

# SHARING OUR PROGRESS 2014 CSR REPORT

When it comes to corporate social responsibility (CSR) at Nordstrom, we hold ourselves accountable by setting goals and demonstrating progress toward meeting those goals. This allows us to not only recognize our accomplishments, but also to identify opportunities for continuous improvement. Below, you'll find our 2014 Progress Report (reporting from February 1, 2014 through January 31, 2015). It breaks down our progress in 2014 and details new programs we're launching in 2015. We've held off on specifying forward-looking goals as we reexamine our areas of focus, our goals and our plans to meet those goals. Stay tuned for a separate report that will more clearly speak to our future CSR targets.

## RECYCLING

### RECYCLING RATES

Percentage of total waste (measured by weight) diverted from landfills and/or incinerators and into recycling streams.

2014 GOAL

90%

2014 RESULT

85%



### ORGANICS RECYCLING

Percentage of total organic food waste (measured by weight) from our restaurants recycled into composting programs.

2014 GOAL

15%

2014 RESULT

11%



**GOALS** Reduce total waste sent to landfills and/or incinerators by recycling plastic, glass, metal, paper, corrugated cardboard and organic waste.

### 2014 RESULTS (BELOW TARGET)

As in years past, our employees are key drivers behind our recycling efforts. By helping us collect aluminum, paper, cardboard, plastic, glass and compostable materials, they enable us to divert the majority of our waste away from landfills. While our 2014 waste-reduction results were just below target, we continue to have a strong focus on recycling in our more than 300 stores and facilities, and have begun working with a new waste-management company that will help us to get even more accurate reporting on our progress down the road.

Our organic food waste recycling results were below target. One hundred and thirty of our facilities (full-line and Rack stores, distribution and fulfillment centers) participate in organic food waste recycling. Not all of our markets have organic recycling infrastructures in place in their municipalities, which continues to impact our results.

### 2015 AND BEYOND FOCUS

Our Building Services teams are focused on recycling and diverting our waste from landfills at each of our locations. As in years past, we'll continue to focus on organics recycling in our restaurants and coffee bars. As more communities establish infrastructures needed to support it, we'll be able to increase the number of stores participating in organics recycling.

## TRANSPORTATION

### FUEL EFFICIENCY

Average MPG for store and over-the-road deliveries.

2014 GOAL

7.75 MPG

2014 RESULT

7.6 MPG



**GOALS** Reduce carbon dioxide (CO<sub>2</sub>) emissions through improved fleet fuel economy (increased miles per gallon [MPG] savings), carton delivery optimization and reduced air freight.

### 2014 RESULTS (BELOW TARGET)

We continued efforts to reduce our transportation program's carbon footprint.

For 2014, we missed our aggressive target of 7.75 MPG for two primary reasons. First, older equipment at our Newark, California, distribution center brought down our total average. We replaced a portion of this equipment in mid-2014 and expect to see improved performance in 2015 as a result. Second, newer equipment at our Portland, Oregon, distribution center underperformed. This equipment is scheduled for replacement in 2015, which we expect will have a positive impact. We employed 150 drivers in 2014.

We've continued to partner with the Environmental Protection Agency (EPA), our transportation supply chain, vendors and our internal merchandising teams in order to improve our performance. We've developed energy-savings ideas like alternative-fuel vehicles, fuel-efficient trucks and offering cash rewards for drivers who hit MPG targets, known as our GainShare program.

In 2014, our efforts and progress were recognized by the EPA in the form of their SmartWay® Excellence Award for Shippers and Logistics. This annual award recognizes SmartWay partners who are achieving strong results in their efforts to reduce emissions through collaboration, advanced technology and operations, and regular data reporting.

