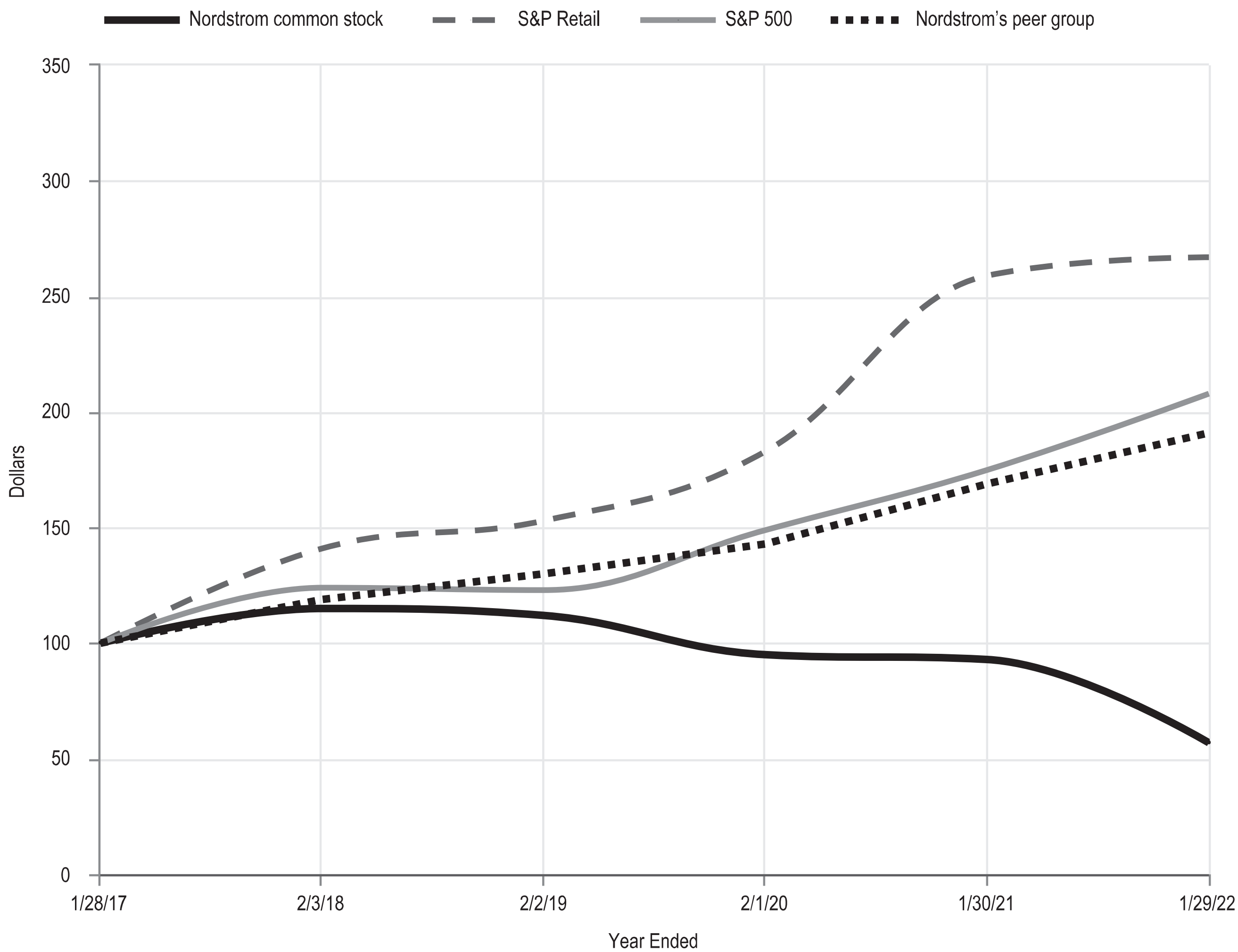
SHARES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Further information required under this item is included in the *Equity Compensation Plans* section of our Proxy Statement for our 2022 Annual Meeting of Shareholders, the section of which is incorporated by reference herein and will be filed within 120 days after the end of our fiscal year.

