

Solutions InSTORE

Policy and Procedure Guide

Request for Reconsideration

The leadership of Macy's, Inc. is committed to open communication and participative problem solving. Macy's, Inc. recognizes that, from time to time, an associate may encounter a problem or complaint that, if left unresolved, could affect job satisfaction and work performance. It's our objective that most issues an associate may have in the work environment will be resolved at the earliest possible time and to the mutual satisfaction of the associate and his or her manager.

Associates are expected, under most circumstances, to speak with management and Human Resources when they have a concern or complaint. However, when an associate is faced with a situation that has not been satisfactorily resolved by traditional means, Solutions InSTORE is available to help. Solutions InSTORE provides associates the structure, knowledge, and secure environment within which to achieve final resolution to associate concerns at the earliest possible stage. The overall goal of Solutions InSTORE is to integrate the culture of successful associate dispute resolution into the fabric of Macy's, Inc. business.

Solutions InSTORE is designed to enhance, not replace, communication between the associate and his or her manager.

Eligibility

The first three steps of Solutions InSTORE are available to all Macy's, Inc. associates, except those employees covered by the terms of a collective bargaining agreement.¹ Throughout this Policy, the term "associate" refers to active associates and managers, as well as former associates and managers who contact the Office of Solutions InSTORE within 30 days of termination of their employment.²

Implementation

The Solutions InSTORE Program became effective on January 1, 2004. All disputes that meet the eligibility requirements on or after that date will be eligible for the process. A claim that arose prior to January 1, 2004, but was not asserted until after January 1, 2004, will be referred to the Solutions InSTORE Program.

Associates whose employment with Macy's as it relates to the merger of The May Company with and into Macy's, Inc. have an effective date in the Solutions InSTORE Program of January 1, 2007. A more complete explanation may be found in the Solutions InSTORE Plan Document. Documents can be found at www.employeeconnection.net/solutionsinstore.

¹ Employees covered by a collective bargaining agreement would be eligible if it is negotiated as a term under the collective bargaining agreement.

² Managers, Program Administrators, Facilitators, Panelists, and Associates are encouraged to work together to resolve issues as quickly as possible. All deadlines mentioned in this policy may be extended by mutual consent. Timeframes contained in this document are suggested guidelines that will lead to an early resolution. The respective state and federal statute of limitations will be controlling if they are longer than the guidelines.

Overall Scope of Authority of this Policy

The Solutions InSTORE Program is intended to provide associates with a way to resolve most employment related concerns, with a few exceptions as described below. The scope of issues that may be addressed at each of the major steps of the process is discussed separately below. Generally speaking, however, concerns regarding terminations, final warnings and/or written commitments to change or improve a performance issue can be appealed through the Peer Review, if not resolved at an earlier step in the process.

Those same issues, plus other concerns relating to an associate's rights under State and Federal law, can be appealed to the Program Manager, which is an alternative to the Peer Review. Claims involving statutory programs such as Worker's Compensation, Employee Retirement Income Security Act (ERISA) governed benefit plans, and Unemployment Compensation will not be eligible for this process because they have their own appeal forum.

General Exception: Any claim that has been waived or released by an associate may not be addressed through the Solutions InSTORE process. If the waiver and release occurs after initiation of the process with respect to such a claim, the process will not proceed any further, and any decisions rendered will be null and void.

The Program Manager is responsible for the administration of the Solutions InSTORE Program, and will have the authority to make final decisions about the interpretation of the terms of this Step 3 - Request for Reconsideration, according to his or her own sole discretion.

Procedure

Solutions InSTORE provides a multi-step process for resolution of associate disputes. It is the expectation and goal of the process that most disputes will be resolved between the associate and his or her manager. A terminated associate has thirty days to appeal the termination. All other issues should be brought to the attention of a Program Administrator as soon as possible to provide for timely resolution.