### 2015 AND BEYOND FOCUS

We'll continue to offer efficiency incentives for drivers who hit MPG targets through GainShare. After taking on a large number of new tractors in 2014, we're resetting the targets for the program to achieve better results. We'll also continue to identify and invest in the latest equipment and technology. One example is evaluating single-wide tires on our dollies as a means of reducing friction and improving economy. As with all investments, we want to first examine the feasibility of this new equipment to ensure it will deliver sufficient value for the additional costs.

## PAPER & PACKAGING

### PAPER AND PACKING USED

Tonnage of paper and packaging we consume per \$1 million of sales.

2014 GOAL  
<2.9 TONS

2014 RESULT  
2.5 TONS



### RECYCLED CONTENT IN PAPER AND PACKAGING

Percentage of recycled content in our packaging.

2014 GOAL  
50%

2014 RESULT  
49%



**GOALS** Reduce consumption of paper and packaging, and increase recycled content in forest products we use (paper, corrugated cardboard, shopping bags, gift boxes, catalogs and collateral).

### 2014 RESULTS USAGE (ABOVE TARGET) RECYCLED CONTENT (BELOW TARGET)

As a growing company that continues to serve more customers both in our stores and online, there is a direct impact on the amount of paper, packaging and boxes we use. Despite our growth, we're constantly working to find efficiencies to help us use less.

In 2014, we reduced the number of mailed catalogs through more targeted mailings, and we began using more lightweight paper for our specialty catalogs. Both of these changes contributed to using less paper.

Our shopping bags remain 100% recyclable and are made from 50% post-consumer waste (PCW). The boxes we offer are 100% recyclable and made from 55% PCW. Actual PCW content can vary, so while our 2014 result of recycled content (49.1%) was slightly below our target, we remain committed to our goal of using an average of 50% recycled content in our paper and packaging.

### 2015 AND BEYOND FOCUS

We're working to identify areas where we can reduce our use of forest products, both at point of sale and in shipping and receiving. We currently provide gift boxes in about 20 different sizes that closely conform to the dimensions of our various types of products. We're also looking for opportunities to reduce packaging by working with our vendor partners through our Supplier Scorecard Initiative.

## ENERGY

### ENERGY USAGE

Year-over-year energy reduction per store square foot.

2014 GOAL  
-3.5%

2014 RESULT  
-1.6%



**GOALS** Reduce energy consumption through more efficient technologies, elimination of excess energy use, creation of streamlined processes and research of alternative energy sources.

### 2014 RESULTS (BELOW TARGET)

We set aggressive goals for reducing energy consumption in our stores and saw substantial energy savings as a result. However, we were faced with some challenges, like the polar vortex in early 2014 that resulted in higher energy usage as we worked to keep our buildings heated. Although we missed our goal this year, we still made great progress by upgrading lighting systems and closely monitoring heating, ventilation and air conditioning (HVAC) in our stores.

We continued to convert our spotlighting to more efficient light-emitting diode (LED) systems. Last year, we retrofitted 43 stores to LED lighting, which should result in an annual savings of about 9.6 million kilowatt hours (kWh) and \$1.3 million in electricity costs. Typically we replace standard spotlighting bulbs every 2.5 years, while the LEDs are expected to last as long as 10 years, which will result in an additional savings of \$550,000 in light bulb-replacement costs per year.

We also completed phase one of our screw-in bulb conversion, replacing non-merchandise-shining incandescent bulbs with LED bulbs.

By creating a new System Engineer role within our facilities teams, we're better able to monitor the energy management systems that exist in our stores. System Engineers check HVAC and lighting schedules to ensure they're operating at optimal levels. They also educate and support our store teams on best practices and how to address problem situations.

### 2015 AND BEYOND FOCUS

Moving forward in 2015, an additional 19 stores will convert to LED lighting. Those upgrades will result in an annual savings of 3.7 million kWh and \$475,000 in electricity costs. We plan to complete phase two of our screw-in bulb conversion, which we estimate will lead to an additional annual savings of 6.5 million kWh, \$850,000 in electricity costs and \$300,000 in avoided bulb-replacement costs.