STOCK PRICE PERFORMANCE

The following graph compares the cumulative total return of Nordstrom common stock, Standard & Poor's Retail Index ("S&P Retail"), Standard & Poor's 500 Index ("S&P 500") and Nordstrom's peer group for each of the last five fiscal years, ended January 29, 2022. The Retail Index is composed of 22 retail companies representing an industry group of the S&P 500. Our peer group is consistent with the retail peer group included in the *Compensation Discussion and Analysis* section of our Proxy Statement for our 2022 Annual Meeting of Shareholders and is weighted by the market capitalization of each component. The following graph assumes an initial investment of $100 each in Nordstrom common stock, S&P Retail, S&P 500 and Nordstrom's peer group on January 28, 2017 and assumes reinvestment of dividends.

PERFORMANCE GRAPH



End of fiscal year[1]	2016	2017	2018	2019	2020	2021
Nordstrom common stock	$100	$115	$112	$95	$93	**$57**
S&P Retail	$100	$141	$153	$183	$259	**$267**
S&P 500	$100	$124	$123	$149	$175	**$208**
Nordstrom's peer group	$100	$119	$130	$143	$169	**$191**

[1] Dollar amounts are in ones.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(Dollar and share amounts in millions, except per share amounts and where noted otherwise)

The following MD&A provides a narrative of our financial performance and is intended to promote understanding of our results of operations and financial condition. MD&A is provided as a supplement to, and should be read in conjunction with, Item 8: Financial Statements and Supplementary Data and generally discusses the results of operations for fiscal year 2021 compared with 2020. For our comparison and discussion of 2020 and 2019, see Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II of our 2020 Annual Report. The following discussion and analysis contains forward-looking statements and should also be read in conjunction with Item 1A: Risk Factors as well as other cautionary statements and risks described elsewhere in this 2021 Annual Report, before deciding to purchase, hold or sell shares of our common stock.

OVERVIEW

We made progress this year on our strategic initiatives and met our 2021 financial targets, giving us line of sight to achieving our Investor Event targets in the near term. We continue to work with urgency to build additional capabilities to better serve customers, expand market share and deliver greater profitability.

For the year, net earnings were $178, or $1.10 per diluted share, which included an after-tax debt refinancing charge of $65, or $0.40 per diluted share. While net sales decreased 5% compared with 2019, we saw sequential improvement in sales each quarter after taking into account an approximately 200 basis point impact due to the timing shift of this year's Anniversary Sale between the second and third quarter.

We ended the year laser focused on three key areas: improving Nordstrom Rack performance, increasing profitability and optimizing our supply chain and inventory flow.

- For Nordstrom Rack, we posted a sequential sales improvement of 320 basis points in the fourth quarter. Though we are in the early stages of implementation, Nordstrom Rack results and improving store customer satisfaction scores reaffirm our confidence in our plans to optimize the customer experience and improve our performance.
- In terms of profitability, we delivered significant improvement in merchandise margin this quarter.
- We expect supply chain optimization workstreams we began implementing in the fourth quarter will enhance the customer experience and drive topline growth while also driving efficiencies in labor and fulfillment in 2022.

We also continue to make progress in the key strategic growth priorities we laid out at our Investor Event last year: winning in our most important markets, broadening the reach of Nordstrom Rack and increasing our digital velocity.

Winning in our most important markets: Our market strategy links our omni-channel capabilities at the local market level, allowing us to drive customer engagement through better service and greater access to product no matter how customers choose to shop. This platform is a unique differentiator, delivering unmatched convenience and enabling us to provide customers with four times more product available for next-day pickup, a one-day reduction in average shipping time and the ability to pick up orders at the Nordstrom, Nordstrom Local or Nordstrom Rack location of their choice.

We continue to scale the enhanced options we launched in 2020, like the expansion of order pickup and ship-to-store to all Nordstrom Rack stores, with order pickup reaching a record high 11% of Nordstrom.com sales in the fourth quarter. One-third of fourth quarter next-day Nordstrom.com demand was picked up at Nordstrom Rack stores, demonstrating the power of integrating capabilities across our two brands and across our digital and physical platforms. Increasing "Buy Online Pick Up In Store" utilization is advantageous as it is both our highest satisfaction customer experience and most profitable customer journey.

We also continue to evolve our approach to get closer to our customers than ever before, building deeper connections through our loyalty program and differentiated service model. Our Nordy Club loyalty program is a powerful engagement driver, with 67% sales penetration in 2021. Our core customers remain highly engaged with loyalty customer counts exceeding 2019 levels.