No Retaliation

The Company prohibits any form of retaliation against any associate for making a complaint under this policy, assisting in a dispute review, or participating in any of the policy proceedings. Retaliatory actions of any kind will be considered a violation of this policy. Supervisors and managers may not deny any reasonable request, by an associate, for time needed to utilize the Solutions InSTORE process and are also expected to fully cooperate during all steps of the process.

Confidentiality

In approaching the Office of Solutions InSTORE for service, the associate acknowledges that, for the Office of Solutions InSTORE to review and/or resolve the associate's issue, it will be necessary for the designated decision makers and/or Facilitators to discuss it with other individuals who may have relevant information or a business need to know including but not limited to Witnesses, Human Resources, Management, and/or the Peer Review Facilitator and Panelists. In some circumstances, the Office of Solutions InSTORE may have an obligation to investigate matters regardless of an associate's request for confidentiality. As with all

investigations, Solutions InSTORE will share information about your concern only to the extent required to complete a thorough investigation.

To the extent permitted by law, discussions among the parties, and correspondence or other documents created during the process for purposes of resolving the issue, shall be treated as settlement negotiations and will constitute confidential information, exempt from discovery and production, and shall not be admissible in any lawsuit, administrative proceeding, or arbitration without the written concurrence of all parties. In addition, each party must agree that all such confidential information and discussions will not be disclosed except as required in the course of the Solutions InSTORE process or as required by law.

Associate Assistance

Associates will be allowed to bring one active co-associate to the Step 3 - Request for Reconsideration Peer Review Hearing, if they so request. No other individuals, including attorneys, friends, family, or former associates may participate in any of the steps. However, if an associate making a claim is in need of accommodation (e.g., has a hearing disability, speaks a language other than English), the associate can receive help presenting his or her case at any step of the process. The Peer Review Facilitator and the Office of Solutions InSTORE will have the responsibility to supply the needed assistance.

Compensation

Active associates who utilize the Solutions InSTORE process will be compensated at their regular rate of pay for time spent during their assigned work hours at hearings or meetings with management involving the dispute. Time spent on other activities, or outside of their assigned work hours, will be unpaid. Associates who assist in the process by serving as Facilitators, Witnesses, and Panelists will be compensated for all time spent assisting in the process.

General Release and Waiver of Rights

If an associate enters into any general release and waiver of rights regarding claims that may be subject to Solutions InSTORE, the employee is not eligible to appeal under the terms of Solution InSTORE.

Severance/Separation Benefits

If an associate, who has been paid severance or separation benefits, is reinstated with or without back pay, these benefits must be repaid to the company before the reinstatement can become effective. The repayment will not be required if the associate was out of work with no pay or benefits for a period longer than the severance or separation benefits. It is intended that the associate will not be able to retain both severance benefits and any back pay award, if the two payments result in more than what the employee would have earned had he or she been working.

Overview of the Solutions InSTORE Steps

All prior steps of Solution InSTORE should be used before an associate can proceed to Step 3 - Request for Reconsideration (Peer Review Hearing or Review by the Program Manager).³

Step 1: Open Door

The Open Door policy is available to all eligible associates at all company locations, and is the fastest and most desirable method for resolving disputes. The associate will discuss the issue with his or her immediate supervisor, store/facility management, Human Resources, and/or any other members of local management who have the authority to resolve the dispute. The goal of these discussions will be to define the issue and the resolution sought by the associate and to seek a mutually agreeable resolution to the dispute.

Local Management will give the associate their final reply, verbally, generally within 10 working days. If the associate accepts the response from local management, then the process is complete.

However, if the associate believes that the issue still is unresolved, the associate may complete a Step 2 Form or other written documentation setting forth the nature of the dispute, the remedy requested, and the means by which to contact the associate. The associate should submit the form to the Office of a Senior Human Resources Executive within thirty days after receiving the Step 1- Open Door reply.

Step 2: Review by the Office of a Senior Human Resources Executive

The Office of a Senior Human Resources Executive will delegate the investigation of the dispute to a Human Resources Executive who will conduct a complete and impartial investigation of the dispute. The decision of the investigator, regarding the dispute, will be provided to the associate in writing generally within forty-five days.