We'll also be upgrading a number of motion-detector lighting systems in our stores and doing on-site auditing of facilities to delve into energy situations we may not be able to monitor remotely.

## WATER

### WATER USAGE

*We're working to achieve a total reduction in water usage by decreasing demand and identifying wasteful practices.*

*Year-over-year water reduction.*



**GOALS** Practice clean and responsible water use in our operations by decreasing demand in our stores, headquarters and all our facilities, and by encouraging our supply chain partners to adopt more efficient methods and processes.

### 2014 RESULTS (ABOVE TARGET)

Over the past two years, we've been working to refine our water usage reporting systems, which played a significant part in helping us achieve our goal in 2014. Water use from store to store is difficult to track due to the variety of different utility reporting systems and billing cycles, but we now have more accurate and timely information. Our Building Services managers use this information to determine if there are issues that need to be checked, like steam-trap variations or water-meter disparities.

Though our Nordstrom water consumption levels are relatively low compared to an agricultural or industrial facility, we do what we can to measure and save water. All new stores are equipped with waterless urinals and low-flush toilets. We also conduct routine water audits to check for leaks and other usage inconsistencies. To address the ongoing water shortages in California, we've made small adjustments such as no longer pressure washing our buildings and sidewalks. We've also saved water in our California restaurants by only serving ice water to those who request it.

### 2015 AND BEYOND FOCUS

We aim to continue our due diligence on water conservation, and possibly expand programs we've initiated in California to other regions.

## COMMUNITY SUPPORT

*We'll make contributions supporting communities in every state where Nordstrom operates a full-line or Rack store.*



**GOALS** Give back to the diverse communities where we do business by supporting organizations that champion arts and culture, education, health and community development.

### 2014 RESULTS (BELOW TARGET)

Based on the qualified grant applications we received, we gave cash grants to organizations in 33 states where Nordstrom and Nordstrom Rack stores are located. Additionally, we continued our long-standing support of United Way by partnering with our employees to pledge \$8.9 million to support local communities.

We also launched our first give-back brand: Treasure&Bond. Five percent of net profits from sales of Treasure&Bond merchandise go to nonprofit organizations focused on empowering youth. The brand's first beneficiary was Girls Inc., a nonprofit that inspires all girls to be strong, smart and bold. In the first six months following the launch of the new brand, \$185,000 was raised to enable Girls Inc. to reach even more girls.

Through the sales of M•A•C 'Viva Glam' products, we gave \$1.1 million to HIV/AIDS organizations (for a total of \$13 million to HIV/AIDS since 1997). Our annual Holiday Giving Program gave more than 26,000 pairs of shoes (more than in any other year!) to kids in need through the nonprofit Shoes That Fit. That brings our total to nearly 70,000 pairs of donated shoes since 2010.

### DISCLOSURE

We made an error regarding our giving results in our 2013 report. We contributed in 97% of the states where we have a Nordstrom full-line or Rack store, not 100% as we reported.

We also misstated the number of states where we wanted to give as part of our 2014 goal. Because our giving is allocated in January of each year, our giving goal aligns with the number of states we serve as of February 1. On February 1, 2014, we had stores in 35 states (not 38 and Canada, as we initially reported). These additional states, as well as Calgary, Alberta, Canada will be eligible for Nordstrom-directed grants in 2015.

### 2015 AND BEYOND FOCUS

We believe one of our most important responsibilities is to give back to the communities we serve, which is why we donate millions of dollars each year to worthy nonprofit organizations in the U.S., and now Puerto Rico and Canada. This year, we are launching two new programs that will allow us to give even more.

Our new Nordstrom Employee Charitable Match Program will be rolling out in 2015. Through this program, Nordstrom will provide up to \$5,000 per employee to match their personal donations to eligible nonprofits each fiscal year. We will also launch our Gift Card Giving Program, which donates 1% of all gift card sales to qualified local nonprofit organizations. The funds will be used to support Nordstrom-directed grants, as well as the Nordstrom Employee Charitable Match Program.