We are advancing our digital tools, including virtual styleboards and style links, to allow our salespeople to offer our customers highly relevant recommendations, both in store and digitally. In 2021, remote selling sales volume increased 63% versus last year. We are encouraged by the results of this program with very high customer satisfaction scores and average customer spend over six times that of an average Nordstrom customer.

Broadening the reach of Nordstrom Rack: Nordstrom Rack has a unique mix of premium brands with limited distribution in the off-price sector. Customers are drawn to Nordstrom Rack to purchase sought after brands at a terrific price. While many retailers are dealing with macro-related supply chain disruptions, Nordstrom Rack faces a heightened challenge as off-price procurement of the same top brands we carry at Nordstrom is particularly difficult in the current environment with lower levels of clearance product. As a result, we are executing a multi-layered plan to both expand our offerings of the most coveted brands we carry, as well as source from new vendors to ensure we have the selection our customers want.

As we improve our supply of premium brands and fine tune our assortment to better align with customer needs, we expect to achieve a better balance of price points at Nordstrom Rack. Through this set of actions, as well as strengthening Nordstrom Rack brand awareness and driving traffic, we seek to drive continued improvement in Nordstrom Rack performance throughout 2022.

Increasing our digital velocity: We maintained strong growth at Nordstrom.com and NordstromRack.com in 2021, with digital sales increasing 24% compared with 2019. With continued growth in digital, our total penetration has increased by 10 percentage points over the past two years to 42%. In the fourth quarter, we also saw record high mobile app usage, with mobile users representing approximately 70% of total digital traffic.

Though we still have work to do on our transformation, the progress we have made gives us confidence in our strategic plans and business outlook for 2022. We believe there is a meaningful opportunity ahead for us to better serve customers by improving Nordstrom Rack performance and transforming our supply chain, leading to increased profitability and shareholder value creation. We have line of sight to achieving the financial targets outlined at our 2021 Investor Event while building the capabilities to profitably grow market share beyond that.

RESULTS OF OPERATIONS

In our ongoing effort to enhance the customer experience, we are focused on providing a seamless retail experience across our Company. We invested early in integrating our operations, merchandising and technology across our stores and online, and in both Nordstrom and Nordstrom Rack banners. By connecting our digital and physical assets across Nordstrom and Nordstrom Rack, we are able to better serve customers when, where and how they want to shop. We have one Retail reportable segment and analyze our results on a total Company basis, using customer, market share, operational and net sales metrics.

Due to the extraordinary impact of COVID-19 on our results in fiscal year 2020, we analyzed fiscal year 2021 net sales through EBIT against fiscal years 2020 and 2019 to provide useful supplemental comparability.

We monitor a number of key operating metrics to evaluate our Company performance. In addition to net sales, net income (loss) and other results under GAAP, two other key operating metrics we use are GMV and inventory turnover rate.

- *GMV:* Our GMV represents the total dollar value of items sold through our digital platforms and stores. GMV includes net sales from inventory we own, as well as the value of merchandise sold under our alternative partnership models with our vendors. We use GMV as an indicator of the scale and growth of our operations and the impact of our alternative partnership models.
- *Inventory Turnover Rate:* Inventory turnover rate is calculated as the trailing 4-quarter cost of sales and related buying and occupancy costs divided by the trailing 4-quarter average inventory. Inventory turnover rate is an indicator of our success in optimizing inventory volumes in accordance with customer demand.

Net Sales

The following table summarizes net sales:

Fiscal year	2021	2020
Nordstrom	**$9,640**	$6,997
Nordstrom Rack	**4,762**	3,360
Total net sales	**$14,402**	$10,357
Net sales increase (decrease):		
Nordstrom	**37.8%**	(29.6%)
Nordstrom Rack	**41.7%**	(35.3%)
Total Company	**39.1%**	(31.6%)
Digital sales as a % of net sales	**42%**	55%
Digital sales increase	**7%**	16%

Net Sales (2021 vs. 2020)

Total Company net sales increased compared with 2020. This increase primarily resulted from the impacts of COVID-19 and the related temporary store closures for approximately three months during 2020. During the year, we opened one and closed three Nordstrom Rack stores. The top-performing merchandise categories were Men’s Apparel, Designer and Active compared with 2020. Total Company GMV increased 40% compared with 2020. Total Company net sales in the Southern markets, including Southern California, outperformed the Northern markets compared with 2020. Digital sales, Nordstrom net sales and Nordstrom Rack net sales increased compared with 2020.

