FOOT LOCKER INC
Form DEF 14A
April 11, 2014

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

**SCHEDULE 14A INFORMATION**

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

Filed by the Registrant S

Filed by a Party other than the Registrant £

Check the appropriate box:

£ Preliminary Proxy Statement

£ Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

S Definitive Proxy Statement

£ Definitive Additional Materials

£ Soliciting Material Pursuant to §240.14a-12

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

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

Payment of Filing Fee (Check the appropriate box):

S No fee required.

£ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

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(4) Date Filed:

# NOTICE OF 2014 ANNUAL MEETING
# AND
# PROXY STATEMENT

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112 West 34th Street
New York, New York 10120

## NOTICE OF 2014 ANNUAL MEETING OF SHAREHOLDERS

| | |
|---|---|
| **DATE AND TIME:** | May 21, 2014 at 9:00 A.M., Eastern Daylight Time |
| **PLACE:** | Foot Locker, Inc., 112 West 34th Street, New York, New York 10120 |
| **RECORD DATE:** | Shareholders of record on March 24, 2014 can vote at this meeting. |
| **ITEMS OF BUSINESS:** | Elect four members to the Board of Directors to serve for three-year terms. |
| | Ratify the appointment of KPMG LLP as our independent registered public accounting firm for the 2014 fiscal year. |
| | Approve an amendment to the Certificate of Incorporation to declassify the Board of Directors. |
| | Approve the second amendment and restatement of the Foot Locker 2007 Stock Incentive Plan. |
| | Advisory approval of the compensation of our named executive officers. |
| | Transact such other business as may properly come before the meeting and at any adjournment or postponement. |
| **PROXY VOTING:** | **YOUR VOTE IS IMPORTANT TO US.** Whether or not you plan to attend the Annual Meeting in person, please promptly vote by telephone or by Internet, or by completing, signing, dating and returning your proxy card or vote instruction form so that your shares will be represented at the Annual Meeting. |

GARY M. BAHLER
*Secretary*

April 11, 2014

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on May 21, 2014**

**The Company s Proxy Statement and 2013 Annual Report/Form 10-K are available at http://materials.proxyvote.com/344849**

## PROXY STATEMENT SUMMARY

We are providing this summary of our 2014 Notice of Annual Meeting and Proxy Statement and the items to be voted on by our shareholders. This is only a summary. For more complete information, please review the complete Proxy Statement and our 2013 Annual Report on Form 10-K.

### 2014 Annual Meeting of Shareholders

| | |
|---|---|
| **Date and Time** | Wednesday, May 21, 2014, at 9:00 a.m., Eastern Daylight Time |
| **Place** | Foot Locker, Inc., 112 West 34th Street, New York, NY 10120 |
| **Record Date** | March 24, 2014 |

### Information on the Board of Directors

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

| **Director Independence** | **Director Attendance in 2013** |
|---|---|
| 9 out of 10 directors are independent | Attendance at Board and Committee Meetings in 2013 exceeded 98% |

### Named Executive Officers

| | |
|---|---|
| Ken C. Hicks | Chairman, President and CEO |
| Richard A. Johnson | Executive Vice President and COO |
| Lauren B. Peters | Executive Vice President and CFO |
| Robert W. McHugh | Executive Vice President-Operations Support |
| Paulette Alviti | Senior Vice President and Chief Human Resources Officer |

### Our 2013 Results

In 2013, for the third year in a row, Foot Locker, Inc. achieved record sales, earnings, and earnings per share in our history as an athletic footwear and apparel company. Results included:

- Net income, on a non-GAAP basis, of $432 million or earnings-per-share of $2.87, a 16% increase over 2012. (A reconciliation to GAAP is provided on Pages 16-18 of our 2013 Form 10-K.)

End-of-year market capitalization of $5.6 billion, an 8% increase over year-end 2012.

Total dividend payments to shareholders of $118 million.

Total share repurchases of $229 million.

Total shareholder return (stock price appreciation plus reinvested dividends) of 13.6 percent.

**Proposals and the Board of Directors Voting Recommendations**

| Proposal | Board Vote Recommendation | Page Reference for More Detail |
|---|---|---|
| Election of Four Directors | FOR EACH NOMINEE | 72-78 |
| Ratification of the Appointment of KPMG LLP as Our Independent Registered Public Accounting Firm for 2014 | FOR | 79-80 |
| Approval of Amendment to the Certificate of Incorporation to Declassify the Board of Directors | FOR | 81 |
| Approval of the Second Amendment and Restatement of the Foot Locker 2007 Stock Incentive Plan | FOR | 82-91 |
| Advisory Approval of Our Named Executive Officers Compensation | FOR | 92-93 |

**Election of Directors**

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

| Name | Age | Director Since | Occupation | Independent | Other Public Company Boards |
|---|---|---|---|---|---|
| Nicholas DiPaolo | 72 | 2002 | Retired Vice Chairman of Bernard Chaus, Inc. | Yes | JPS Industries, Inc.<br>R.G. Barry Corporation |
| Matthew M. McKenna | 63 | 2006 | Special Advisor to the U.S. Secretary of Agriculture | Yes | None |
| Steven Oakland | 53 | 2014 | President, International, Foodservice and Natural Foods, The J.M. Smucker Company | Yes | None |
| Cheryl Nido Turpin | 66 | 2001 | Retired President & CEO of The Limited Stores | Yes | None |

**Ratification of Appointment of KPMG LLP for 2014**

We are asking our shareholders to ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2014. The following is a summary of KPMG s fees for 2013 and 2012:

| | 2013 | 2012 |
|---|---|---|
| Audit Fees | $ 2,967,000 | $ 2,815,000 |
| Audit-Related Fees | 614,000 | 803,000 |

| | | |
|---|---|---|
| Tax Fees | 165,000 | 267,000 |
| All Other Fees | 0 | 0 |
| Total | $ 3,746,000 | $ 3,885,000 |

**Approval of an Amendment to the Certificate of Incorporation to Declassify the Board**

We are asking shareholders to approve an amendment to the Company s Certificate of Incorporation to declassify the Board of Directors. The Certificate of Incorporation currently provides that the Board be divided into three classes serving staggered three-year terms. The proposed amendment provides that, beginning with directors elected in 2015, directors would be elected on an annual basis. Directors elected prior to the effectiveness of the proposed amendment would continue in office until the expiration of their terms of office. A complete copy of the proposed amendment is provided in Appendix A on Page A-1.

**Approval of the Second Amendment and Restatement of the Foot Locker 2007 Stock Incentive Plan**

We are asking shareholders to approve the second amendment and restatement of the Foot Locker 2007 Stock Incentive Plan to increase the aggregate share reserve to 14 million shares, inclusive of shares currently remaining under the Stock Incentive Plan, and amend the definition of Change in Control and the vesting provisions of awards following a Change in Control. There are currently 1,721,896 million shares available for grant under the plan. If shareholders approve this proposal, it will result in a net increase of 12,278,104 million shares under the plan. The Board of Directors believes that the proposed increase in the share reserve is necessary to insure that a sufficient reserve of Common Stock remains available to meet anticipated future needs in issuing equity incentives and thereby continuing to align our executives and nonemployee directors interests with those of our shareholders. We are also seeking shareholder re-approval of the performance goals under the plan. A summary of the material features of the Foot Locker 2007 Stock Incentive Plan, as Amended and Restated, is provided beginning on Page 82, and a complete copy of the amended and restated plan is provided in Appendix B beginning on Page B-1.

**Advisory Approval of the Named Executive Officers Compensation**

We are asking shareholders to approve, on a nonbinding, advisory basis, the 2013 compensation of our named executive officers, as described in this proxy statement on Pages 25 through 71. Over the past three years, our shareholders overwhelmingly approved our executive compensation program. Given this strong support, the Compensation and Management Resources Committee decided to retain the overall program, which ties the executives pay closely with Foot Locker s performance. Our 2013 results reflect our diligent execution of the Company s strategies and represent continued meaningful progress toward the goals contained in our current long-range plan. Based on the Company s performance, the named executive officers earned annual bonuses for 2013 and long-term incentive payouts for the 2012-2013 performance measurement period payable in 2015.

| Financial Metrics | 2012 | 2013 | Long-Term Objectives |
|---|---|---|---|
| Sales | $6,101 million | $6,505 million | $7,500 million |
| Sales Per Gross Square Foot | $443 | $460 | $500 |
| Earnings Before Interest and Taxes (EBIT) Margin | 9.9% | 10.4% | 11% |
| Net Income Margin | 6.2% | 6.6% | 7% |
| Return on Invested Capital (ROIC) | 14.2% | 14.1% | 14% |

The above table represents non-GAAP results. We provide a reconciliation to GAAP on Pages 16-18 of our 2013 Form 10-K.

112 West 34th Street
New York, New York 10120

## PROXY STATEMENT

## GENERAL INFORMATION

We are providing these proxy materials to you for the solicitation of proxies by the Board of Directors of Foot Locker, Inc. for the 2014 Annual Meeting of Shareholders and for any adjournments or postponements of this meeting. We are holding this annual meeting on May 21, 2014 at 9:00 A.M., local time, at our corporate headquarters located at 112 West 34th Street, New York, New York 10120. In this proxy statement we refer to Foot Locker, Inc. as Foot Locker, the Company, we, our, or us.

We are furnishing proxy materials to our shareholders primarily over the Internet under the Securities and Exchange Commission s notice and access rules instead of mailing full sets of the printed materials. We believe that this procedure reduces costs, provides greater flexibility to our shareholders, and lessens the environmental impact of our Annual Meeting. On or about April 11, 2014 we started mailing to most of our shareholders in the United States a Notice of Internet Availability of Proxy Materials (the Foot Locker Notice ). The Foot Locker Notice contains instructions on how to access and read our 2014 Proxy Statement and our 2013 Annual Report to Shareholders on the Internet and to vote online. **If you received a Foot Locker Notice by mail, you will not receive paper copies of the proxy materials in the mail unless you request them.** Instead, the Foot Locker Notice instructs you on how to access and read the Proxy Statement and Annual Report and how you may submit your proxy over the Internet. If you received a Foot Locker Notice by mail and would like to receive a printed copy of the materials, please follow the instructions on the Foot Locker Notice for requesting the materials, and we will promptly mail the materials to you.

We are mailing to shareholders, or making available to shareholders via the Internet, this Proxy Statement, form of proxy card, and our 2013 Annual Report/Form10-K on or about April 11, 2014.

## QUESTIONS AND ANSWERS ABOUT THIS ANNUAL MEETING AND VOTING

**What is included in these proxy materials?**

The proxy materials include our 2014 Proxy Statement and 2013 Annual Report and Form 10-K. If you received printed copies of these materials by mail, these materials also include the proxy card for this annual meeting.

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

You may obtain an additional copy of our 2013 Form 10-K without charge by writing to our Investor Relations Department at Foot Locker, Inc., 112 West 34th Street, New York, New York 10120. It is also available free of charge through our corporate web site at *http://www.footlocker-inc.com/investors.cfm?page=corporate-governance*.

## QUESTIONS AND ANSWERS

**What constitutes a quorum for the Annual Meeting?**

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

**What is the record date for this meeting?**

The record date for this meeting is March 24, 2014. If you were a Foot Locker shareholder on this date, you are entitled to vote on the items of business described in this proxy statement.

**Who may vote at the Annual Meeting?**

The only voting securities of Foot Locker are our shares of Common Stock. Only shareholders of record on the books of the Company on March 24, 2014 are entitled to vote at the annual meeting and any adjournments or postponements. Each share is entitled to one vote. There were 145,817,895 shares of Common Stock outstanding on March 24, 2014.

**Can I vote shares held in employee plans?**

If you hold shares of Foot Locker Common Stock through the Foot Locker 401(k) Plan or the Foot Locker Puerto Rico 1165(e) Plan, your proxy card includes the number of shares allocated to your plan account. Your proxy card will serve as a voting instruction card for these shares for the plan trustee to vote the shares. The trustee will vote only those shares for which voting instructions have been given. To allow sufficient time for voting by the trustees of these plans, your voting instructions must be received by 11:59 P.M. Eastern Daylight Time on May 18, 2014.

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

The proposals that you are being asked to vote on at this Annual Meeting, our Board s voting recommendations, and the vote required to approve each proposal are shown in the table below:

| Proposal Number | Subject | Board s Voting Recommendation | Vote Required to Approve |
|---|---|---|---|
| 1 | Election of Four Directors in Class II | FOR EACH NOMINEE | Plurality of Votes Cast by Shareholders *Please see our policy described on Page 9 regarding resignations by directors who do not receive more For votes than Withheld votes.* |
| 2 | Ratification of the Appointment of KPMG LLP as Our Independent Registered Public Accounting Firm for 2014 | FOR | Majority of Votes Cast by Shareholders |
| 3 | Approval of an Amendment to the Company s Certificate of Incorporation to Declassify the Board of Directors | FOR | Majority of Shares Outstanding |
| 4 | Approval of the Second Amendment and Restatement of the Foot Locker 2007 Stock Incentive Plan | FOR | Majority of Votes Cast by Shareholders |
| 5 | Advisory Approval of Executive Compensation | FOR | Majority of Votes Cast by Shareholders |

**Could other matters be voted on at the Annual Meeting?**

We do not know of any other business that will be presented at the 2014 annual meeting. If any other matters are properly brought before the meeting for consideration, then the persons named as proxies will have the discretion to vote on those matters for you using their best judgment.

