Risk Factors Comparison 2024-03-19 to 2023-03-10 Form: 10-K

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Our business faces many risks. We believe the risks described below outline the items of most concern to us. In evaluating our Company, you should carefully consider the following factors, in addition to the other information in this ~~2022~~ **2023** Annual Report. Before you buy our common stock or invest in our debt, you should know that making such an investment involves risks including, but not limited to, the risks described below. Any one of the following risks could harm our business, financial condition, results of operations or reputation, each of which could cause our stock price to decline or a default on our debt payments, and you may lose all or a part of your investment. Additional risks, trends and uncertainties not presently known to us or that we currently believe are immaterial may also harm our business, financial condition, results of operations or reputation. STRATEGIC AND OPERATIONAL RISKS If we are unable to successfully execute our customer strategy **, grow our customer base** or evolve our business model, it could negatively impact our business and future profitability and growth. ~~Our~~ **We believe our omni- channel** market strategy ~~, Closer to You,~~ is a powerful enabler for the business ~~, allowing~~ **which allows** us to better serve customers and provide greater access to product by leveraging all of our assets of people, product and place at the market level. As our business evolves, we **must** continue to scale our market strategy and focus on better serving our customers through ~~three priorities with significant potential for growth: improving Nordstrom Rack performance,~~ winning in our most important markets **, broadening the reach of Nordstrom Rack** and ~~leveraging~~ **increasing** our digital ~~capabilities~~ **velocity** . Our **market** ~~Closer to You~~ strategy focuses on our customers by **seeking to** ~~providing~~ **provide** a differentiated and seamless experience in a digital world by bringing all of our assets together in each market to serve customers when, where and how they want to shop. We aim to balance our assortment, increase the breadth of selection and continue to leverage our digital and physical assets to increase selection and improve profitability in our Nordstrom Rack banner. ~~As a digital- first business, we are well positioned to support our customers with a scalable platform that has been built to support continued growth.~~ We are **working to** ~~expanding~~ --- **expand** our inventory flexibility through unowned inventory models, including **dropship** ~~strategic brands, wholesale, vertical brands~~ , concession, ~~dropship~~ **marketplace** and other strategies. Additionally, we are ~~sealing~~ **working to scale** our NMN, which allows our brand partners to directly connect with our customers through on **-** and off- site media campaigns to drive traffic, sales and engagement. Our **customer** focus ~~on the customer~~ requires us to build new supply chain capabilities and enhance existing ones, develop applications for electronic devices, improve customer- facing technology, deliver purchased products timely, enhance inventory management systems and allow greater and more fluid inventory availability between digital and retail locations through our **market** ~~Closer to You~~ strategy. In addition, these strategies will require further expansion of and reliance on data science and analytics. This business model has a highly variable cost structure ~~driven by our Supply Chain Network and marketing costs~~ and will continue to require investments in cross- channel operations and supporting technologies. There are also inherent risks associated with the investment in new technologies, **such as generative artificial intelligence,** and such operational and supporting technologies can be subject to failure, disruption or unavailability and increased vulnerability to cyberattacks and other cyber incidents. If we do not successfully implement our customer strategy, including thoroughly understanding and delivering on our ~~customer~~ **customers '** needs and wants, effectively integrating our digital operations and stores and scaling our **market** ~~Closer to You~~ strategy, strengthening our brand awareness, expanding our supply chain initiatives and efficiently getting product to our customers, we may fall short of our customers' expectations, which would impact our brand, reputation, profitability and growth. Also, if customers shift ~~to~~ **between shopping at our store and** digital channels **, or between our Nordstrom and Nordstrom Rack banners,** at a different pace than we anticipate, we may need to quickly modify ~~our digital and store or Nordstrom and Nordstrom Rack~~ initiatives and investments. If we do not have or devote the resources necessary to execute upon these strategies, our business could be negatively impacted. Our business could suffer if we do not appropriately assess and react to competitive market forces and changes in customer behavior. The retail environment is rapidly evolving. Customer shopping preferences continue to shift, including increasing expectations for faster delivery of product. In addition, the retail environment is under significant pressure from non- traditional retailers, including ~~the emergence of~~ **online marketplaces and** rental and recommerce companies. We regularly compete with other international, national, regional and local retailers, including internet- based businesses, omni- channel department **stores, online marketplaces, brands selling direct to consumers online and in-** stores, specialty stores, off- price stores and boutiques, which