Net Sales (2021 vs. 2019)
Total Company net sales decreased 4.8% compared with 2019. The decrease is primarily from the first half of 2021 as we saw sequential quarterly improvement during the year as we recovered from the impacts of COVID-19. The top-performing merchandise categories were Home, Active and Designer compared with 2019. Total Company GMV decreased 4% compared with 2019. Total Company net sales in the Southern markets, including Southern California, outperformed the Northern markets, and suburban locations outperformed our urban locations compared with 2019. Digital sales increased 24%, Nordstrom net sales decreased 3.0% and Nordstrom Rack net sales decreased 8.2% compared with 2019.

See Note 2: Revenue in Item 8 for information about disaggregated revenues.

Credit Card Revenues, Net
Credit card revenues, net include our portion of the ongoing credit card revenue, net of credit losses, pursuant to our program agreement with TD. TD is the exclusive issuer of our consumer credit cards and we perform the account servicing functions.

Credit Card Revenues, Net (2021 vs. 2020)
Credit card revenues, net increased $29 compared with 2020, primarily as a result of higher interchange fees due to increased spend on credit cards and lower losses from bad debt.

Credit Card Revenues, Net (2021 vs. 2019)
Credit card revenues, net decreased $5 compared with 2019, primarily as a result of lower finance charges due to lower outstanding balances.

Gross Profit
The following table summarizes gross profit:

Fiscal year	2021	2020	2019
Gross profit	**$5,058**	$2,757	$5,200
Gross profit as a % of net sales	**35.1%**	26.6%	34.4%
Inventory turnover rate	**4.18**	4.42	4.79

Gross Profit (2021 vs. 2020)
Gross profit increased $2,301 and 8 percentage points as a rate of net sales, compared with 2020, primarily due to reduced markdowns and increased leverage on buying and occupancy costs.

Ending inventory as of January 29, 2022 increased 23% versus a 23% increase in sales in the fourth quarter of 2021 compared with 2020. The change in inventory levels compared with 2020 was due to planned investments to support improved in-stock levels, as well as decreased inventory levels in 2020 that aligned with lower sales from the impacts of COVID-19. Higher inventory levels in 2021 led to a decrease in inventory turnover rate compared with 2020.

Gross Profit (2021 vs. 2019)
Gross profit decreased $142 compared with 2019, due to lower sales volume, partially offset by reduced markdowns. Gross profit rate increased 75 basis points for the same period, primarily due to reduced markdowns, partially offset by deleverage on lower sales volume.

Ending inventory as of January 29, 2022 increased 19%, compared with February 1, 2020, versus a 1% decrease in sales in the fourth quarter of 2021 compared with 2019. Approximately half of the inventory increase compared with 2019 was due to planned investments to support improved in-stock levels.

Selling, General and Administrative Expenses
SG&A is summarized in the following table:

Fiscal year	2021	2020	2019
SG&A expenses	**$4,953**	$4,162	$4,808
SG&A expenses as a % of net sales	**34.4%**	40.2%	31.8%

SG&A (2021 vs. 2020)
SG&A increased $791 in 2021 compared with 2020 primarily due to higher variable expenses associated with higher sales volume and labor cost pressure, partially offset by the impact of COVID-19 related charges that occurred in the first half of 2020. SG&A rate decreased 6 percentage points primarily as a result of leverage on higher sales volume and COVID-19 related charges that occurred in the first half of 2020.

SG&A (2021 vs. 2019)
SG&A increased $145 and 3 percentage points as a rate of net sales during 2021, compared with 2019, primarily due to fulfillment and labor cost pressures, partially offset by the continued benefits from resetting the cost structure in 2020.

Earnings (Loss) Before Interest and Income Taxes
EBIT is summarized in the following table:

Fiscal year	2021	2020	2019
EBIT	**$492**	($1,047)	$784
EBIT as a % of net sales	**3.4%**	(10.1%)	5.2%

EBIT (2021 vs. 2020)
EBIT increased $1,539 and 14 percentage points as a rate of net sales in 2021, compared with 2020, as a result of reduced markdowns, higher sales volume and the impact of COVID-19 related charges in the first half of 2020.

EBIT (2021 vs. 2019)
EBIT decreased $292 and 2 percentage points as a rate of net sales in 2021, compared with 2019, primarily due to lower sales volume and fulfillment and labor cost pressures, partially offset by the continued benefits from resetting the cost structure in 2020.