**What happens if I do not vote my shares?**

This depends on how you hold your shares and the type of proposal. If you hold your shares in street name, such as through a bank or brokerage account, it is important that you cast your vote if you want it to count for Proposals 1, 3, 4 and 5. If you do not instruct your bank or broker how to vote your shares on these proposals, no votes will be cast on your behalf because the broker does not have discretionary authority to vote. This is called a broker non-vote. With regard to Proposal 2, your bank or broker will have discretion to vote any uninstructed shares for this proposal.

**QUESTIONS AND ANSWERS**

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

**How will the votes be counted?**

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

Votes withheld for the election of one or more of the nominees for director will not be counted as votes cast for them. Except in the case of Proposals 3 and 4, if you abstain from voting or there is a broker non-vote on any matter, your abstention or broker non-vote will not affect the outcome of such vote because abstentions and broker non-votes are not considered to be votes cast. With respect to Proposal 3 to approve the amendment to the Certificate of Incorporation, an abstention and broker non-vote will have the same effect as a vote against this proposal. With respect to Proposal 4 to approve the second amendment and restatement of the Foot Locker 2007 Stock Incentive Plan, which is subject to New York Stock Exchange shareholder approval rules, broker non-votes will not affect the outcome of such vote because broker non-votes are not considered votes cast; however, abstentions are counted as votes cast and, therefore, will have the effect of a vote against the proposal.

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

**How do I vote my shares?**

You may vote using any of the following methods:

***Telephone***

If you are located within the United States or Canada, you can vote your shares by calling 1-800-690-6903 and following the recorded instructions. Telephone voting is available 24 hours a day and will be accessible until 11:59 P.M. Eastern Daylight Time on May 20, 2014. The telephone voting system has easy to follow instructions and allows you to confirm that the system has properly recorded your vote. **If you vote by telephone, you do NOT need to return a proxy card or voting instruction form.**

***Internet***

You can also choose to vote your shares through the Internet at www.proxyvote.com. Internet voting is available 24 hours a day and will be accessible until 11:59 P.M. Eastern Daylight Time on May 20, 2014. As with telephone voting, you will be able to confirm that the system has properly recorded your vote. **If you vote via the Internet, you do NOT need to return a proxy card or voting instruction form.**

***QR Code***

You may also choose to scan the QR Code provided to you to vote your shares through the Internet with your mobile device. Internet voting is available 24 hours a day and will be accessible until 11:59 P.M. Eastern Daylight Time on May 20, 2014. You will be able to confirm that the system has properly recorded your vote. **You do NOT need to return a proxy card or voting instruction form if you scan your QR code to vote.**

***Mail***

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

***Ballot at the Annual Meeting***

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

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

**Can I change my mind after voting my shares?**

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

**Will my vote be confidential?**

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

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

certify the
vote.

**Do I need a ticket to attend the Annual Meeting?**

You will need an admission ticket to attend the Annual Meeting. Attendance at the meeting will be limited to shareholders on March 24, 2014 (or their authorized representatives) having an admission ticket or proof of their share ownership, and guests of the Company. If you plan to attend the meeting, please indicate this when you are voting by telephone or Internet or check the box on your proxy card, and we will promptly mail an admission ticket to you.

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

**Who pays the cost of this proxy solicitation?**

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

Proxies may be solicited, without additional compensation, by our directors, officers, or employees by mail, telephone, fax, in person, or otherwise. We will request banks, brokers and other custodians, nominees and fiduciaries to deliver proxy materials to the beneficial owners of Foot Locker s Common Stock and obtain their voting instructions, and we will reimburse those firms for their expenses under the rules of the Securities and Exchange Commission and The New York Stock Exchange. In addition, we have retained Innisfree M&A Incorporated to assist us in the solicitation of proxies for a fee of $15,000 plus out-of-pocket expenses.

## BENEFICIAL OWNERSHIP OF THE COMPANY S STOCK

### Directors and Executive Officers

The following table shows the number of shares of Common Stock reported to us as beneficially owned by each of our directors and named executive officers as of March 24, 2014. The table also shows beneficial ownership by all directors, named executive officers, and executive officers as a group on that date, including shares of Common Stock that they have a right to acquire within 60 days after March 24, 2014 by the exercise of stock options.

Ken C. Hicks beneficially owned 1.52 percent of the total number of outstanding shares of Common Stock as of March 24, 2014. No other director, named executive officer, or executive officer beneficially owned one percent or more of the total number of outstanding shares as of that date. Each person has sole voting and investment power for the number of shares shown unless otherwise noted.

| | Amount and Nature of Beneficial Ownership | | | |
|---|---|---|---|---|
| Name | Common Stock Beneficially Owned Excluding Stock Options(a) | Stock Options Exercisable Within 60 Days After 3/24/2014 | RSUs and Deferred Stock Units(b) | Total |
| Paulette Alviti | 33,253 | | | 33,253 |
| Maxine Clark | 1,351 | | 1,505 | 2,856 |
| Nicholas DiPaolo | 62,933 (c) | 6,317 | 1,505 | 70,755 |
| Alan D. Feldman | 47,564 | 6,314 | 25,635 | 79,513 |
| Jarobin Gilbert Jr. | 35,037 | 6,317 | 1,505 | 42,859 |
| Ken C. Hicks | 516,841 | 1,693,333 | | 2,210,174 |
| Richard A. Johnson | 195,456 | 283,332 | | 478,788 |
| Guillermo G. Marmol | 19,752 | | 1,505 | 21,257 |
| Robert W. McHugh | 171,578 | 298,333 | | 469,911 |
| Matthew M. McKenna | 74,580 | 4,287 | 1,505 | 80,372 |
| Steven Oakland | | | | |
| Lauren B. Peters | 117,656 | 269,999 | | 387,655 |
| Cheryl Nido Turpin | 38,821 | 6,317 | 42,290 | 87,428 |
| Dona D. Young | 31,280 | 6,317 | 52,325 | 89,922 |
| All 19 directors and executive officers as a group, including the named executive officers | 1,545,998 | 2,997,063 | 127,775 | 4,670,836 (d) |

***Notes to Beneficial Ownership Table***

(a) This column includes shares held in the Company s

401(k) Plan and, where applicable, executives unvested shares of restricted stock as listed below over which they have sole voting power but no investment power:

| **Name** | **Number of Unvested Shares of Restricted Stock** |
|---|---|
| K. Hicks | 74,000 |
| L. Peters | 20,000 |
| R. Johnson | 20,000 |
| R. McHugh | 20,000 |
| P. Alviti | 30,000 |

(b) This column includes (i) the number of deferred stock units credited as of March 24, 2014 to the account of the directors who elected to defer all or part of their annual retainer fee and (ii) time-vested restricted stock units ( RSUs ). The deferred stock units and RSUs do not have current voting or investment power.

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

(d) This number represents approximately 3.2 percent of the shares of Common Stock outstanding at the close of business on March 24, 2014.

**Persons Owning More Than Five Percent of the Company s Stock**

The following table provides information on shareholders who beneficially own more than five percent of our Common Stock according to reports filed with the Securities and Exchange Commission ( SEC ). To the best of our knowledge, there are no other shareholders who beneficially own more than five percent of a class of the Company s voting securities.

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class |
|---|---|---|
| BlackRock, Inc.<br>40 East 52nd Street<br>New York, NY 10022 | 9,667,583(a ) | 6.6 %(a) |
| FMR LLC<br>245 Summer Street<br>Boston, MA 02210 | 9,312,634(b ) | 6.346 %(b) |
| The Vanguard Group<br>100 Vanguard Blvd.<br>Malvern, PA 19355 | 8,118,085(c ) | 5.53 %(c) |
| Harris Associates L.P. and<br>Harris Associates Inc.<br>2 North LaSalle Street,<br>Suite 500<br>Chicago, IL 60602-3790 | 8,129,056(d ) | 5.5 %(d) |

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

(a) Reflects shares beneficially owned as of December 31, 2013 according to Amendment No. 4 to Schedule 13G filed with the SEC. As reported in this schedule, BlackRock, Inc., a parent holding company, holds sole voting power with respect to 8,859,636 shares and sole dispositive power with respect to 9,667,583 shares.

(b) Reflects shares beneficially owned as of December 31, 2013 according to Schedule 13G filed with the SEC. As reported in this schedule, (1) Fidelity Management & Research Company ( Fidelity ), a wholly owned subsidiary of FMR LLC and an investment adviser, is the beneficial owner of 8,559,119 shares as a result of acting as investment adviser to various investment companies. Edward C. Johnson 3d and FMR LLC, through its control of Fidelity, and the funds each has sole power to dispose of the 8,559,119 shares owned by the funds. (2) Fidelity SelectCo, LLC ( SelectCo ), 1225 17th Street, Suite 1100, Denver, Colorado 80202, a wholly owned subsidiary of FMR LLC and an investment adviser, is the beneficial owner of 509,352 shares as a result of acting as investment adviser to various investment companies ( SelectCo Funds ). Edward C. Johnson 3d and FMR LLC, through its control of SelectCo, and the SelectCo Funds each has sole power to dispose of the 509,352 shares. Neither FMR LLC nor Edward C. Johnson 3d has the sole

**BENEFICIAL OWNERSHIP**

power to vote or direct the voting of the shares owned directly by the Fidelity Funds. (3) Strategic Advisers, Inc., a wholly owned subsidiary of FMR LLC and an investment adviser, provides investment advisory services to individuals. As such, FMR LLC s beneficial ownership includes 1,584 shares beneficially owned through Strategic Advisers, Inc. (4) Pyramis Global Advisers, LLC ( PGALLC ), 900 Salem Street, Smithfield, Rhode Island 02917, an indirect wholly owned subsidiary of FMR LLC and an investment adviser, is the beneficial owner of 39,500 shares as a result of its serving as investment adviser to institutional accounts, non-U.S. mutual funds, or investment companies owning the shares. Edward C. Johnson 3d and FMR LLC, through its control of PGALLC, each has sole dispositive power and sole power to vote or to direct the voting over the 39,500 shares. (4) Pyramis Global Advisors Trust Company ( PGATC ), 900 Salem Street, Smithfield, Rhode Island

02917, an indirect wholly owned subsidiary of FMR LLC and a bank, is the beneficial owner of 203,079 shares as a result of its serving as investment manager of institutional accounts owning the shares. Edward C. Johnson 3d and FMR LLC, through its control of PGATC, each has sole dispositive power and sole power to vote or to direct the voting of 203,079 shares owned by the institutional accounts managed by PGATC.

(c) Reflects shares beneficially owned as of December 31, 2013 according to Amendment

No. 2 to Schedule 13G filed with the SEC. As reported in this schedule, The Vanguard Group, an investment adviser, holds sole voting power with respect to 94,510 shares, sole dispositive power with respect to 8,034,275 shares, and shared dispositive power with respect to 83,810 shares. Vanguard Fiduciary Trust Company, a wholly owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 83,810 shares as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., a wholly owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 10,700 shares as a result of its serving as investment manager of Australian investment offerings.

(d) Reflects shares beneficially owned as of December 31, 2013 according to Schedule 13G filed with the SEC. As reported in this schedule, Harris Associates L.P., an investment adviser, holds sole voting and dispositive power with respect to 8,098,456 shares.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires that our directors and executive officers file with the Securities and Exchange Commission reports of ownership and changes in ownership of Foot Locker s Common Stock. Based on our records and other information, we believe that during the 2013 fiscal year, the directors and executive officers complied with all applicable SEC filing requirements.

## CORPORATE GOVERNANCE INFORMATION

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

### Our Board of Directors

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

## CORPORATE GOVERNANCE

### Corporate Governance Guidelines

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

### Committee Charters

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

### Policy on Voting for Directors

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

### Director Independence

The Board believes that a significant majority of the members of the Board should be independent, as determined by the Board based on the criteria established by The New York Stock Exchange. Each year, the Nominating Committee reviews any relationships between outside directors and the Company that may affect independence. Currently, one of the ten members of the Board of Directors serves as an officer of the Company, and the remaining nine directors are independent under the criteria established by The New York Stock Exchange. Please see Pages 14-16 for more information regarding director independence.

## CORPORATE GOVERNANCE

### Committee Rotation

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

### Lead Director

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

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

### Board Leadership Structure

The Board of Directors evaluates, from time to time as appropriate, whether the same person should serve as Chairman of the Board and Chief Executive Officer, or whether the positions should be split, in light of all relevant factors and circumstances, and what it considers to be in the best interests of the Company and its shareholders.