may carry similar lines of merchandise. Digital channels continue to facilitate comparison shopping, intensifying competition in the retail market, and marketing digitally is controlled by a few key platforms. If we fail to adequately anticipate or respond to customer behavior and expectations, or changing market dynamics, we may lose market share or our ability to remain competitive, causing our sales and profitability to suffer **, and may potentially impact the valuation of our goodwill and result in a non- cash impairment charge** . If the efficiency and allocation of loyalty marketing, advertising and promotional campaigns that attract customers through various programs and media, including digital media and print, is unsuccessful in influencing consumer behavior in our digital channels and stores, or if our competitors are more effective with their programs than we are, our growth and profitability could suffer. We also may not gather accurate and relevant data or effectively utilize that data, which may impact our strategic planning, marketing and loyalty programs and our overall decision making. Our customer relationships and sales may be negatively impacted if we do not anticipate and respond to consumer preferences and fashion trends or manage inventory levels appropriately. Our ability to predict or respond to constantly changing fashion trends, demographics, consumer preferences and spending patterns significantly impacts our sales and operating results. We must effectively manage our merchandise mix to curate an assortment that offers newness and greater selection at various price points. Some merchandise may take several months from the time we place a purchase order to the time it is received, and our ability to accelerate or modify that timeline or purchase order contents may be limited. If we do not identify and respond to emerging trends in consumer spending and preferences quickly enough, identify the right partners that align with our customer strategy, broaden or expand our category offering fast enough or in the right areas or develop, evolve and retain our team' s talent, mindset and technical skills to support changing operating models, we may harm our ability to retain our existing customers or attract new customers. We also store a certain level of pack- and- hold inventory to deploy in periods with high demand, tight supply or system constraints. As a result, we are vulnerable to shifts in consumer demand and misjudgments in the assortment and timing of merchandise purchases which may impact our ability to sell through this inventory in future periods. Ensuring we optimize our inventory and improve the planning and management of inventory through use of data and analytics is critical to serving the customer, driving growth and maximizing profitability. If we purchase too much inventory, we may be forced to sell our merchandise at lower average margins by taking significant markdowns, which could harm our business. Conversely, if we fail to purchase enough merchandise, or inventory does not arrive fast enough or as expected, we may lose opportunities for additional sales and potentially harm relationships with our customers. **Nordstrom, Inc. and subsidiaries 13** Any inability to mitigate global labor and merchandise pricing pressures or disruptions may negatively impact our profitability. Our profitability depends in part on our ability to anticipate and react to operating volatility, including the cost and availability of labor and merchandise. Increases in product and / or delivery costs, including changes in the price of raw materials to us and our vendors that are directly or indirectly related to the production and distribution of our products or increases in energy, labor or fuel and transportation costs, may translate to higher sales prices, which may then impact customer demand. In the near term, we are focused on improving our internal network and processes by diversifying our carrier capacity, gaining better end- to- end visibility of inventory and increasing velocity and throughput in our Supply Chain Network. If we are unable to respond effectively to ongoing pricing pressures or labor shortages, or offset such costs, there could be a material adverse impact on our business and financial results. Our employees are key to supporting our business and operations effectively, and increased labor costs put pressure on our operating expenses. When wage rates or benefit levels increase in particular markets, increasing our wages or benefits has negatively impacted and may continue to negatively impact our earnings. Conversely, failing to offer competitive wages or benefits could adversely affect our ability to attract or retain sufficient or quality employees, causing increased turnover and our customer service to suffer. Excessive turnover may result in higher costs associated with finding, hiring and training new employees. Any impediment to our inventory optimization may impact our ability to drive growth and meet customer demand, affecting future results and profitability. Shortages in certain materials and increasing pricing pressures in the highly competitive retail environment have contributed, and may in the future continue to contribute, to fluctuations in the quality, availability and price of our merchandise. The availability of raw materials **or inventory** to the U. S. may hinder our ability to meet customer demand. **Our** ~~Vendors~~ **vendors** and other suppliers ~~of the Company~~ may experience similar fluctuations or restrictions, which may subject us to the effects of their price increases. Additionally, if we do not gather complete, accurate and timely competitive pricing data, or adequately utilize this data to implement an effective