If the associate accepts this decision, then the process is complete. If, on the other hand, the associate is not satisfied with the Step 2 response, then he or she may request reconsideration at Step 3. The associate should, within thirty days after receipt of the Step 2 response, request that the dispute be elevated to Step 3 of the process.

Step 3: Request for Reconsideration

If the associate is not satisfied with the Step 2 response, he or she may appeal to either a **Peer Review Panel** or have the dispute heard by a **Solutions InSTORE Program Manager**. The goal of the Company is to establish an effective and neutral dispute resolution process that builds trust, maintains trust and collaboration, produces fair and timely resolution, provides opportunities for meaningful conversation between management and the associate, and serves as a feedback tool to facilitate awareness throughout the organization with regard to workplace ethics.

Since the stated goal of Solutions InSTORE is early resolution of workplace disputes, the associate should exhaust all earlier steps prior to initiating Step 3. Only claims that are legally actionable, that is they may give rise to a legal dispute that could be heard in a court of law, are eligible to be reviewed at Step 3 - Request for Reconsideration.

³ Use of the prior steps is not required in those cases where the next level person was an active participant in the decision from an earlier step or if the participant is alleging the next level person is the reason for the dispute.

Peer Review Panel Overview

If the Peer Review Panel is selected, a hearing will be held as soon as administratively possible and a final written decision will be issued within five days of the Hearing.

Program Manager Overview

The Program Manager may investigate all claims that are eligible to be reviewed at Step 3 - Request for Reconsideration. If the Program Manager option is selected, the Program Manager will contact the associate within fifteen days, gather information and evidence from the associate and any other individuals that the Program Manager deems appropriate, and issue a decision generally within forty-five days of receiving the dispute.

Note: A decision by Peer Review Panelists or the Program Manager that is consistent with the terms of this policy will be final, unless the associate wishes to request the dispute be moved to Arbitration.

Peer Review Panel

Scope of Authority

The Peer Review Panel will hear disputes involving legally actionable claims relating to terminations, final warnings and/or written commitments to change or improve a performance issue. During their investigations, Peer Review Panelists will review the application of policies, procedures, established practices, and/or work rules affecting personnel. In other words, Panelists will review the termination or disciplinary action to ensure that the policy or practice was applied properly and consistently. If the Panelists find otherwise, they have the authority to make appropriate changes or remedies consistent with Company policies and/or practices.

The Peer Review Panelists **cannot** do any of the following:

- Set or change policy.
- Set or change work rules.
- Change staffing, promotion, or selection decisions.
- Set or change wage grades, pay codes, ranges, or levels.
- Change Performance Appraisal ratings.
- Set or change the level, scope, or administration of Company benefits.
- Handle cases involving associate benefit plans that are covered by the Employee Retirement Income Security Act (ERISA) of 1974, claims for unemployment, or Worker's Compensation benefits.
- Handle harassment or discrimination claims, claims of termination for alleged acts of workplace violence, or other claims where the requested remedy involves the discipline of others.
- Rule on cases in which the company is under a legal obligation to act, such as the safety and security of the workforce, national security, environmental protection, etc.
- Rule on cases involving the Company's rights with respect to trade secrets, patents, copyrights, trademarks, or other intellectual property rights.
- Rule on any cases that are not within their scope of authority.

The Program Manager will inform the associate of the Peer Review Panel's jurisdiction. If the associate chooses to use the Peer Review Hearing, the term Appellant will be used to describe the associate. When there is a question of eligibility, the Program Manager will decide whether or not the issue can go to a Peer Review Panel. This decision is binding and not eligible for appeal.

The Peer Review Panelists have the authority to grant, modify, or deny an Appellant's appeal. They may not modify a disciplinary action to make it more severe than the original management action. In no case can the Panel's decision exceed the remedy requested by the Appellant. In no case can the Panel award punitive damages to the Appellant or grant an award that exceeds what is required to "make the Appellant whole" for what was lost as a result of the disputed issue.