In recent years, the Board has utilized various leadership structures. For example, from 2001 to 2004, the positions were separated, with a previously independent director serving as Chairman of the Board. From 2004 to 2009, the positions of Chairman of the Board and Chief Executive Officer were held by the same person, with an independent member of the Board serving as lead director. From August 2009 to January 2010, the positions were again separated, with the former Chairman and Chief Executive Officer serving as Chairman of the Board and an independent member of the Board serving as lead director. Since January 2010, Mr. Hicks has served as Chairman of the Board and Chief Executive Officer with an independent member of the Board serving as lead director. Nicholas DiPaolo, an independent director, has served as the lead independent director since May 2012.

The Board believes that the current leadership structure is appropriate for the Company in light of the Company s and the Board s history of operating effectively when these positions have been combined; the availability of directors such as Mr. DiPaolo to serve as a strong, independent lead director; the size of the Board, which allows a free flow of communication among its members and between the independent members and the Chairman; the important role played by our committee chairs; the independence of our directors; and Mr. Hicks background and experience.

### Executive Sessions of Non-Management Directors

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

### Board Members Attendance at Annual Meetings

Although we do not have a policy on our Board members attendance at annual shareholders meetings, we encourage each director to attend these important meetings. The annual meeting is

normally scheduled on the same day as a quarterly Board of Directors meeting. In 2013, all of the directors then serving attended the annual shareholders meeting.

**Director Orientation and Education**

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

**Payment of Directors Fees in Stock**

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

**Director Retirement**

The Board has established a policy in its Corporate Governance Guidelines that directors retire from the Board at the annual meeting of shareholders following the director s 72nd birthday. As part of the Nominating Committee s regular evaluation of the Company s directors and the overall needs of the Board, the Nominating Committee may ask a director to remain on the Board for an additional period of time beyond age 72, or to stand for re-election after reaching age 72. For any director over age 72, the Nominating and Corporate Governance Committee evaluates that director each year in light of the retirement policy to determine his or her continued service on the Board. As described on Page 72, the Nominating and Corporate Governance Committee has asked Nicholas DiPaolo, age 72, to continue to serve on the Board and to stand for re-election in 2014.

**Change in a Director s Principal Employment**

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

**Risk Oversight**

The Board of Directors has oversight responsibilities regarding risks that could affect the Company. This oversight is conducted primarily through the Audit Committee. The Audit Committee has established procedures for reviewing the Company s risks. These procedures include regular risk monitoring by Foot Locker management to update current risks and identify potential new and emerging risks, quarterly risk reviews by management with the Audit Committee, and an annual risk report to the full Board of Directors. The Audit Committee Chair reports on the committee s meetings, considerations, and actions to the full Board at the next Board meeting following each committee meeting. In addition, the Compensation and Management Resources Committee

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**CORPORATE GOVERNANCE**

considers risk in relation to the Company s compensation policies and practices. The Compensation Committee s independent compensation consultant provides an annual report to the committee on risk relative to the Company s compensation programs.

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

**Stock Ownership Guidelines**

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

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

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

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

All non-employee directors and executives who were required to be in compliance as of the end of the 2013 fiscal year are in compliance. The Company measures compliance with the guidelines at the end of each fiscal year based on the market value of the Company s stock, with the compliance determination at that point in time applying for the next fiscal year, regardless of fluctuations in the Company s stock price.

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

**Political Contributions**

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

**Communications with the Board of Directors**

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

Board of Directors
c/o Secretary, Foot Locker, Inc.
112 West 34th Street
New York, NY 10120

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

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

**Retention of Outside Advisors**

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

**Code of Business Conduct**

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

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

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## BOARD OF DIRECTORS

### Organization and Powers

The Board of Directors has responsibility for establishing broad corporate policies, reviewing significant developments affecting Foot Locker, and monitoring the general performance of the Company. Our By-laws provide for a Board of Directors consisting of between 7 and 13 directors. The exact number of directors is determined from time to time by the entire Board. Our Board currently has 10 members.

The Board of Directors held five meetings during 2013. All of our directors attended at least 75 percent of the meetings of the Board and committees on which they served in 2013.

### Director Qualifications

The Board of Directors, acting through the Nominating and Corporate Governance Committee, considers its members, including those directors being nominated for reelection to the Board at the 2014 annual meeting, to be qualified for service on the Board due to a variety of factors reflected in each director s experience, education, areas of expertise, and experience serving on the boards of directors of other organizations. Generally, the Board seeks individuals of broad-based experience who have the background, judgment, independence, and integrity to represent the shareholders in overseeing the Company s management in their operation of the business rather than specific, niche areas of expertise. Within this framework, specific items relevant to the Board s determination for each director are listed in each director s biographical information beginning on Page 73.

### Directors Independence

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

The Board of Directors has determined that the categories of relationships listed in the following table are immaterial for purposes of determining whether a director is independent under the listing standards adopted by The New York Stock Exchange.

| Categorical Relationship | Description |
|---|---|
| Investment Relationships with the Company | A director and any family member may own equities or other securities of the Company. |
| Relationships with Other Business Entities | A director and any family member may be a director, employee (other than an executive officer), or beneficial owner of less than 10 percent of the shares of a business entity with which the Company does business, provided that the aggregate amount involved in a fiscal year does not exceed the greater of $1,000,000 or 2 percent of either that entity s or the Company s annual consolidated gross revenue. |
| Relationships with Not-for-Profit Entities | A director and any family member may be a director or employee (other than an executive officer or the equivalent) of a not-for-profit organization to which the Company (including the Foot Locker Foundation) makes contributions, provided that the aggregate amount of the Company s contributions in any fiscal year do not exceed the greater of $1,000,000 or 2 percent of the not-for-profit entity s total annual receipts. |

The Board of Directors, upon the recommendation of the Nominating and Corporate Governance Committee, has determined that the following directors are independent under the rules of The New York Stock Exchange because they have no material or immaterial relationship to the Company that would impair their independence:

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

James E. Preston, Allen Questrom, and David Y. Schwartz served as directors of the Company during 2013 until their retirement from the Board on May 15, 2013. The Board determined, upon the recommendation of the Nominating and Corporate Governance Committee, that Mr. Preston, Mr. Questrom, and Mr. Schwartz each was independent under the rules of The New York Stock Exchange through the end of his term as a director because he had no material or immaterial relationship to the Company that would impair his independence.

In making its decisions on independence, the Board of Directors reviewed recommendations of the Nominating and Corporate Governance Committee and considered the following relationships between the Company and organizations with which the current members of our Board are affiliated:

Nicholas DiPaolo s spouse is a trustee of the Greater Paramus Chamber of Commerce

Education Foundation, a not-for-profit corporation. The Foot Locker Foundation made a contribution of $5,000 to this organization in 2013. As the amount of the contribution does not exceed the greater of $1,000,000 or 2 percent of the not-for-profit entity s total annual receipts, this relationship falls under the Company s categorical standards of relationships that are immaterial for purposes of determining director independence because it constitutes a relationship with a not-for-profit entity.

**BOARD OF DIRECTORS**

Dona D. Young is a member of the Board of Trustees of Save the Children, a not-for-profit corporation. The Foot Locker Foundation made a contribution of $10,000 to this charitable organization in 2013. As the amount of the contribution does not exceed the greater of $1,000,000 or 2 percent of the not-for-profit entity s total annual receipts, this relationship falls under the Company s categorical standards of relationships that are immaterial for purposes of determining director independence because it constitutes a relationship with a not-for-profit entity.

The Board of Directors has determined that all members of the Audit Committee, the Compensation and Management Resources Committee, and the Nominating and Corporate Governance Committee are independent as defined under the listing standards of The New York Stock Exchange and the director independence standards adopted by the Board.

**Related Person Transactions**

We individually inquire of each of our directors and executive officers about any transactions in which Foot Locker and any of these related persons or their immediate family members are participants. We also make inquiries within the Company s records for information on any of these kinds of transactions. Once we gather the information, we then review all relationships and transactions in which Foot Locker and any of our directors, executive officers or their immediate family members are participants to determine, based on the facts and circumstances, whether the Company or the related persons have a direct or indirect material interest. The General Counsel s office coordinates the related person review process. The Nominating and Corporate Governance Committee reviews any reported transactions involving directors and their immediate families in making its recommendation to the Board of Directors on the independence of the directors. The Company s written policies and procedures for related person transactions are included within the Corporate Governance Guidelines and Foot Locker s Code of Business Conduct. There were no related party transactions in 2013.

**Committees of the Board of Directors**

The Board has delegated certain duties to committees, which assist the Board in carrying out its responsibilities. There are five standing committees of the Board. Each director serves on at least two committees. The current committee memberships, the number of meetings held during 2013, and the functions of the committees are described below.

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

**Audit Committee**

The committee held nine meetings in 2013. The Audit Committee has a charter, which is available on the corporate governance section of our corporate web site at *http://www.footlocker-inc.com/investors.cfm?page=corporate-governance.* The report of the Audit Committee appears on Page 80.

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

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

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

The Board of Directors has determined that Matthew M. McKenna, qualifies as an audit committee financial expert, as defined under the rules of the Securities Exchange Act of 1934, through his relevant experience as a senior financial executive of a large multinational corporation. Mr. McKenna is independent under the rules of The New York Stock Exchange and the Securities Exchange Act of 1934.

**Compensation and Management Resources Committee**

The Compensation and Management Resources Committee (the Compensation Committee ) held six meetings in 2013. The committee has a charter, which is available on the corporate governance section of the Company s corporate web site at *http://www.footlocker-inc.com/investors.cfm?page=corporate-governance.*

The Compensation Committee determines the compensation of the Chief Executive Officer, reviews and approves all compensation for the Company s executive management group, which consists of the executive officers and corporate officers, and determines significant elements of the compensation of the chief executive officers of our operating divisions. Decisions regarding equity compensation for other employees are also the Compensation Committee s responsibility. Decisions regarding non-equity compensation of the Company s other associates are made by the Company s management. The committee also considers risk in relation to the Company s compensation policies and practices.

The Compensation Committee also administers Foot Locker s various compensation plans, including the incentive plans, the equity-based compensation plans, and the employees stock purchase plan. Other than the 2007 Stock Incentive Plan, committee members are not eligible to participate in these compensation plans. This committee also reviews and makes recommendations to the Board of Directors concerning executive development and succession, including for the position of Chief Executive Officer.

Each year, the Compensation Committee holds a meeting with management, the Company s compensation consultant, and the Committee s independent compensation consultant to review the overall executive compensation environment, including recent developments in executive compensation, and the Company s executive compensation program, including a historical view of the pay-for-performance correlation in the program and any changes to the program being recommended by management or either of the consultants.

The Committee then holds a meeting in March, after the financial results for the prior year have been finalized and audited, to review and approve bonus and incentive compensation payments for the prior year and to review and approve compensation arrangements base salaries, stock awards, and incentive plan targets for the upcoming year. The Committee meets privately with its independent consultant for the purpose of establishing the compensation of the Chief Executive Officer, including establishing target awards under the Annual Bonus Plan and the long-term incentive compensation program, and making stock awards to him. Except in the case of promotions or other unusual circumstances, the Compensation Committee considers stock awards only at its March meeting, which is normally held within a few weeks following the issuance of the Company s full-year earnings release for the prior year.

The Committee may hold other meetings during the year to review specific issues related to executive compensation, new developments in executive compensation, or other management resources-related topics. It also has responsibility, along with the Nominating and Corporate Governance Committee, for annually reviewing compensation paid to non-employee directors.

The Compensation Committee has retained as its advisor a nationally recognized executive compensation consultant Compensation Advisory Partners that is independent and performs no other work for the Company. Compensation Advisory Partners is retained directly by the Compensation Committee, reports to it directly, meets with the Committee privately, without management present, and regularly communicates privately with the Chair of the Committee. The Compensation Committee has assessed the independence of Compensation Advisory Partners based on standards promulgated by the Securities and Exchange Commission and concluded that no conflict of interest exists that would prevent it from serving as an independent consultant to the Committee. Each year, the Committee s compensation consultant reviews a report on risk in relation to the Company s compensation policies and practices, provides a pay-for-performance analysis of our executive compensation program, and reviews the Chief Executive Officer s compensation. Management utilizes the services of ClearBridge Compensation Group, a nationally recognized compensation consultant, to provide advice on the executive compensation program and plan design.

Management is involved in various aspects of developing the executive compensation program. Our Senior Vice President and Chief Human Resources Officer, Vice President Human Resources, and staff in the Human Resources Department work with our Chief Executive Officer to develop compensation recommendations for all corporate officers other than the Chief Executive Officer. The Chief Executive Officer or the Senior Vice President and Chief Human Resources Officer reviews these proposals with the Chair of the Compensation Committee, and may make changes to the recommendations based upon his input, before the recommendations are forwarded to the Compensation Committee for review. Our Senior Vice President and General Counsel and Vice President and Associate General Counsel also attend meetings of the Compensation Committee and participate in some of these discussions and preparations.

The Compensation Committee has delegated authority to its Chair to approve stock option awards of up to 25,000 shares to any single employee other than a corporate officer. The Chair generally uses this authority to approve stock option grants made during the course of the year in connection with promotions or new hires.