Interest Expense, Net
Interest expense, net is summarized in the following table:

Fiscal year	2021	2020
Interest on long-term debt and short-term borrowings	**$258**	$199
Less:		
Interest income	**(1)**	(3)
Capitalized interest	**(11)**	(15)
Interest expense, net	**$246**	$181

Interest expense, net increased $65 in 2021 compared with 2020 primarily due to debt refinance charges of $88, partially offset by decreased interest related to the redemption of the Secured Notes in the first quarter of 2021.

Income Tax Expense
Income tax expense is summarized in the following table:

Fiscal year	2021	2020
Income tax expense (benefit)	**$68**	($538)
Effective tax rate	**27.5%**	43.8%

The following table illustrates the components of our effective tax rate:

Fiscal year	2021	2020
Statutory rate	**21.0%**	21.0%
CARES Act impact	**(0.9%)**	17.6%
State and local income taxes, net of federal income taxes	**3.4%**	6.1%
Federal credits	**(4.0%)**	0.5%
Non-deductible expenses[1]	**2.7%**	(0.3%)
Stock-based compensation[1]	**2.0%**	(1.0%)
Valuation allowance[1]	**1.8%**	(0.8%)
Taxes on foreign operations[1]	**1.3%**	0.4%
Other, net[1]	**0.2%**	0.3%
Effective tax rate	**27.5%**	43.8%

[1] We reclassified immaterial prior year amounts that were included in the other, net category to conform with current period presentation.

The decrease in the effective tax rate for 2021 compared with 2020 was primarily due to the CARES Act that allowed us to carry back 2020 losses at the higher tax rate applicable in previous years.

Earnings (Loss) Per Share

EPS is as follows:

Fiscal year	2021	2020
Basic	**$1.12**	($4.39)
Diluted	**$1.10**	($4.39)

Earnings (loss) per diluted share increased $5.49 in 2021 compared with 2020, during which stores were temporarily closed for approximately three months of 2020. This increase was primarily due to reduced markdowns and higher sales volumes, partially offset by higher taxes and $0.40 per diluted share for an interest expense charge related to the redemption of the Secured Notes in the first quarter of 2021. In 2020, we incurred COVID-19 related charges, which reduced EPS for 2020 by $1.22 per share.

2022 Outlook

We have provided the following financial outlook for fiscal 2022:

- Revenue growth, including retail sales and credit card revenues, of 5% to 7% versus fiscal 2021
- EBIT margin of 5.6% to 6.0% of sales
- Income tax rate of approximately 27%
- Earnings per share of $3.15 to $3.50, excluding the impact of share repurchase activity, if any
- Leverage ratio of approximately 2.5 times by year-end

Adjusted ROIC (Non-GAAP financial measure)

We believe that Adjusted ROIC is a useful financial measure for investors in evaluating the efficiency and effectiveness of the capital we have invested in our business to generate returns over time. In addition, we have incorporated it in our executive incentive measures and we believe it is an important indicator of shareholders' return over the long term.

Adjusted ROIC is not a measure of financial performance under GAAP and should be considered in addition to, and not as a substitute for, return on assets, net earnings, total assets or other GAAP financial measures. Our method of calculating a non-GAAP financial measure may differ from other companies' methods and therefore may not be comparable to those used by other companies. The financial measure calculated under GAAP which is most directly comparable to Adjusted ROIC is return on assets. The following is a reconciliation of return on assets to Adjusted ROIC:

Fiscal year	**2021**	**2020**
Net earnings (loss)	**$178**	($690)
Add (Less): income tax expense (benefit)	**68**	(538)
Add: interest expense	**247**	184
Earnings (loss) before interest and income tax expense	**493**	(1,044)
Add: operating lease interest[1]	**87**	95
Adjusted net operating profit (loss)	**580**	(949)
(Less) Add: estimated income tax (expense) benefit[2]	**(159)**	416
Adjusted net operating profit (loss) after tax	**$421**	($533)
Average total assets	**$9,301**	$9,718
Less: average deferred property incentives in excess of ROU assets[3]	**(232)**	(276)
Less: average non-interest bearing current liabilities	**(3,352)**	(3,138)
Average invested capital	**$5,717**	$6,304
Return on assets[4]	**1.9%**	(7.1%)
Adjusted ROIC[4]	**7.4%**	(8.5%)

[1] We add back the operating lease interest to reflect how we manage our business. Operating lease interest is a component of operating lease cost recorded in occupancy costs.