pricing strategy, our ability to successfully compete could be negatively impacted, causing our sales, profitability and results of operations to suffer. ~~Nordstrom, Inc. and subsidiaries 13~~ Improvements to our **processes and systems for** Supply Chain Network, inventory, buying, vendor payment and accounting ~~processes and systems~~ could adversely affect our business if not successfully executed. Our business depends on accuracy throughout our product flow process. We are making investments to streamline and standardize our Supply Chain Network, inventory, buying, vendor payments and accounting capabilities through changes in technology, **such as the utilization of generative artificial intelligence- enabled** methodologies and processes. If we encounter challenges associated with change management, inventory integrity and implementation of associated information technology or adoption of new processes, features or capabilities, our ability to continue to successfully execute or evolve our strategy with changes in the retail environment could be adversely affected. Or, if we are unable to maintain accurate, reliable and effective inventory tracking systems **, such as our use of RFID technology** , which are critical to our integrated omni- channel business strategy, it may adversely impact our sales and profitability and may result in canceled orders and increased costs relative to our current expectations. If we do not effectively attract, retain, train and develop talent and future leaders, our business may suffer. We rely on the experience of our senior management, who have specific knowledge relating to us and our industry that is difficult to replace, to execute our business strategies and objectives. We have succession plans in place and our Board of Directors reviews these succession plans. If our succession plans do not adequately cover significant and unanticipated turnover, the loss of the services of any of these individuals, or any resulting negative perceptions or reactions, could damage our reputation and our business. Additionally, our success depends on the talents and abilities of our workforce in all areas of our business, especially personnel that can adapt to complexities and grow their skillset across the changing environment. Our ability to successfully execute our customer strategy depends on attracting, developing and retaining qualified talent with diverse sets of skills, especially functional and technology specialists that directly support our strategies. We have a large workforce, and our ability to meet our labor needs is subject to various external factors such as regional minimum wage and benefits requirements, market pressures, prevailing wage rates, benefit mix, unemployment levels, changing demographics, economic conditions and a dynamic regulatory environment. We have experienced, and may continue to experience, increased employee attrition due to an intense competition for talent, a competitive wage environment and labor shortages. In the Seattle metropolitan area, where our corporate headquarters are located, we regularly compete for talent with many larger technology- focused companies, which may increase market compensation, especially for certain employee groups. If we are unable to sustain employee satisfaction or offer competitive compensation and benefits, appropriate training and development or a compelling work environment, our culture may be adversely affected, our reputation may be damaged and we may incur costs related to turnover. Our program agreement with TD, or changes to that agreement, could adversely impact our business. The program agreement with TD was consummated on terms that allow us to maintain customer- facing activities, while TD facilitates issuance of Nordstrom- branded payment methods and provides payment processing services. If we fail to meet certain service levels, TD has the right to assume certain individual servicing functions including managing accounts and collection activities. If we ~~lose control of such activities and functions, if we~~ do not successfully respond to potential risks and appropriately manage potential costs associated with the program agreement with TD or if these transactions negatively impact the customer service associated with our cards, resulting in harm to our business reputation and competitive position, our operations, cash flows and earnings could be adversely affected. If, upon expiration of our current program agreement in 2026, a new contract has less favorable terms, our results could be negatively impacted. If TD became unwilling or unable to provide these services or if there are changes to the risk management policies implemented under our program agreement with TD, our results may be negatively impacted. If we ~~lose control over certain~~ **are unable to ensure the successful management of** servicing **related** ~~functions and TD is unable~~ to **Nordstrom-branded credit cards** ~~successfully manage accounts and collection activities~~ , it may heighten the risk of credit losses. DATA, CYBERSECURITY AND INFORMATION TECHNOLOGY RISKS Even if we take appropriate measures to safeguard our information, network and environment from security breaches **or unauthorized disclosures** , our customers, employees and business could still be exposed to risk. We and **our** third- party providers access, collect, store and transmit sensitive and confidential Company, customer and employee data and information, including consumer preferences and credit card information, all of which are subject to demanding and continuously evolving privacy and security laws and regulations. A number of jurisdictions where we do business have enacted or are considering new privacy and data protection laws