**Compensation Committee Interlocks and Insider Participation**

Nicholas DiPaolo, Alan D. Feldman, James E. Preston, Allen Questrom, Cheryl Nido Turpin, and Dona D. Young served on the Compensation and Management Resources Committee during 2013. None of the committee members was an officer or employee of the Company or any of its subsidiaries, and there were no interlocks with other companies within the meaning of the SEC s proxy rules.

**Finance and Strategic Planning Committee**

The Finance and Strategic Planning Committee held five meetings in 2013. This committee reviews the overall strategic and financial plans of the Company, including capital expenditure plans, proposed debt or equity issues of the Company, and the Company s capital structure. The committee also considers and makes recommendations to the Board of Directors concerning dividend payments and share repurchases, and reviews acquisition and divestiture proposals.

**Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee held four meetings in 2013. This committee has responsibility for overseeing corporate governance matters affecting the Company, including developing and recommending criteria and policies relating to service and tenure of directors. The committee is responsible for collecting the names of potential nominees to the Board, reviewing the background and qualifications of potential candidates for Board membership, and making recommendations to the Board for the nomination and election of directors. The committee reviews membership on the Board committees and, after consultation with the lead director and the Chief Executive Officer, makes recommendations to the Board regarding committee members and committee chair assignments annually. In addition, the committee meets jointly with the Compensation and Management Resources Committee to review directors compensation and make recommendations to the Board concerning the form and amount of directors compensation.

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

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

Shareholders who wish to recommend candidates may contact the Committee in the manner described on Page 13 under Communications with the Board of Directors. Shareholder nominations must be made according to the procedures required under our By-laws and within the timeframe described in the By-laws and on Page 93 of this proxy statement. Shareholder-recommended candidates and shareholder nominees whose nominations comply with these procedures will be evaluated by the Committee in the same manner as the Committee s nominees.

## BOARD OF DIRECTORS

### Executive Committee

The Executive Committee did not meet in 2013. Except for certain matters reserved to the Board, this committee has all of the powers of the Board in the management of the business of the Company during intervals between Board meetings.

### Directors Compensation and Benefits

Non-employee directors are paid an annual retainer fee and meeting fees for attendance at each Board and committee meeting. The lead director and the committee chairs are paid an additional retainer fee for service in these capacities. We do not pay additional compensation to any director who is also an employee of the Company for service on the Board or any committee. The table below summarizes the fees paid to the non-employee directors in 2013.

Summary of Directors Compensation

| | | |
|---|---|---|
| **Annual Retainer** | $110,000. The annual retainer is payable 50 percent in cash and 50 percent in shares of our Common Stock. Directors may elect to receive up to 100 percent of their annual retainer, including committee chair retainer, in stock. We calculate the number of shares paid to the directors for their annual retainer by dividing their retainer fee by the closing price of a share of our stock on the last business day preceding the July payment date. | |
| **Committee Chair Retainers** | The committee chair retainers are paid in the same form as the annual retainer. | |
| | $25,000 | Audit Committee Chair |
| | $25,000 | Compensation and Management Resources Committee Chair |
| | $15,000 | Finance and Strategic Planning Committee Chair |
| | $15,000 | Nominating and Corporate Governance Committee Chair |
| | N/A: | Executive Committee |
| **Lead Director Retainer** | $50,000 payable in the same form as the annual retainer. | |
| **Meeting Fees** | $2,000 for attendance at each Board and committee meeting | |
| **Restricted Stock Units** | In fiscal 2013, the directors received a grant of 1,505 restricted stock units ( RSUs ). The number of RSUs granted was calculated by dividing $55,000 by the closing price of a share of our stock on the date of grant. The RSUs will vest one year following the date of grant in May 2014. Each RSU represents the right to receive one share of the Company s common stock on the vesting date. | |

Deferral Election

Non-employee directors may elect to receive all or a portion of the cash component of their annual retainer fee, including committee chair retainers, in the form of deferred stock units or to have these amounts placed in an interest account. Directors may also elect to receive all or part of the stock component of their annual retainer fee in the form of deferred stock units. The interest account is a hypothetical investment account bearing interest at the rate of 120 percent of the

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applicable federal long-term rate, compounded annually, and set as of the first day of each plan year. A stock unit is an accounting equivalent of one share of the Company s Common Stock.

Miscellaneous

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

**Fiscal 2013 Director Compensation**

The amounts paid to each non-employee director for fiscal 2013, including amounts deferred under the Company s stock plan, and the RSUs granted to each director are reported in the tables below. Mr. Oakland did not serve as a director during 2013, so no compensation is reported for him in the table.

**Director Compensation**

| (a) Name | (b) Fees Earned or Paid in Cash ($) | (c) Stock Awards ($)(1)(2) | (d) Total ($) |
|---|---|---|---|
| M. Clark | 80,053 | 102,468 | 182,521 |
| N. DiPaolo | 110,009 | 134,999 | 245,008 |
| A. Feldman | 35,625 | 202,754 (3)(4) | 238,379 |
| J. Gilbert Jr. | 93,022 | 109,986 | 203,008 |
| G. Marmol | 105,515 | 122,493 | 228,008 |
| M. McKenna | 38,025 | 172,483 | 210,508 |
| S. Oakland | | | |
| J. Preston | 38,945 | 27,472 | 66,417 |
| A. Questrom | 38,945 | 28,203 | 67,148 |
| D. Schwartz | 40,061 | 37,576 | 77,637 |
| C. Turpin | 32,583 | 192,066 (3)(4) | 224,649 |
| D. Young | 78,000 | 169,694 (4) | 247,694 |

***Notes to Director Compensation Table***

(1) Column (c) reflects the following three

bulleted items:

**Retainer fees paid in stock or deferred by the director.** The fiscal 2013 grant date fair value for the portion of the annual retainer fees, including committee chair retainer fees and the lead director retainer fee, paid in shares of the Company s common stock or deferred by the director, as shown in the following table:

**BOARD OF DIRECTORS**

| Name | Number of Shares | Number of Deferred Stock Units | Grant Date Fair Value ($) |
|---|---|---|---|
| M. Clark | 1,351 | | 47,461 |
| N. DiPaolo | 2,277 | | 79,991 |
| A. Feldman | | 3,749.8243 | 129,375 |
| J. Gilbert Jr. | 1,565 | | 54,978 |
| G. Marmol | 1,921 | | 67,485 |
| M. McKenna | 3,344 | | 117,475 |
| S. Oakland | | | |
| J. Preston | 782 | | 27,472 |
| A. Questrom | 782 | | 27,472 |
| D. Schwartz | 889 | | 31,231 |
| C. Turpin | | 3,055.4124 | 105,417 |
| D. Young | | 2,134.9274 | 75,000 |

- *Stock portion of retainer fee*: In 2013, we made the annual stock payment to each director on July 1. Under the terms of the 2007 Stock Incentive Plan, the stock payment was valued at the closing price of a share of the Company s common stock on June 28, which was $35.13. The 2013 grant date fair value is equal to the number of shares received or deferred by the director multiplied by $35.13, calculated in accordance with stock-based compensation accounting rules (ASC Topic 718). Directors who deferred the stock portion of their annual retainer were credited with deferred stock units on the annual payment date valued at $35.13 per unit.

- *Cash portion of retainer fee*: For fiscal 2013, two directors deferred part of the cash portion of their annual retainer fees and were credited during the fiscal year with deferred stock units on the quarterly cash retainer payment dates, valued at the fair market value on the payment dates, as follows: January 2, 2013 ($31.60; pro rated for 2 months of fiscal year), April 1, 2013 ($33.82), July 1, 2013 ($35.36), and October 1, 2013 ($34.01). The 2013 grant date fair value is equal to the number of deferred stock units received multiplied by the fair market value on the payment dates, calculated in accordance with stock-based compensation accounting rules (ASC Topic 718).

**Dividend equivalents.** The fiscal 2013 grant date fair value for dividend equivalents credited in the form of additional stock units to five directors during the year on the quarterly dividend payment dates, valued at the fair market value of the Company s common stock on the dividend payment dates, as shown in the following table.

| **Name** | **05/03/13 FMV: $35.28** | **08/02/13 FMV: $37.31** | **11/01/13 FMV: $34.99** | **01/31/14 FMV: $38.60** |
|---|---|---|---|---|
| A. Feldman | 117.5291 | 124.6225 | 136.4340 | 124.3812 |
| D. Schwartz | 179.8530 | | | |
| A. Questrom | 20.7185 | | | |
| C. Turpin | 212.9243 | 212.9576 | 230.6058 | 210.2336 |
| D. Young | 269.8295 | 268.0390 | 287.3434 | 261.9589 |

The **Total Number of Deferred Stock Units** credited to directors accounts for fiscal 2013, including the dividend equivalents and the units credited representing 2013 retainer fees reported in the above two tables, and the total number of units held at the end of fiscal 2013, are reported in the following table:

| Name | Total # of Units Credited for 2013 | Total # of Units Held at 02/01/14 |
|---|---|---|
| A. Feldman | 4,252.7911 | 24,129.9493 |
| D. Schwartz | 179.8530 | 14,735.8533 |
| A. Questrom | 20.7185 | |
| C. Turpin | 3,922.1337 | 40,785.3239 |
| D. Young | 3,222.0982 | 50,820.0216 |

**Restricted Stock Units ( RSUs ).** The fiscal 2013 grant date fair value for the RSUs granted to the nonemployee directors in 2013 is shown in the following table. The number of RSUs granted was calculated by dividing $55,000 by $36.55, which was the closing price of a share of our stock on the date of grant. The RSUs will vest in May 2014. As provided under the

SEC s rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information on the valuation assumptions, please refer to Note 22 to the Company s financial statements in our 2013 Form 10-K.

The following table shows the aggregate number of RSUs granted in 2013 and the number of RSUs outstanding at the end of the 2013 fiscal year:

| Name | Number of RSUs Granted | Grant Date Fair Value ($) | Number of RSUs Outstanding on 2/1/2014 |
|---|---|---|---|
| M. Clark | 1,505 | 55,008 | 1,505 |
| N. DiPaolo | 1,505 | 55,008 | 1,505 |
| A. Feldman | 1,505 | 55,008 | 1,505 |
| J. Gilbert Jr. | 1,505 | 55,008 | 1,505 |
| G. Marmol | 1,505 | 55,008 | 1,505 |
| M. McKenna | 1,505 | 55,008 | 1,505 |
| S. Oakland | | | |
| J. Preston | | | |
| A. Questrom | | | |

| | | | |
|---|---|---|---|
| D. Schwartz | | | |
| C. Turpin | 1,505 | 55,008 | 1,505 |
| D. Young | 1,505 | 55,008 | 1,505 |

(2) No stock options were granted to the nonemployee directors in 2013. The following table provides information on the number of stock options outstanding for each of the nonemployee directors at the end of the 2013 fiscal year, all of which are exercisable:

**BOARD OF DIRECTORS**

| **Name** | **Number of Stock Options Outstanding on 2/1/2014** |
|---|---|
| M. Clark | |
| N. DiPaolo | 6,317 |
| A. Feldman | 6,314 |
| J. Gilbert Jr. | 6,317 |
| G. Marmol | |
| M. McKenna | 4,287 |
| Steven Oakland | |
| J. Preston | |
| A. Questrom | |
| D. Schwartz | 6,317 |
| C. Turpin | 6,317 |
| D. Young | 6,317 |

(3) Quarterly cash payments for part of fiscal 2013 deferred in the form of stock units under Foot Locker s Stock Incentive Plan.

(4) Stock payment deferred in the form of stock units under Foot

Locker s
Stock
Incentive
Plan.

**Directors Retirement Plan**

The Directors Retirement Plan was frozen as of December 31, 1995. Consequently, only Jarobin Gilbert Jr. and James E. Preston remained entitled to receive a benefit under this plan when their service as directors ends because they had completed at least five years of service as directors on December 31, 1995. The retirement benefit under this plan is an annual retirement benefit of $24,000 that is payable quarterly for a period of 10 years after the director leaves the Board or until their death, if sooner. Mr. Preston retired from the Board in May 2013, and he is currently receiving a benefit under this plan.

**Directors and Officers Indemnification and Insurance**

We have purchased directors and officers liability and corporation reimbursement insurance from a group of insurers comprising ACE American Insurance Co., Zurich American Insurance Co., Arch Insurance Co., St. Paul Mercury Insurance Co., Freedom Specialty Insurance Co., Berkley Insurance Co., Navigators Insurance Co., Aspen American Insurance Co., XL Insurance Bermuda Ltd., and Illinois National Insurance Co. These policies insure the Company and all of the Company s wholly owned subsidiaries. They also insure all of the directors and officers of the Company and the covered subsidiaries. The policies were written for a term of 12 months, from October 12, 2013 until October 12, 2014. The total annual premium for these policies, including fees and taxes, is $1,050,835. Directors and officers of the Company, as well as all other employees with fiduciary responsibilities under the Employee Retirement Income Security Act of 1974, as amended, are insured under policies issued by a group of insurers comprising Arch Insurance Co., St. Paul Mercury Insurance Co., Federal Insurance Co., and Continental Casualty Co., which have a total premium, including fees and taxes, of $367,988 for the 12- month period ending October 12, 2014.