Peer Review Facilitator

A Facilitator will be appointed based on availability. The Facilitators are certified in facilitating the Peer Review, including training of the Panelists, preparing information for review by the Panelists, keeping the Panelists focused on the issue at hand, and generally ensuring that the Panelists follow the established protocols. The Facilitator does not give opinions on the case or vote on its outcome. The Facilitator will process paperwork, summon Witnesses, handle meeting logistics, and perform related tasks, so that Panelists can concentrate on reaching a timely, fair decision.

Peer Review Panelists

The Peer Review consists of three voting members. Generally, two peers of the Appellant and one next level executive will serve.

Associate Eligibility for Becoming a Panelist

In order to be eligible to be a Panelist, an associate must meet the minimum criteria of one year of service with the Company, be in good standing, and not have a conflict of interest with the Appellant; and cannot have an active dispute or claim against the company. All eligible associates will have the option of volunteering to be Panelists. Panelists are provided "just-in-time" training, which is delivered the day of the Hearing.

General Procedure:

1. The Appellant will randomly draw three names from the Manager Box (next level up) and choose one of the names drawn to serve, plus one alternate.
2. The Appellant will then randomly draw a total of five names from the Peer Box and choose two of the names drawn to serve, plus one alternate.
3. If the Appellant is an executive, three executives - at least one of whom must be at a higher level in the organization than the executive bringing the dispute - will serve. A total of seven names will be randomly drawn from the Executive Box. Three Panelists will be chosen to serve, plus two alternates.

If a Panelist declines to serve due to a personal relationship or involvement or conflict of interest, an alternate will serve. Any manager who is in the associate's direct chain-of-command is disqualified from serving on the Panel. Immediate family and ex-relatives as well as current or former household members of the associate or manager, or anyone with a

current or former personal relationship with the associate or manager, are disqualified from serving as Panelists.

Panelists who are currently assigned to a Hearing are temporarily ineligible for assignment to an additional Peer Review Hearing until their current assignment is completed.

Pre-Meeting Contacts with the Panelists

The Facilitator will contact all Panelists to arrange for their participation in the meeting. To protect the impartiality of the Peer Review Hearing, neither the Appellant nor the management representatives will have any contact with any Panelist with regard to the Hearing prior to the actual Peer Review Hearing. Any questions with regard to the Peer Review should be addressed to the Facilitator or the Office of Solutions InSTORE.

Documentation

Both parties shall deliver a list of Witnesses and a copy of all written material or pertinent documents they plan to present at the Peer Review Hearing to the Facilitator or the Office of Solutions InSTORE at least two business days prior to the Hearing, or at such time as is designated by the Program Manager or his/her designee.

Peer Review Hearing

The Peer Review will be conducted in a maximum of eight hours. The Facilitator will begin the proceedings by conducting the Panelist training. The Panelists will interview the Appellant filing the appeal, the supervisor or manager involved, and any other associates with information about the case. Both the Appellant and Management Representative will be given a maximum of thirty minutes to present their case to the Panelists; however, either side can request more time if needed. That request will be granted at the discretion of the Panelists. A Human Resources Representative will be called to explain the policy and application of the policy in question.

Only one Witness shall be present in the meeting at any given time. Witnesses will normally be given ten minutes each to present what they know to the Panelists; however, the Panelists can authorize more time, if needed to investigate the case properly. Only active Company associates who have relevant information about the case shall be permitted as Witnesses in the Peer Review Hearing.

The Panelists will also review applicable past practice, Company policy, and other relevant information necessary to conduct a complete and thorough review. The Facilitator will provide this information, if available, to the Panelists upon request. The Panelists have the ultimate authority as to which Witnesses are called, and how many Witnesses representing either an Appellant or Management Representative are required to be interviewed in order for a decision to be made in a case. The primary emphasis is on the relevance of the Witness's potential testimony to the matter being decided.

All Witnesses shall attend the Hearing voluntarily. The Panelists do not have subpoena power. Witnesses will be excused to return to their work assignments as soon as their testimony is complete.