which impact our responsibilities with respect to this data, including California, **Colorado, Connecticut, Utah and** Virginia ~~, Colorado, Connecticut and Utah~~ . In addition, **advances** ~~the substantial majority of our corporate employees working remotely has resulted~~ in **artificial intelligence** ~~increased demand on our information technology~~ **technologies** ~~infrastructure~~ , which **attackers may use** ~~can be subject to failure~~ , ~~disruption or unavailability, and has increased~~ **increase** vulnerability to cyberattacks **,** ~~and other~~ cyber **incidents or privacy** incidents. We have taken measures to help prevent a breach of our ~~information security~~ **networks and environments** and comply with cybersecurity and privacy requirements by implementing safeguards and procedures designed to protect the security, confidentiality and integrity of such information. In addition, we have strengthened our contracts to require, where possible, our third- party providers to implement administrative, physical and technical safeguards and procedures aligned to industry best practices ~~. Like many companies with an ecommerce presence, we, as well as several of our vendors, have suffered breaches of our cybersecurity in the past and are at risk for such breaches in the future~~ . Despite the fact that we have implemented measures to prevent intentional or inadvertent information security breaches and requested our third- party providers to do the same, these measures cannot completely eliminate cybersecurity risk. **Like many companies, we, as well as several of our vendors, have suffered breaches of our cybersecurity in the past and are at risk for such breaches in the future.** Security breaches and cyber incidents, whether at our Company, our third- party **suppliers and service** providers or other retailers, could expose us to loss, unauthorized release **or disclosure** of customer, employee or Company confidential information, litigation, investigation, regulatory enforcement action, penalties and fines, orders to stop any alleged noncompliant activity, information technology system failures or network disruptions, increased cyber- protection and remediation costs, financial losses, potential liability, or loss of customers', employees' or third- party providers' trust and business, any of which could adversely impact our reputation, competitiveness and financial performance. Concerns about our data management practices, including the collection, use, retention, security or disclosure of personal information or other privacy- related matters, even if unfounded, could subject the Company to regulatory inquiries and damage our reputation, adversely affecting our operating results. Our business may be impacted by information technology system failures or network disruptions. Our ability to transact with customers and operate our business depends on the efficient operation of various internal and third- party information technology systems, including cloud computing, data centers, hardware, software and applications, to manage certain aspects of our Company, including online and store transactions, logistics and communication, inventory and reporting systems. We seek to build ~~quality~~ **resilient** and secure systems, select reputable system vendors and implement procedures intended to enable us to protect our systems when we modify them. We test our systems to address vulnerabilities and train our employees regarding practices to protect the safety of our **technology** systems. There are ~~inherent~~ risks associated with **developing,** modifying or replacing **information technology** systems ~~, and with new or changed relationships~~ , including accurately capturing and maintaining data, realizing the expected benefit of the change and managing the potential disruption of the operation of the systems as the changes are implemented. Potential issues associated with implementing technology initiatives and the time and resources required to optimize the benefits of new elements of our systems and infrastructure could reduce the efficiency of our operations in the short term. If we encounter an interruption or deterioration in critical systems or processes or experience the loss of critical data, which may result from security or cybersecurity threats or attacks, natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break- ins or third- party or other disruptions, our business could be harmed both in the short- term and over a longer period. Depending on the severity of the failure, our disaster recovery plans may be inadequate or ineffective. These events could also damage our reputation, result in increased costs or loss of sales and **require significant** ~~be expensive and~~ time ~~- consuming~~ **and expense** to remedy. **Nordstrom, Inc. and subsidiaries 15** REPUTATION AND RELATIONSHIP RISKS Our customer, employee, vendor, third- party partner, landlord and other stakeholder relationships could be negatively affected if we fail to maintain our corporate culture and reputation. We have a well- recognized culture and reputation that consumers may associate with a high level of integrity, customer service and quality merchandise, and it is one of the reasons customers shop with us and employees choose us as a place of employment. Any significant damage to our reputation, including damages arising from ~~our~~ **noncompliant** business, **data** privacy **, information security** , diversity, environmental or social responsibility practices, news about our Company or factors outside our control or on social media, could diminish customer trust, weaken our vendor relationships, reduce employee morale and productivity and lead to difficulties in recruiting and