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

## EXECUTIVE COMPENSATION

### Compensation and Risk

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

### Compensation Discussion and Analysis

This section explains our executive compensation program as it relates to the following named executive officers whose compensation information is presented in the tables following this discussion and analysis:

| | |
|---|---|
| Ken C. Hicks | Chairman of the Board, President and Chief Executive Officer |
| Lauren B. Peters | Executive Vice President and Chief Financial Officer |
| Richard A. Johnson | Executive Vice President and Chief Operating Officer |
| Robert W. McHugh | Executive Vice President Operations Support |
| Paulette R. Alviti | Senior Vice President and Chief Human Resources Officer |

Our executive compensation program is designed to attract, motivate, and retain talented retail company executives in order to maintain and enhance the Company s performance and its return to shareholders. In order to accomplish this, we have a compensation program for our executives that ties pay closely to performance. The more senior an executive s position, the greater the portion of his or her compensation that is tied to performance. The Compensation and Management Resources Committee (the Compensation Committee ), composed of five independent directors, oversees the executive compensation program.

***2013 Summary***

This summary is intended to highlight certain features of our performance and our executive compensation program in 2013. Please refer to the entire Compensation Discussion and Analysis that follows the 2013 Summary for more detailed and specific information on our program.

***Our 2013 Results.*** In 2013, for the third year in a row, we achieved record sales, earnings, and earnings per share in our history as an athletic footwear and apparel company. Results included:

Net income, on a non-GAAP basis, of $432 million or earnings-per-share of $2.87, a 16 percent increase over 2012

End-of-year market capitalization of $5.6 billion, an 8 percent increase over year-end 2012

Total dividend payments to shareholders of $118 million

Total share repurchases of $229 million

Total shareholder return (stock price appreciation plus reinvested dividends) of 13.6 percent.

**EXECUTIVE COMPENSATION**

These results represent continued strong progress toward the long-term objectives contained in the updated long-range strategic plan that we adopted in early 2012, as shown in the following table:

| Financial Metrics | 2012 | 2013 | Long-Term Objectives |
|---|---|---|---|
| Sales | $6,101 million | $6,505 million | $7,500 million |
| Sales per Gross Square Foot | $443 | $460 | $500 |
| Earnings Before Interest and Taxes (EBIT) Margin | 9.9% | 10.4% | 11% |
| Net Income Margin | 6.2% | 6.6% | 7% |
| Return on Invested Capital (ROIC) | 14.2% | 14.1% | 14% |

The above table represents non-GAAP results. There is a reconciliation to GAAP on Pages 16-18 of our 2013 Form 10-K.

***Base Salaries.*** The Chief Executive Officer s base salary was unchanged in 2013 from 2012. As part of the Compensation Committee s normal annual compensation review, the other named executive officers (other than Ms. Alviti) received base salary increases ranging from 3.2 to 10 percent, which were based on the executive s performance and a position-oriented analysis of peer group salaries. Ms. Alviti joined the Company in June 2013, and her base salary was established based upon the salary range for her position and her prior experience and compensation level.

***Annual Bonus.*** Both our annual bonus and long-term incentive programs are formula-driven, with targets established by the Compensation Committee based upon financial targets included in the business plan approved each year by our Finance and Strategic Planning Committee and Board of Directors. Our annual and long-term bonus programs for the named executive officers pay out based upon the Company s results, without individual performance adjustments.

At the beginning of 2013, the Compensation Committee established a performance target under the Annual Incentive Compensation Plan (the Annual Bonus Plan ) based on the Company achieving pre-tax income of $666.1 million, a 6.8 percent increase over 2012 pre-tax income. In 2013, the Company achieved adjusted pre-tax income of $665.5 million, a 6.7 percent increase over 2012, and slightly less than the target, which resulted in annual cash bonuses slightly below the target payout of 124.1 percent of base salary for the Chief Executive Officer, 74.5 percent of base salary for the Chief Operating Officer, 64.5 percent of base salary for the other executive vice presidents, and 50 percent for Ms. Alviti (whose first year annual bonus was guaranteed at target).

***Long-Term Incentive Programs.*** At the beginning of 2012, the Compensation Committee established performance targets for the 2012-13 performance period under the long-term incentive program. The amount earned for the two-year 2012-2013 performance period will not be paid to participants until 2015, following the completion of an additional one-year holding period. The targets that the Committee established were based on the Company achieving average annual net income of $346.2 million (which accounts for 70% of the payout) and ROIC of 12.8 percent (which accounts for 30% of the payout). For the period, the Company achieved average annual net income of $418.6 million and ROIC of 15.0 percent. As a result, the named executive officers earned a maximum payout for the performance period - for Mr. Hicks, 350 percent of initial base salary; for Mr. Johnson 200 percent of initial base salary; and for the other named executive officers, 150 percent of initial base salary. Payouts will be calculated and made one-half in cash and one-half in restricted stock units ( RSUs ). Ms. Alviti s payout under the long-term program is pro rated based upon her period of service with the Company as a percentage of the total performance period.

In 2013, the Compensation Committee established long-term incentive performance targets for the 2013-2014 performance period based upon net income (70%) and ROIC (30%) denominated one-half in cash and one-half in RSUs. The Committee will determine whether payouts have been earned for that performance period following the end of 2014. If payouts are earned, they will be calculated one-half in cash and one-half in RSUs, and payment will be made to participating executives in 2016 following an additional one-year holding period.

Our annual bonus and long-term incentive programs are performance-based. When we meet or exceed our targets, payments are made to participants, including the named executive officers. When we do not, no payments are made. Following is a five-year history of bonus payments to our named executive officers:

| | Annual Bonus Plan Payout | Long-Term Bonus Plan Payout |
|---|---|---|
| **2013** | Slightly Below Target | 2012-13: Maximum |
| **2012** | Between Target and Maximum | 2011-12: Maximum |
| **2011** | Maximum | 2010-11: Maximum |
| | | 2009-11: Maximum |
| **2010** | Maximum | 2008-10: Between Threshold and Target |
| **2009** | No Payout | 2007-09: No Payout |

***Stock Options.*** The Compensation Committee granted stock options to each of the named executive officers in 2013. As part of its normal annual compensation review, the Committee awarded options to purchase the number of shares of common stock to each of the named executive officers shown in the following chart:

| Executive | Number of Options | Assumed Black-Scholes Value |
|---|---|---|
| Mr. Hicks | 280,000 | $ 3,012,800 |
| Mr. Johnson | 47,000 | $ 505,720 |
| Mr. McHugh and Ms. Peters | 42,000 | $ 451,920 |

When determining the number of stock options to grant, the Compensation Committee considered an assumed Black-Scholes value, shown in the chart, which was based on the closing price of a share of the Company s common stock in the 20 trading day period ending 10 days prior to the date the Committee met to authorize these awards. The option exercise price, as well as the actual Black-Scholes value of the awards, is based upon the closing price of a share of the Company s common stock on the grant date. All of the options granted have a three-year vesting schedule, with one-third of each option grant vesting on the first, second, and third anniversary of the grant date, subject to continuous service through each vesting date.

***Ms. Alviti.*** When she joined the Company in June 2013, Ms. Alviti was awarded a stock option grant of 21,000 options, vesting in three equal annual installments, the same number of options granted to the Company s other Senior Vice Presidents in 2013. As additional sign-on compensation to compensate her for incentive compensation and stock and other awards she forfeited upon termination of her employment with her prior employer, Ms. Alviti received (i) a cash payment of $126,563 and 6,718 restricted stock units, to be payable and vest in March 2014, comparable to a pro-rated payout under the long-term incentive program payable to other senior executives in 2014, and (ii) a restricted stock award of 30,000 shares, vesting in three equal annual installments.

***Special Stock Awards to Mr. Hicks.*** In addition to the stock option award made to Mr. Hicks as part of the Compensation Committee s normal annual compensation review, as shown in the chart above, in 2013 the Compensation Committee also made two special stock awards to Mr. Hicks. These were made in light of the Company s performance in 2012, when, under the leadership of Mr. Hicks, the Company achieved record sales, earnings, earnings per share, and return-on-invested-capital in our history as an athletic footwear and apparel company. These awards were:

**EXECUTIVE COMPENSATION**

| Type of Award | Number of Shares | Value | Vesting |
|---|---|---|---|
| Stock Option | 232,000 | $2,614,014 | 50% in March 2015 |
| | | | 50% in March 2016 |
| Restricted Stock | 74,000 | $2,533,760 | 50% in March 2015 |
| | | | 50% in March 2016 |

The value shown for the stock option award is the assumed Black-Scholes value; the value shown for the restricted stock award is the fair market value of the Company s stock on the grant date.

***Key Compensation Policies.*** In addition to the specific compensation programs outlined above, the Company has adopted a number of other policies related to executive compensation:

***Independent Consultant***. With regard to executive compensation matters, our Compensation Committee directly retains, and is advised by, an independent compensation consultant who performs no other work for the Company.

***No Gross-Ups.*** We do not provide a tax gross-up with regard to any compensation, benefit, or perquisite paid by the Company, other than our executive relocation program that is applicable to all executives. We also do not provide tax gross-ups for any amount paid to an executive upon termination of employment or a change-in-control.

***Stock Ownership Guidelines.*** We have stock ownership guidelines for our senior executives. These are set at six times annual salary for the Chief Executive Officer, three times annual salary for executive vice presidents, two times annual salary for senior vice presidents and divisional chief executive officers, and one-half times annual salary for vice presidents and divisional managing directors. If an executive has not met the ownership requirements following a five-year phase-in period, the executive is required to hold 100 percent of net shares acquired from the vesting of restricted stock or RSUs or the exercise of stock options until the stock ownership guidelines are achieved.

***Long-Term Incentive Program Performance Gate.*** With regard to the long-term incentive program, the Compensation Committee has established a performance gate so that no amounts will be paid out under the program unless the Company s average annual after-tax income for the performance period exceeds the Company s after-tax income in the year prior to the commencement of the performance period.

***2013 Say-on-Pay Vote.*** At our 2013 annual meeting, 97 percent of shareholders voting on the advisory vote on executive compensation supported the executive compensation program. The Compensation Committee considered the results of the 2013 say-on-pay vote and shareholders strong support of our executive compensation program in reviewing the executive compensation program for 2014. In light of this, the Compensation Committee decided to retain the general overall program design, which ties executive pay closely with Company performance. In the future, the Compensation Committee will continue to consider the executive compensation program in light of changing circumstances and shareholder feedback. Our Say-on-Pay vote is currently held on an annual basis, consistent with the views expressed by a majority of our shareholders at our 2011 annual meeting.

In the balance of this Compensation Discussion and Analysis, we provide greater detail about our compensation program for the named executive officers.

* * *

**EXECUTIVE COMPENSATION**

***What are the objectives of our compensation program?***

The objectives of our compensation program are to attract, motivate, and retain talented retail industry executives in order to maintain and enhance the Company s performance and its return to shareholders.

***What is our compensation program designed to reward?***

We have designed our compensation program to align the financial interests of our executives, including the named executive officers, with those of our shareholders. It is designed to reward the overall effort and contribution of our executives as measured by the Company s performance in relation to targets established by the Compensation Committee, more than individual performance. Key concepts underlying our program are:

***Balance.*** Executive compensation should be balanced between annual and long-term compensation and between cash and equity-based compensation.

***Align Interests of Executives and Shareholders.*** The compensation program should align the interests of executives with those of the Company s shareholders by rewarding both increases in the Company s share price and the achievement of performance goals that contribute to the Company s long- term health and growth.

***Strong Relationship to Company Performance.*** A substantial portion of the compensation of our executives, whether paid out currently or on a long-term basis, should depend on the Company s performance.

***The Compensation of Our Senior Executives Has Greater Risk.*** More-senior executives should have a greater portion of their compensation at risk, whether through performance-based incentive programs or through stock price appreciation.

***What are our elements of compensation?***

The elements of compensation for the named executive officers are:

- base salary
- performance-based annual cash bonus
- performance-based long-term incentive, payable in a combination of cash and RSUs
- long-term equity-based compensation (stock options and, in special situations, restricted stock)
- retirement and other benefits

perquisites

***Why do we pay each element of compensation and how do we determine the amount for each element of compensation, or the formula that determines the amount?***

We have established benchmarks for base salary and total compensation for each named executive officer. These benchmarks are reviewed annually and are based upon compensation for comparable positions in a peer group consisting of 20 national retail companies with annual sales of approximately $1 billion to $10 billion. The Compensation Committee determined that these companies were the appropriate peer group for executive compensation purposes based upon the nature of their business, their revenues, and the pool from which they recruit their executives.