We'll continue to support a variety of organizations in the communities we serve, but will direct most of our giving to organizations and programs that focus on caring for kids and empowering youth. Moving forward, we'll continue to give through Treasure&Bond, with the nonprofit beneficiary rotating every six months, and will also be supporting United Way, as we have for more than 65 years.

## HUMAN RIGHTS

Percentage of facilities monitored for compliance to our Partnership Guidelines.\*

2014 GOAL  
100%

2014 RESULT  
100%



Focus our business on suppliers in the Acceptable and Needs Improvement categories.

2014 GOAL  
>89%

2014 RESULT  
52%



Improve conditions with suppliers in the At-Risk and Non-Compliant categories.

2014 RESULT  
47%



2014 GOAL  
<8.5%

\*Our target for 2014 evolved from monitoring to auditing our facilities for compliance to our Partnership Guidelines.

**GOALS** Ensure the workers in the facilities where we manufacture Nordstrom private label products are provided a safe, healthy and fair work environment.

### 2014 RESULTS (BELOW TARGET)

We evolved our process at the beginning of 2014, so we now audit (rather than monitor) 100% of the factories in the 33 countries (total as of the report's close) where we do Nordstrom Product Group (NPG) business. In 2014, we reviewed audit results and rated factories based on five categories:

**ACCEPTABLE** Factory was found to have no non-compliances, best practices are in place, or non-serious opportunities for improvement exist related to management and maintenance of workplace and workforce.

**NEEDS IMPROVEMENT** Factory was found to have opportunities for improvement that do not create immediate risk to life or well-being of workers, such as hours of work or wages.

**AT-RISK** Factory was found to have complex, systemic challenges, as well as a lack of transparency.

**NON-COMPLIANT** Factory was found to have the most egregious issues related to child labor, forced labor, harassment and abuse, severe health and safety hazards, denied access and/or unauthorized subcontracting.

**UNCATEGORIZED** Factory was out of scope—meaning due to an acceptable audit history, it may be set on an alternate-year schedule but is still an active factory, or was deactivated during the reporting year.

Our 2014 results were as follows:

- Factories representing 25.3% of NPG volume had ACCEPTABLE results
- Factories representing 27.3% of NPG volume had NEEDS IMPROVEMENT results
- Factories representing 46.4% of NPG volume had AT-RISK results
- Factories representing 1.0% of NPG volume had NON-COMPLIANT results

A number of changes to the structure of our NPG team resulted in us missing our goals this year. Several parts of the NPG business took on new responsibility for buying products and supplies, which meant working with a significant number of factories that were unfamiliar with our compliance guidelines. We spent a great deal of time in 2014 working with these new factories to bring them up to compliant levels or, in some cases, to terminate relationships when remediation was not possible. Though this change had a strong impact on our 2014 results, we feel as though we spent the year laying a strong foundation that we can continue to build upon.

We continued to work with our peers on initiatives that lead to better outcomes for factory workers, including addressing safety issues in Bangladesh through the Alliance for Bangladesh Worker Safety and providing important personal health and financial education programs with Business for Social Responsibility (BSR). Through our partnership with BSR, 7,126 workers participated in worker engagement programs to help provide a voice for individual workers within our factory partners.

### 2015 AND BEYOND FOCUS

Once again, our plan is to continue to work together with our private label factory partners to improve the health, safety and overall well-being of our factory workers. At our annual vendor supplier summit in February 2015, we launched program updates and a comprehensive tool kit to help our supplier partners comply with our partnership guidelines. We know that collaboration with our peers is a key part of the process, which is why we plan to stay involved in The Alliance for Bangladesh Worker Safety and BSR.

# NORDSTROM

For additional information, visit [nordstromcares.com](http://nordstromcares.com) or email [csr@nordstrom.com](mailto:csr@nordstrom.com).

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