After all evidence has been reviewed, the Panelists vote by secret ballot to answer the

question, “Was the Company policy or practice applied properly and consistently in this case?” A majority “yes” vote will result in the appeal being denied. A majority “no” vote will lead to further discussions and voting regarding possible remedies. The Panelists have the authority to grant, modify, or deny the Appellant’s proposed remedy. Each time a vote is taken, ballots are counted until two like votes are found. The ballots are then destroyed. Each Panelist agrees in advance to sign the final decision letter, regardless of his or her personal feelings about the case.

While changes to Company policy cannot be the subject of a dispute under this procedure, and such policies cannot be changed or disregarded by the Panelists, Panelists are encouraged to present their ideas with regard to better ways to apply and/or communicate policy to their Facilitator, who will share the information with management and/or Human Resources, where appropriate.

The Appellant will be notified by the Facilitator with regard to the Panel’s decision within five days of the Hearing. The decision will also be provided to the Solutions InSTORE Program Manager, Management Representative, and Human Resources Representative. The Appellant has thirty days to accept or reject the Panelists’ decision and, if accepted, may be required to sign an agreement documenting the resolution.

A decision within the scope of the Panelists’ authority is final and binding on the Company unless the Appellant chooses to reject the Panelists’ decision. If rejected, the Appellant may inquire about pursuing the claim to Step 4 - Arbitration.

Failure of an Appellant to Attend a Peer Review Hearing

An Appellant, who, after having requested and agreed to a date for the Peer Review Hearing, but fails to attend the Hearing, shall have their dispute deemed as denied. If the Appellant shows good cause for the failure to attend the Peer Review Hearing, as determined by the Program Manager, the Program Manager, at his or her discretion, may schedule a second Peer Review Hearing. A third Peer Review Hearing for failure to attend will not be scheduled under any circumstance.

Program Manager

Scope of Authority

The Program Manager, with the exception of the following, may address any legally actionable associate question or concern about a job or work situation:

- Disputes relating to benefit plans which are covered by the Employee Retirement Income Security Act of 1974 (ERISA). Such claims can be pursued through the Company's benefit plan appeals procedure.
- Claims involving unemployment or Worker's Compensation benefits. Such claims can be pursued through the relevant administrative claims process.
- Cases in which the Company is under a legal obligation to act, such as the safety and security of the workforce, national security, environmental protection, etc.

The Program Manager will ensure that a thorough review is conducted. The Program Manager will contact the associate within fifteen days after the associate has made their appeal to Step 3; review information and evidence from the associate and any other individuals that the Program Manager deems appropriate; and issue a decision generally within forty-five days of receiving the dispute. The Program Manager has the ultimate authority as to which witnesses are contacted, and how many witnesses representing either an appellant or management representative are required to be interviewed in order for a decision to be made in a case.

A decision of the Program Manager, within the scope of his or her authority, is final and binding on the Company unless rejected by the associate. The associate will be advised of the allotted timeframe in which to consider the Program Manager's decision and, if accepted, may be required to sign an agreement documenting the resolution.

The associate will be notified about the Program Manager's decision in writing. The decision will also be reviewed with the appropriate Division's or Region's Management.

Step 4: Binding Arbitration

If the associate is not satisfied with the Step 3 decision, the **eligible** associate may file a request for Step 4 - Arbitration. Arbitration must be initiated in accordance with the time limits contained in the applicable law's statute of limitations.

Specific rules regarding requests for arbitration are contained in the Plan Document.

Changes to this Policy

Macy's, Inc. reserves the right to change or revoke this policy, and any related forms or agreements, at any time and at its sole discretion. However, policy changes will not apply to complaints brought prior to the date of any amendment. The amended policy will apply to any complaints filed on, or after, the date of the amendment.

Any inconsistency with this Solutions InSTORE Policy and Procedure Guide and the Solutions InSTORE Plan Document will be resolved by relying on the wording contained in the Plan Document.