In 2013, we removed three companies from the peer group Collective Brands Inc., Charming Shoppes, and Talbots Inc. because they were no longer publicly traded. In 2012, we had removed companies Borders Group, Inc. and Timberland Co. for the same reason. In order to maintain a peer group of reasonable size, in 2013 we added five companies: Ascena Retail Group, Inc., Bed,

**EXECUTIVE COMPENSATION**

Bath & Beyond, Inc., DSW, Inc., GameStop Corp., and Williams-Sonoma, Inc. The 20 companies included in the peer group were:

| | |
|---|---|
| Abercrombie & Fitch | Family Dollar Stores |
| Aeropostale, Inc. | Finish Line Inc. |
| American Eagle Outfitters Inc. | GameStop Corp. |
| ANN INC. | Genesco Inc. |
| Ascena Retail Group, Inc. | L Brands Inc. |
| Bed, Bath & Beyond Inc. | Quiksilver Inc. |
| Brown Shoe Company, Inc. | Radioshack Corp. |
| Dick s Sporting Goods Inc. | Ross Stores Inc. |
| Dillards Inc. | Saks Inc. |
| DSW Inc. | Williams-Sonoma, Inc. |

Saks Inc. is no longer a publicly traded company, and we removed it from the peer group for 2014.

The goal of the Compensation Committee is to provide competitive total compensation opportunities for the named executive officers that vary with Company performance. The Committee uses the peer group benchmark information as a reference point in evaluating executive compensation, but does not attempt to match the compensation of each executive position in the Company precisely with that of an equivalent position in the peer group. In general, the Committee attempts to position an executive s total compensation between the median and 75th percentile of comparable positions at peer companies, consistent with the Company s revenues in relation to the peer companies. The Committee also takes into consideration factors such as performance, responsibility, experience, and length of time an executive has served in a position.

***Base Salaries***

We pay base salaries to provide our named executive officers with current, regular compensation that is appropriate to their position, experience, and responsibilities. We pay higher base salaries to those named executive officers with greater overall responsibility. Other than Mr. Hicks, whose base salary did not change in 2013 from 2012, and Ms. Alviti, the other named executive officers received base salary increases in 2013 that ranged from 3.2 percent to 10 percent. These increases were determined based principally upon the executive s performance and his or her salary as compared to salaries for comparable positions in the peer group. Ms. Alviti s base salary was established when she joined the Company in June 2013 based upon the salary range for her position and her prior experience and compensation.

***Performance-Based Annual Cash Bonus***

We pay performance-based annual cash bonuses to our named executive officers under the Annual Bonus Plan in order to provide incentive for them to work toward the Company s achievement of annual performance goals established by the Compensation Committee. Payments are calculated as a percentage of actual base salary earned by the executive during the year.

Our Annual Bonus Plan allows the Compensation Committee, in establishing performance targets under the plan, to choose one or more performance measures from a list of ten factors that have been approved by our shareholders. For 2013, for the named executive officers, the Compensation Committee established a performance target under the

Annual Bonus Plan based upon the Company s achievement of a prescribed level of pre-tax income. All bonus targets and calculations are based on the results of continuing operations. The performance targets established by the

Compensation Committee are based upon the business plan and budget reviewed and approved each year by the Finance and Strategic Planning Committee and the Board of Directors.

The Annual Bonus Plan targets and the actual amount of adjusted pre-tax profit achieved for 2013 were as follows:

| | Threshold | Target | Maximum | Actual |
|---|---|---|---|---|
| Pre-tax profit | $599.5 million | $666.1 million | $799.3 million | $665.5 million |

Bonus payouts are calculated on the basis of straight-line interpolation between the threshold, target, and maximum points.

Target payments under the Annual Bonus Plan for the named executive officers and actual payments for 2013 based upon the Company s performance were as follows:

| | Target | Range | Actual 2013 Percentage | Actual 2013 Payout |
|---|---|---|---|---|
| Mr. Hicks | 125% of Base Salary | 31.25 % to 218.75% of Base Salary | 124.1 of Base Salary | $1,365,375 |
| Ms. Peters | 65% of Base Salary | 16.25% to 113.75% of Base Salary | 64.5% of Base Salary | $346,929 |
| Mr. Johnson | 75% of Base Salary | 18.75% to 131.25% of Base Salary | 74.5% of Base Salary | $660,966 |
| Mr. McHugh | 65% of Base Salary | 16.25% to 113.75% of Base Salary | 64.5% of Base Salary | $419,543 |
| Ms. Alviti | 50% of Base Salary | 12.5% to 87.5% of Base Salary | 50% of Base Salary | $150,000 |

If the Company does not achieve threshold performance, then no annual bonus is paid. Executives who do not receive a meets expectations rating or higher in their annual performance review are ineligible to receive an annual bonus payment.

***Performance-Based Long-Term Incentive Program***

We pay performance-based long-term incentives to our named executive officers in order to provide incentive for them to work toward the Company s achievement of performance goals established by the Compensation Committee for each performance period. The long-term incentive program is based on the following principles:

***Balance between Cash and RSUs.*** Awards are denominated 50 percent in cash, payable under the Long-Term Incentive Plan, and 50 percent in RSUs, payable under the Stock Incentive Plan. The same performance target is established for both the cash and RSU portions of the award.

***Two-year Performance Period and One-year Holding Period.*** The performance period is two years; however, while award payouts are calculated following the end of the two-year performance period, payments require continued employment and are subject to forfeiture, as well as stock price fluctuations, for another year  that is, payments are not made until the end of a three-year period.

***Net Income and ROIC Targets.*** The performance target is based on net income (70 percent) and ROIC (30 percent). These performance targets are based upon net income and ROIC contained in the business and financial plan and budget adopted by the Finance and Strategic Planning Committee and the Board of Directors for the relevant period.

**EXECUTIVE COMPENSATION**

***Target Awards are Percentage of Base Salary.*** The target awards are expressed as a percentage of initial base salary that is, the base salary paid to the executive following the salary adjustments that take place on May 1 of the first year of the performance period. The Chief Executive Officer s target award is 175 percent of initial base salary; the Chief Operating Officer s, 100 percent of initial base salary; and the other named executive officers , 75 percent of initial base salary.

In 2012, the Compensation Committee established the net income and ROIC targets for the 2012-2013 performance period. The targets, along with the adjusted actual performance for the period, are shown in the table below:

| | Threshold | Target | Maximum | Actual |
|---|---|---|---|---|
| Average Annual Net Income (weighted 70%) | $279 million | $346 million | $415 million | $419 million |
| Two-year Average ROIC (weighted 30%) | 10.9% | 12.8% | 14.7% | 15.0% |

The target payment level, possible range of payments, and actual payout, based on the Company s actual performance measured against these performance goals were as follows:

| | Target | Range | Actual |
|---|---|---|---|
| Mr. Hicks | 175% of Initial Base Salary | 43.75% to 350% of Initial Base Salary | 350% of Initial Base Salary |
| Mr. Johnson | 100% of Initial Base Salary | 25% to 200% of Initial Base Salary | 200% of Initial Base Salary |
| Other Named Executive Officers | 75% of Initial Base Salary | 18.75% to 150% of Initial Base Salary | 150% of Initial Base Salary |

The payout to Ms. Alviti was made on a pro rata basis.

As noted above, the awards are denominated one-half in cash and one-half in RSUs. There is a one-year holding period, so that the payouts will not be made to executives until 2015. The RSUs allocated to each executive were valued at the closing price on the date of grant. The actual cash and RSU calculations for each of the named executive officers for the 2012-13 performance period were as follows:

| | Cash | RSUs |
|---|---|---|
| Mr. Hicks | $ 1,925,000 | 62,258 |
| Ms. Peters | $ 375,000 | 12,129 |
| Mr. Johnson | $ 850,000 | 27,491 |
| Mr. McHugh | $ 476,250 | 15,403 |
| Ms. Alviti | $ 112,041 | 3,270 |

In 2010, we made a change to our long-term incentive program. For years prior to 2010, the long-term incentive was determined based upon performance over a three-year performance measurement period and was paid in cash. Beginning in 2010, the long-term incentive is determined based upon performance over a two-year performance measurement period, with an additional one-year holding period, and the award is denominated one-half in cash and one-half in RSUs. Consequently the Summary Compensation Table reflects two long-term incentives for 2011 the 2009-2011 three-year performance measurement period under the old program and the 2010-2011 performance measurement period under the new program. The Summary Compensation Table reflects more normalized non-equity incentive plan compensation for 2012 and 2013.

**Provisions Applicable to All Performance Periods**

ROIC is a non-GAAP financial measure. For purposes of calculating the long-term bonus, we define ROIC as follows:

$$\text{ROIC} = \frac{\text{Operating Profit after Taxes}}{\text{Average Invested Capital}}$$

| **Operating Profit after Taxes (Numerator) =** | **Average Invested Capital (Denominator) =** |
|---|---|
| Pre-tax income | Average total assets |
| +/- interest expense/income | - average cash, cash equivalents, and short-term investments |
| + implied interest portion of operating lease payments | - average year-end inventory |
| +/- Unusual/non-recurring items | - non-interest-bearing current liabilities |
| + Long-term bonus expense | + 13-month average inventory |
| = Earnings before long-term bonus expense, interest and taxes | + average estimated asset base of capitalized operating leases |
| - Estimated income tax expense | |
| = Operating Profit after Taxes | = Average Invested Capital |

Certain items used in the calculation of ROIC for bonus purposes, such as the implied interest portion of operating lease payments, certain unusual or non-recurring items, average estimated asset base of capitalized operating leases, and 13-month average inventory, while calculated from our financial records, cannot be calculated from our audited financial statements. Prior to the Compensation Committee s determining whether bonus targets have been achieved, the Company s independent registered public accounting firm, at the request, and for the restricted use, of the Compensation Committee, reviews the bonus calculations. There is a calculation of basic ROIC, which is not precisely the same as the calculation used for incentive compensation purposes because of the exclusion of certain extraordinary items (see discussion below of disregarded items), and a reconciliation to GAAP, on Pages 16- 18 of our 2013 Form 10-K.

***Items Disregarded for Annual and Long-Term Bonus Calculations***

Under normal circumstances, the Compensation Committee has no discretion to increase annual bonus or long-term incentive payments, which are formula-driven based upon Company performance, and our program for the named executive officers does not provide for discretionary adjustments based upon individual performance. The Compensation Committee has not adjusted, either upward or downward, any of the annual bonus or long-term incentive payments to the named executive officers shown in the summary compensation table from pay-outs calculated based upon the applicable formula. When determining bonus and incentive payments, consistent with Section 162(m) of the Internal Revenue Code, the Committee is required to disregard certain events that it determines to be unusual or non-recurring. When establishing the targets, the Committee normally specifies certain items that it considers to be unusual or non-recurring, and these events, if they occur, are automatically excluded when calculating payments. All of the references in this Compensation Discussion and Analysis to target and actual performance levels refer to amounts after taking into consideration these adjustments.

**EXECUTIVE COMPENSATION**

***Long-Term Equity-Based Awards***

**A.** ***Stock Options***

We grant stock options to our named executive officers to align their interests more closely with those of our shareholders. Equity grants are the responsibility of the Compensation Committee, which is composed entirely of independent directors. The Committee awards stock options with exercise prices equal to the fair market value of our stock on the date of grant. Therefore, executives who receive stock options will only realize value if there is appreciation in the share price.

Stock option grants of the same size are normally made each year to executives holding comparable positions, with larger awards being made to those with greater responsibility. Beginning in 2012, the Compensation Committee has determined the number of options granted on a fixed value basis, using assumed Black-Scholes values, rather than the fixed share basis used in prior years. Under the 2007 Stock Incentive Plan, fair market value is defined as the closing price on the grant date. The Compensation Committee has not granted options with an exercise price of less than the fair market value on the grant date. Options normally vest at the rate of one-third of the total grant per year over the first three years of the ten-year option term, subject to accelerated vesting in certain circumstances. The Compensation Committee does not normally consider an executive s gains from prior stock awards in making new awards.

**B.** ***Restricted Stock Units***

As noted above in our discussion of the Performance-Based Long-Term Bonus Incentives, one-half of the long-term incentive award is denominated in RSUs.

**C.** ***Restricted Stock***

We normally make restricted stock awards only in special circumstances, such as related to promotions, special performance, or retention, rather than as part of an executive s normal compensation package. In 2013, the Compensation Committee made two restricted stock awards to named executive officers: an award of 74,000 shares to Mr. Hicks in recognition of the Company s performance in 2012 under his leadership and an award of 30,000 shares to Ms. Alviti as compensation for the value of stock and other awards which she forfeited upon termination of her employment with her prior employer.

***Other Related Policies***

**A.** ***Stock Ownership Guidelines***

We have stock ownership guidelines for our senior executives. These are set at six times annual salary for the Chief Executive Officer, three times annual salary for executive vice presidents, two times annual salary for senior vice presidents and divisional chief executive officers, and one-half times annual salary for vice presidents and divisional managing directors. If an executive has not met the ownership requirements following a five-year phase-in period, the executive is required to hold 100 percent of net shares acquired from the vesting of restricted stock or RSUs or the exercise of stock options until the stock ownership guidelines are achieved. At the end of 2013, all of the named executive officers met the stock ownership requirements.

**B.** ***Anti-Hedging Policy***

We do not permit our executive officers to take short or long positions in our shares or to hedge their economic interest in their shares.