[2] Estimated income tax (expense) benefit is calculated by multiplying the adjusted net operating profit (loss) by the effective tax rate for the trailing twelve month periods ended January 29, 2022 and January 30, 2021. The effective tax rate is calculated by dividing income tax expense (benefit) by earnings (loss) before income taxes for the same trailing twelve month periods.

[3] For leases with property incentives that exceed the ROU assets, we reclassify the amount from assets to other current liabilities and other liabilities and reduce average total assets, as this better reflects how we manage our business.

[4] COVID-19 related charges for the four quarters ended January 30, 2021 negatively impacted return on assets by approximately 200 basis points and Adjusted ROIC by approximately 280 basis points.

LIQUIDITY

We strive to maintain a level of liquidity sufficient to allow us to cover our seasonal cash needs and to maintain appropriate levels of short-term borrowings. In the short term, our ongoing working capital and capital expenditure requirements and any dividend payments or share repurchases are generally funded primarily through cash flows generated from operations. In addition, we have access to the commercial paper market and can draw on our revolving credit facilities for working capital, capital expenditures and general corporate purposes. Over the long term, we manage our cash and capital structure to maximize shareholder return, maintain our financial position, manage refinancing risk and allow flexibility for strategic initiatives. We regularly assess our debt and leverage levels, capital expenditure requirements, debt service payments, dividend payouts, potential share repurchases and other future investments.

We ended fiscal year 2021 with $322 in cash and cash equivalents and $800 of additional liquidity available on our Revolver. The decrease in cash and cash equivalents in 2021 compared with 2020 reflects payments for long-term debt and higher merchandise purchases. We believe that our operating cash flows are sufficient to meet our cash requirements for the next 12 months and beyond. Our cash requirements are subject to change as business conditions warrant and opportunities arise and we may elect to raise additional funds in the future through the issuance of either debt or equity.

The following is a summary of our cash flows by activity:

Fiscal year	2021	2020
Net cash provided by (used in) operating activities	**$705**	($348)
Net cash used in investing activities	**(521)**	(347)
Net cash (used in) provided by financing activities	**(544)**	530

Operating Activities

The majority of our operating cash inflows are derived from sales. We also receive cash payments for property incentives from developers and vendors. Our operating cash outflows generally consist of payments to our merchandise vendors (net of vendor allowances) and shipping carriers, payments to our employees for wages, salaries and other employee benefits and payments to our landlords for rent. Operating cash outflows also include payments for income taxes and interest payments on our short-term and long-term borrowings.

Cash from operating activities increased $1,053 between 2021 and 2020 primarily due to an improvement in net earnings and receipt of the income tax refund related to the loss carryback provision of the CARES Act, partially offset by an increase in inventory purchased.

Investing Activities

Our investing cash outflows include payments for capital expenditures, including technology, stores and supply chain improvements and technology costs. Our investing cash inflows are generally from proceeds from sales of property and equipment. Activity also includes the purchase and sale of financial interests.

Net cash used in investing activities increased $174 between 2021 and 2020 primarily due to increased spend for technology, the payment of the majority of our final installment related to Nordstrom NYC and our investment in ASOS.com Ltd.

Capital Expenditures

Our capital expenditures, net are summarized as follows:

Fiscal year	2021	2020
Capital expenditures	**$506**	$385
Less: deferred property incentives[1]	**(10)**	(41)
Capital expenditures, net	**$496**	$344
Capital expenditures, net category allocation:		
Technology	**61%**	64%
Supply chain	**17%**	23%
New stores, relocations, remodels and other	**22%**	13%
Total	**100%**	100%

[1] Deferred property incentives are included in our cash provided by operations in our Consolidated Statements of Cash Flows in Item 8. We operationally view the property incentives we receive from our developers and vendors as an offset to our capital expenditures.

Fiscal year	2022[1]	2021	2020	2019	2018	2017
Capital expenditures % of net sales	3%-4%	**3.5%**	3.7%	6.2%	4.2%	4.8%

[1] Rates represent 2022 forecasted amounts.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,* R.S.C. 1985, c. C-36, AS AMENDED

Court File No: CV-23-00695619-00CL

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **NORDSTROM CANADA RETAIL, INC., NORDSTROM CANADA HOLDINGS, LLC** and **NORDSTROM CANADA HOLDINGS II, LLC**

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