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**C.** ***Clawback Policy***

We do not have a formal policy with regard to the adjustment or recovery of bonus or incentive payments if it is determined, at a future date, that the relevant performance measures upon which the payments were based must be restated or adjusted. We do, however, have in place other established practices to address this. In particular, annual bonus payments are not made until after our independent auditors have completed their audit for the fiscal year to which the payments relate and presented the results of their audit to our Audit Committee; an executive who does not receive an annual performance review rating of Meets Expectations or above is ineligible to receive an annual bonus payment; there is a one-year holding period under the long-term incentive program so that cash payments and RSU distributions are not made until our independent auditors have completed their audit of both the performance period and the year following the performance period, and presented the results of their audits to our Audit Committee; and we have the ability to adjust future bonus, incentive, and equity grant opportunities downward to adjust for over-payments in prior years. We expect to establish a formal policy on clawbacks once the Securities and Exchange Commission has issued final clawback rules.

***Retirement and Other Benefits***

**A.** ***Retirement Plan and Excess Cash Balance Plan***

All United States-based associates of the Company who meet the eligibility requirements are participants in the Foot Locker Retirement Plan. The Retirement Plan and the method of calculating benefits payable under it are described on Page 68. All of the named executive officers, other than Ms. Alviti, who has not yet met the service requirements for eligibility, are participants in the Retirement Plan. The Internal Revenue Code limits the amount of compensation that may be taken into consideration in determining an individual s retirement benefits. Therefore, those participants in the Retirement Plan whose compensation exceeds the Internal Revenue Code limit are also participants in the Excess Cash Balance Plan, described on Page 68, which provides a benefit equal to the difference between the amount a participant receives from the Retirement Plan and the amount the participant would have received were it not for the Internal Revenue Code limits.

**B.** ***401(k) Plan***

The Company maintains a 401(k) Plan for its eligible U.S. associates, and all of the named executive officers other than Ms. Alviti, who has not yet met the service requirement, participate in it. The 401(k) Plan permits participants to contribute the lesser of 40 percent of eligible compensation or the limit prescribed by the Internal Revenue Code to the 401(k) Plan on a before-tax basis. The Company will match 25 percent of the first 4 percent of pay that is contributed to the 401(k) Plan, and the Summary Compensation Table on Page 41 includes, in All Other Compensation, the amount of the Company match for each of the named executive officers. The Company match is made in shares of Company stock, valued on the last trading day of the plan year. Participants in the 401(k) Plan may diversify their matching contributions at any time into any of the other investment options available under the plan.

**C.** ***Supplemental Executive Retirement Plan***

The Company maintains a Supplemental Executive Retirement Plan ( SERP ), described on Page 69, for certain senior officers of the Company and other key employees, including the named executive officers. The SERP is an unfunded plan that sets an annual target incentive award for each participant consisting of a percentage of base salary and annual bonus based on the Company s performance against target. Contributions range from 4 percent to 12 percent of salary and annual bonus, depending on the Company s performance against an established target, with an 8 percent

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contribution being made for target performance. The Compensation Committee establishes the SERP target each year, and it is normally the same as the performance target under the Annual Bonus Plan. Participant accounts accrue simple interest at the rate of 6 percent annually. The SERP also provides for the continuation of medical and dental insurance benefits to vested participants following their retirement.

Based upon the Company s performance in 2013, a credit of 7.944 percent of 2013 base salary and annual bonus was made to the SERP for each of the named executive officers. As of the end of 2013, the account balances of the named executive officers ranged from approximately $45,550 for Ms. Alviti to $1.5 million for Mr. Hicks. Under the terms of the SERP, executives are vested in their account balances based upon a combination of age and service. As of the end of 2013, all of the named executive officers were vested in the SERP other than Ms. Alviti, who had not yet met the plan s age and service vesting requirements.

The Retirement Plan takes into account only base salary and annual bonus in determining pension benefits. Credits to the SERP are based only on base salary and annual bonus. Therefore, long-term incentives, stock options, and stock awards have no effect on the calculation of benefits or payments under these plans.

***Perquisites***

We provide the named executive officers with certain perquisites, which the Compensation Committee believes to be reasonable and consistent with its overall objective of attracting and retaining talented retail industry executives. The Company provides the named executive officers with an automobile allowance, financial planning, medical expense reimbursement, annual physical, supplemental long-term disability insurance, and life insurance. In addition, the Company reimburses Mr. Hicks for the reasonable expenses of using a car service for transportation in the New York metropolitan area. We do not provide a gross-up to executives for the income tax liability they incur due to their receipt of these perquisites. In 2013, we provided a one-time tax gross-up to Ms. Alviti in connection with our reimbursement to her of certain relocation expenses that she was required to repay to her former employer.

***How does each element of compensation fit into our overall compensation objectives? How does each element affect our decisions regarding other elements?***

As stated at the beginning of this discussion and analysis, the objectives of our compensation program are to attract, motivate, and retain talented retail industry executives in order to maintain and enhance the Company s performance and its return to shareholders.

Base salaries aid in attracting and retaining talented retail company executives by providing fixed pay commensurate with their position, experience and responsibilities.

The performance-based annual and

long-term incentive plans are designed to reward executives for enhancing the Company s performance through the achievement of performance targets.

Equity awards are designed to reward executives for increasing our return to our shareholders through increases in our stock price. Equity awards may, in addition, serve to help retain key executives.

Base salaries of named executive officers rarely change materially from year-to-year unless there has been a promotion, other change in responsibility, or other special factors apply. Bonus target payouts, both annual and long-term, are established by level of position. Mr. Hicks annual bonus target is specified in his employment agreement. In determining total compensation, stock options are valued using the Black-Scholes model. Awards of RSUs and restricted stock awards are valued based upon the share price at the time of grant. The goal of the Compensation Committee is to balance annual, mid-term, and long-term compensation opportunities, as well as balance the mix of cash and equity in the executive compensation program.

***Compensation Plans and Risk***

We believe that our compensation program encourages our named executive officers to take energetic action to improve the Company s performance without encouraging them to take undue risk. The annual bonus and long-term incentive elements of the program are paid based upon performance as compared to the Company s annual and two-year business plans, which are prepared each year by the Company s management and reviewed and approved by the Finance and Strategic Planning Committee and the Board of Directors. While in some years these business plans have proven to be aggressive as shown in hindsight when the plans are not achieved and bonuses are not paid our history suggests that, on balance, they are reasonably achievable under normal business conditions. This encourages our executives to manage the business well without pressuring them to take undue risks in order to obtain a bonus payment.

Our equity-based compensation for the named executive officers is designed with a similar goal in mind. We believe that our equity grants are reasonable in relation to overall compensation. Stock options normally vest ratably over a three-year period and have a 10-year term, reducing the risk that an executive will take short-term action to inflate the price of the Company s stock for a brief period.

Long-term incentive payouts are calculated at the conclusion of the two-year performance period, but not actually paid to the participant until an additional year has passed. In addition to serving as a retention vehicle, this also requires that the executive continue to have the value of the stock portion of his or her award at risk, dependent on fluctuations in stock price, for an additional year. It also allows a year to pass in which any issues concerning the Company s operating or financial performance may come to light before payments are made.

In addition, there are certain other factors related to our compensation programs for the named executive officers that we believe help reduce the likelihood that our compensation programs will encourage our executives to take undue risk:

***Bonus Targets Based on Business Plan.*** As the bonus targets are based on the business plan, any significant deviation from the plan undertaken by management during the course of the year must be reviewed and approved by the Board of Directors.

***ROIC as Bonus Measurement.*** As a retail company, we believe that one of the potential risks we have is that management will attempt to achieve profit targets without taking into account the capital used, particularly working capital invested in inventory. We have therefore designed our long-term incentive plan for senior management, including the named executive officers, to take into account ROIC as well as net income in determining whether a bonus will be paid.

***No Bonus Payments to Executives with Poor Performance Ratings.*** We have designed our plans so that executives who receive a

Not Meeting Expectations or Unsatisfactory rating under the Company s annual performance appraisal process are not eligible to receive an annual bonus payment. This helps prevent an individual executive from taking any action inconsistent with the business plan or otherwise exposing the Company to undue risk.

***Incentive Payments Proportional to Base Salary.*** We believe that our cash incentive payments are not outsized in relation to base salary. At target, the Chief Executive Officer has the opportunity to earn 125 percent of his base salary in annual bonus and 175 percent of his base salary in long-term bonus.

Comparable
percentages for
the Chief
Operating
Officer are

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75 percent and 100 percent; for the other Executive Vice Presidents, 65 percent and 75 percent; and for Senior Vice Presidents (including Ms. Alviti), 50 percent and 75 percent.

***Bonus Caps.*** Annual cash bonus and the cash portion of the long-term incentive awards to executives are capped and do not include excessive leverage.

***Balance Among Components.*** There is a balance between annual, mid-term, and long-term compensation plans for executives, as well as a balance between the use of cash and equity.

Please see Page 25 of the proxy statement for a discussion of compensation and risk in our compensation plans more generally, and the procedures we followed to evaluate this.

***Compensation Committee Procedure***

Each year, the Compensation Committee holds a meeting with management, the Company s compensation consultant, and the Committee s independent compensation consultant to review the overall executive compensation environment, including recent developments in executive compensation, and the Company s executive compensation program, including a historical view of the pay-for-performance correlation in the program and any changes to the program being recommended by management or either of the consultants.

The Committee then holds a meeting in March, after the financial results for the prior year have been finalized and audited, to review and approve bonus and incentive compensation payments for the prior year and to review and approve compensation arrangements base salaries, stock awards, and incentive plan targets for the upcoming year. The Committee meets privately with its independent consultant for the purpose of establishing the compensation of the Chief Executive Officer, including establishing target awards under the Annual Bonus Plan and the long-term incentive compensation program, and making stock awards to him. Except in the case of promotions or other unusual circumstances, the Compensation Committee considers stock awards only at its March meeting, which is normally held within a few weeks following the issuance of the Company s full-year earnings release for the prior year.

The Committee may hold other meetings during the year to review specific issues related to executive compensation, new developments in executive compensation, or other management resources-related issues. It also has responsibility, along with the Nominating and Corporate Governance Committee, for annually reviewing compensation paid to non-employee directors. In 2013, the Compensation Committee held a total of six meetings.

The Compensation Committee has retained as its advisor a nationally recognized executive compensation consultant Compensation Advisory Partners that is independent and performs no other work for the Company. Compensation Advisory Partners is retained directly by the Compensation Committee, reports to it directly, meets with the Committee privately, without management present, and regularly communicates privately with the Chair of the Committee. The Compensation Committee has assessed the independence of Compensation Advisory Partners based on standards promulgated by the Securities and Exchange Commission and concluded that no conflict of interest exists that would prevent it from serving as an independent consultant to the Committee. Each year, the Committee s compensation consultant reviews a report on risk in relation to the Company s compensation policies and practices, provides a pay-for-performance analysis of our executive compensation program, and reviews the Chief Executive Officer s compensation. Management utilizes the services of ClearBridge Compensation Group, a nationally recognized compensation consultant, to provide advice on the executive compensation program and plan design.

Management is involved in various aspects of developing the executive compensation program. Our Senior Vice President and Chief Human Resources Officer, Vice President Human Resources, and staff in the Human Resources Department work with our Chief Executive Officer to develop compensation recommendations for all corporate officers other than the Chief Executive Officer. The Chief Executive Officer or the Senior Vice President and Chief Human Resources Officer reviews these proposals with the Chair of the Compensation Committee, and may make changes to the recommendations based upon his input, before the recommendations are forwarded to the Compensation Committee for review. Our Senior Vice President and General Counsel and Vice President and Associate General Counsel also attend meetings of the Compensation Committee and participate in some of these discussions and preparations.

The Compensation Committee has delegated authority to its Chair to approve stock option awards of up to 25,000 shares to any single employee other than a corporate officer. The Chair generally uses this authority to approve stock option grants made during the course of the year in connection with promotions or new hires. In 2013, the Chair used this authority to approve a grant of options to one executive, who was not a named executive officer, to purchase a total of 1,100 shares. Those options are priced at fair market value on the date the Chair signs the approval. The Compensation Committee has not delegated authority to management to make stock option, restricted stock, RSU, or other equity-based awards.

***Executive Employment Agreements***

As more fully described on Pages 51 to 54, we have employment agreements with each of our named executive officers. Other than the agreement with Mr. Hicks, which was separately negotiated when he joined the Company in 2009, the agreements with the named executive officers are in the same form.

Our employment agreements with the named executive officers provide for severance payments to the executive if we terminate the executive s employment without cause or if we give the executive good reason to terminate employment. These payments to the named executive officers, calculated as if termination of employment occurred at the end of our last fiscal year, are set out in the tables on Pages 56 to 67.

The named executive officers receive an enhanced severance payment if the executive s employment is terminated without cause or if the executive terminates employment for good reason within two years following a change-in-control. For an executive to receive the enhanced severance payment, two events must occur: first, employment must be terminated for one of the specified reasons, and second, this termination must occur within two years following a change-in-control. We believe that these provisions, which we have had in place for a number of years, provide appropriate protection to our executives, comparable to that available at other publicly traded companies, and, with regard to the enhanced severance following a change-in-control, protect us from losing key executives during a period when a change-in-control may be threatened or pending. None of the named executive officers is entitled to a gross-up payment upon a change-in-control.

All of the named executive officers have agreed in their employment contracts not to compete with the Company for two years following the termination of employment and not to hire Company employees during that same period. This restriction does not apply following a change-in-control.

***Accounting and Tax Considerations***

While we review both the accounting and tax effects of various components of compensation, these effects are not a significant factor in the Compensation Committee s allocation of compensation among the different components. In general, it is our position that compensation paid to executive officers should be fully deductible for U.S. tax purposes, and we have structured our bonus, long-term incentive, and stock option programs so that payments made under them are deductible. In certain instances, however, we believe that it is in the Company s best interests, and that of its

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shareholders, to have the flexibility to pay compensation that is not deductible under the limitations of Section 162(m) of the Internal Revenue Code in order to provide a compensation package consistent with our program and objectives. The portion of base salary paid to Mr. Hicks that exceeds $1,000,000, the value of time-based restricted stock awards made to him, and potentially a portion of the value of time-based restricted stock awards made to one or more of the other named executive officers, are not expected to be deductible.

## Compensation Committee Report

The Compensation and Management Resources Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on that review and discussion, has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Alan D. Feldman, *Chair*
Nicholas DiPaolo
Steven Oakland
Cheryl Nido Turpin
Dona D. Young

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**Summary Compensation Table**

| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) |
|---|---|---|---|---|---|---|---|
| **Name and Principal Position(1)** | **Year** | **Salary ($)** | **Bonus ($)(2)** | **Stock Awards ($)(3)(4)** | **Option Awards ($)(3)** | **Non-Equity Incentive Plan Compensation($)(5)** | **Change in Pension Value and Nonqualified Deferred Compensation Earnings($)(6)** |
| Ken C. Hicks | 2013 | 1,100,000 | | 3,496,281 | 5,669,402 | 3,290,375 | 291,428 |
| Chairman, President | 2012 | 1,100,000 | | 1,925,017 | 3,040,800 | 4,233,625 | 504,007 |
| and CEO | 2011 | 1,100,000 | 500,000 | 2,867,015 | 2,878,750 | 5,954,052 | 520,474 |
| Lauren B. Peters | 2013 | 537,500 | | 206,262 | 458,308 | 721,929 | 130,619 |
| Executive VP and | 2012 | 493,750 | | 375,029 | 445,984 | 758,455 | 199,843 |
| CFO | 2011 | 439,061 | | 827,696 | 549,216 | 1,393,837 | 174,519 |
| Richard A. Johnson | 2013 | 887,500 | | 450,016 | 512,869 | 1,510,966 | 229,672 |
| Executive VP and | 2012 | 837,500 | | 850,022 | 496,664 | 1,659,510 | 338,832 |
| Chief Operating | 2011 | 765,833 | | 1,078,663 | 460,600 | 2,266,217 | 271,336 |
| Officer | | | | | | | |
| Robert W. McHugh | 2013 | 650,000 | | 245,638 | 458,308 | 895,793 | 150,471 |
| Executive VP | 2012 | 631,250 | | 476,261 | 445,984 | 994,934 | 231,482 |
| Operations Support | 2011 | 615,000 | | 960,009 | 460,600 | 2,023,125 | 220,847 |
| Paulette Alviti | 2013 | 300,000 | | 1,511,341 | 231,939 | 262,041 | 45,550 |
| Senior VP and | | | | | | | |
| Chief Human | | | | | | | |
| Resources Officer | | | | | | | |

***Notes to Summary Compensation Table***

(1) Lauren B. Peters has served as Executive Vice President and Chief Financial Officer since July 1, 2011. Prior to this, she served as Senior Vice President Strategic Planning.

Richard A. Johnson has served as Executive Vice President and Chief Operating Officer since May 16, 2012. He served as Executive Vice President and Group President Retail Stores from July 1, 2011 to May 16, 2012. He served as President and Chief Executive Officer of Foot Locker U.S., Lady Foot Locker, Kids Foot Locker, and Footaction from January 8, 2010 to June 30, 2011.

Robert W. McHugh has served as Executive Vice President Operations Support since July 1, 2011. He previously served as Executive Vice President and Chief Financial Officer from May 1, 2009 to June 30, 2011.

Paulette Alviti has served as Senior Vice President and Chief Human

Resources Officer since the commencement of her employment with the Company on June 3, 2013.

(2) This column reflects the sign-on bonus Mr. Hicks received in connection with the commencement of his employment in August 2009, a portion of which was paid on his employment commencement date in 2009, with the balance paid to him over a two-year period on the first and second anniversaries of his employment date.

(3) The amounts in these columns reflect the stock and option awards granted in the designated years. The amounts represent the aggregate grant date fair value of the awards granted in each respective year calculated in accordance with stock-based compensation accounting rules (ASC Topic 718). A discussion of the assumptions used in computing the award values may be found in Note 22 to our financial statements in our Form 10-K

for 2013. As provided under the SEC s rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions and include for restricted stock awards expected dividend payments at the same rate as paid on our shares of Common Stock. Please see the Grants of Plan-Based Awards table on Page 44 for additional information on awards granted in 2013. The amounts shown in

**EXECUTIVE COMPENSATION**

the table do not necessarily reflect the actual value that may be recognized by the named executives.

(4) The amounts in column (e) include the grant date fair value of performance-based restricted stock units (RSUs) granted for the long-term performance measurement periods of 2013-2014, 2012-2013, and 2011-2012, valued at grant date based upon the probable outcome of meeting the performance conditions. The amounts shown reflect the achievement of target level performance for the 2013-2014 performance period and maximum performance for the 2012-2013 and 2011-2012 performance periods, are consistent with the estimate of the aggregate compensation cost to be recognized over the service period determined at the grant date under FASB ASC

Topic 718, and exclude the effect of estimated forfeitures. For 2013 and 2011, column (e) also includes restricted stock awards where applicable. Please see the Grants of Plan-Based Awards table on Page 44 for additional information on the awards granted in 2013.

(5) For 2013, this column reflects the sum of the cash incentive payouts made in 2014 under the Annual Incentive Compensation Plan ( Annual Bonus Plan ) for 2013 and the cash portion of the earned payout under the Long-Term Incentive program ( LTI ) for the 2012-2013 performance measurement period that is payable in 2015 if the executive continues to be employed by us on the payment date, as shown in Table I below. For 2012, this column reflects the sum of the cash incentive payouts made in 2013 under the Annual Bonus Plan for 2012 and the cash portion of

the earned LTI payout for the 2011-2012 performance measurement period that was paid in 2014, as shown in Table II below. For 2011, this column reflects the sum of the cash incentive payments made in 2012 under the Annual Bonus Plan for 2011 and the LTI payment for the 2009-2011 performance measurement period, and the cash portion of the earned LTI incentive for the 2010-2011 performance measurement period paid in 2013, as shown in Table III below.

***I Cash Incentive Payouts for 2013***

| | Payout in 2014 | Payout in 2015 | |
|---|---|---|---|
| **Name** | **Annual Bonus Plan Cash Payment for 2013** | **LTI 2012-2013 Performance Period (Cash Payout Earned Payable in 2015)** | **Total As Shown in Summary Compensation Table** |
| K. Hicks | $ 1,365,375 | $ 1,925,000 | $ 3,290,375 |
| L. Peters | 346,929 | 375,000 | 721,929 |
| R. Johnson | 660,966 | 850,000 | 1,510,966 |
| R. McHugh | 419,543 | 476,250 | 895,793 |
| P. Alviti | 150,000 | 112,041 | 262,041 |

***II Cash Incentive Payouts for 2012***

| Name | Payout in 2013<br>Annual Bonus Plan Cash Payment for 2012 | Payout in 2014<br>LTI 2011-2012 Performance Period (Cash Payout Earned Payable in 2014) | Total As Shown in Summary Compensation Table |
|---|---|---|---|
| K. Hicks | $ 2,308,625 | $ 1,925,000 | $ 4,233,625 |
| L. Peters | 414,503 | 343,952 | 758,455 |
| R. Johnson | 1,054,622 | 604,888 | 1,659,510 |
| R. McHugh | 529,934 | 465,000 | 994,934 |
| P. Alviti | | | |

*III Cash Incentive Payouts for 2011*

| | Payouts in 2012 | | | Payout in 2013 | |
|---|---|---|---|---|---|
| Name | Annual Bonus Plan Cash Payment for 2011 | LTI 2009-2011 Performance Period (Cash Payout) | Total Cash Bonus Payments Received in 2012 | LTI 2010-2011 Performance Period (Cash Payout Earned Payable in 2013) | Total as Shown in Summary Compensation Table |
| K. Hicks | $ 2,406,250 | $ 1,622,802 | $ 4,029,052 | $ 1,925,000 | $ 5,954,052 |
| L. Peters | 384,179 | 701,726 | 1,085,905 | 307,932 | 1,393,837 |
| R. Johnson | 670,104 | 1,049,272 | 1,719,376 | 546,841 | 2,266,217 |
| R. McHugh | 538,125 | 1,035,000 | 1,573,125 | 450,000 | 2,023,125 |
| P. Alviti | | | | | |

(6) Amounts shown in column (h) represent the annual change in pension value during each of our last three fiscal years for each of the executives. Please see Page 70 for more information on 2013 pension benefits.

(7) This column includes perquisites and other compensation, and the amounts attributable to

the executives for 2013 are shown in the tables below. We valued these perquisites at the incremental cost to the Company of providing the personal benefits to the executives, which represents the actual cost attributable to providing these personal benefits. Please note:

The amounts shown for financial planning and medical expense reimbursement reflect amounts reimbursed in 2013, which may also include reimbursement of amounts submitted in 2013 for expenses incurred in 2012.

The amounts shown in the table under the 401(k) Match column represent the dollar value of the Company s matching contribution under the Foot Locker 401(k) Plan made to the named executive s account in shares of Common Stock. The shares of stock for the 2013 matching contribution were valued at $41.44 per share.

The amounts shown under the column Accrual for Post-Retirement Medical reflect the amounts accrued in 2013 for the actuarial present value of the future cost of providing this benefit to these individuals. Mr. Hicks and Ms. Alviti are the only named executives who are not fully eligible for this benefit and, therefore, their benefit accruals reflect the fact that they are earning additional service credit towards benefit eligibility, resulting in a higher accrual amount than the other named executives who are already fully eligible for the benefit.

The amounts shown under the columns One-Time Relocation Repayment and Tax Gross-Up for Ms. Alviti reflect the reimbursement of relocation payments Ms. Alviti was required to make to her former employer upon commencing employment with the Company and the related one-time tax gross- up payment.

| Name | Auto Allowances | Car Service Reimb. | Universal Life Insurance Premium | Medical Expense Reimbursement | Executive Physical | Supp. LTD Insurance Premiums | Accrual for Post-Retirement Medical | Financial Planning | 401 Ma |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| K. Hicks | 28,308 | 18,607 | 6,303 | 2,242 | 884 | 12,515 | 138,730 | 8,600 | 2, |
| L. Peters | 1,520 | | 2,562 | 3,501 | | | | | 2, |
| R. Johnson | 8,958 | | 4,599 | 5,200 | 884 | 6,075 | | 8,600 | 2, |
| R. McHugh | 11,978 | | | 5,000 | | | | | 2, |

**EXECUTIVE COMPENSATION**

| Name | Auto Allowances | Financial Planning | Universal Life Insurance Premium | Medical Expense Reimbursement | Executive Physical | Supp. LTD Insurance Premiums | Accrual for Post-Retirement Medical | One-Time Relocation Payment | Tax Gross Up |
|---|---|---|---|---|---|---|---|---|---|
| P. Alviti | 14,934 | 6,802 | 3,384 | 944 | 684 | 1,985 | 81,681 | 22,500 | 16,475 |

The following **Grants of Plan-Based Awards Table** shows the awards made to the named executive officers in 2013 under the Annual Bonus Plan and the Long-Term Bonus Plan, as well as the restricted stock unit and stock option awards under the Company s Stock Incentive Plan.

**Grants of Plan-Based Awards**

| (a) | (b) | Estimated Future Payouts Under Non-Equity Incentive Plan Awards (c) | (d) | (e) | Estimated Future Payouts Under Equity Incentive Plan Awards (f) | (g) | (h) | |
|---|---|---|---|---|---|---|---|---|
| Name | Grant Date | Threshold ($) | Target ($) | Maximum ($) | Threshold (#) | Target (#) | Maximum (#) | C S Av Nur Sl of or |
| K. Hicks | 03/28/13(1 ) | 343,750 | 1,375,000 | 2,406,250 | | | | |
| | 03/28/13(2 ) | 240,625 | 962,500 | 1,925,000 | | | | |
| | 03/28/13(2 ) | | | | 7,028 | 28,111 | 56,221 | |
| | 03/28/13(3 ) | | | | | | | |
| | 03/29/13(3 ) | | | | | | | |
| | 03/29/13(4 ) | | | | | | | |
| L. Peters | 03/28/13(1 ) | 89,375 | 357,500 | 625,625 | | | | |
| | 03/28/13(2 ) | 51,563 | 206,250 | 412,500 | | | | |