retaining qualified employees. Additionally, management may not accurately assess the impact of significant legislative changes, including those that relate to **data** privacy **and security**, employment matters, labor issues, environmental compliance and health care, impacting our relationship with our customers or our workforce and adversely affecting our sales and operations. There is also increased focus from both internal and external stakeholders on corporate social responsibility and sustainability matters. If we do not, or are perceived not to, act responsibly with respect to our practices and initiatives, meet any communicated targets, goals or milestones or lack transparency with our initiatives, our reputation could be damaged. We may also incur additional costs as we invest in new ways to operate to better support our communities and ~~the~~ **our** ~~customer~~ **customers** or to report our outcomes and results. In addition, the long- term reputational impact ~~of~~ **from** winding down business operations in Canada **, including the impact** to our customers, employees, vendors and third- party partners and landlords **,** is unknown, and we may need to take actions that could increase our expenses and adversely affect the results of our operations. ~~Nordstrom, Inc. and subsidiaries 15~~ Our business depends on third parties for the production, supply and delivery of goods **and / or services**, and a disruption could result in lost sales or increased costs. Timely ~~receipts~~ - **receipt** of quality merchandise from third parties is critical to our business **, as the majority of the goods we sell are produced by vendors in factories overseas**. Our process to identify qualified vendors and access quality products in an efficient manner on acceptable terms and cost can be complex. Vendors and factors may also be subject to credit capacity limits that restrict shipments. In addition, we rely on a limited number of carriers to deliver our product to customers. Ongoing disruptions in the global supply chain, including factory closures, transportation challenges, rising freight expenses, violations of law or global standards with respect to human rights, quality and safety by any of our importers, manufacturers or distributors, or parties upstream within their respective supply chains, could result in delays in shipments and receipt of goods ~~or damage our reputation~~. These third parties may experience supply chain or port disruptions, stoppages of certain imports or other difficulties due to economic, business, political, environmental or epidemic conditions, or may shift their business models away from prior practice ~~, any of which could negatively impact our inventory levels, delivery timelines and ability to meet customer demand~~. Additionally, the countries in which merchandise is manufactured could become subject to new trade restrictions, including increased taxation on imported goods, customs restrictions, tariffs or quotas. **Any** ~~Such violations, disruptions~~ - **disruption, delay** or ~~changes~~ - **change in our or our vendors' supply chain, including increased transit times or costs,** could **negatively impact our inventory levels, delivery timelines and our ability to meet customer demand, which in turn may** have a material adverse effect on our ~~business~~ **reputation**, results of operations and liquidity. **Our corporate social responsibility and sustainability goals, such as our goal to decrease greenhouse gas emissions in our operations and supply chain, may also be adversely impacted by these disruptions. Other** We are party to contracts, transactions and business relationships with various third parties, including vendors, suppliers, service providers, landlords and lenders, who may have performance, payment and other obligations to us. If any of the third parties with ~~which~~ **whom** we do business **change the terms and conditions that govern their relationships with us due to changes in their business strategy, or** become subject to bankruptcy, receivership or similar insolvency proceedings, our rights and benefits in relation to our contracts, transactions and business relationships with such third parties could be terminated, modified in a manner adverse to us or otherwise impaired **, and** ~~. We cannot make any assurances that~~ we ~~would~~ **may** be ~~able~~ **unable** to arrange for alternate or replacement contracts, transactions or business relationships on terms as favorable as our existing contracts, transactions or business relationships, if at all. **In such circumstance,** ~~Any inability on our part to do so could negatively affect~~ our cash flows, financial condition and results of operations **may be negatively impacted**. The decision to wind down business operations in Canada may negatively impact our relationships with vendors that also supply our U. S. operations in a way that might cause less favorable terms and increased costs, result in less timely and efficient deliveries or impact their ability to sell to us. ~~Distribution and~~ **Our ability to effectively** ~~marketing~~ --- **market** ~~of, and access to,~~ our **brands, sell** ~~products~~ - **product** ~~depends~~ **through third- party platforms and make our own apps available for customers relies heavily** on a variety of third- party publishers ~~and~~ **,** platforms **and distribution channels**. If **the regulatory environment or** these third parties limit ~~, prohibit or otherwise interfere with~~ or change the terms of ~~the~~ **marketing,** distribution ~~,~~ **or** use ~~or marketing~~ of **data** ~~our products~~, it could adversely affect our results of operations. We market our brands **, sell** ~~and distribute our products~~ - **product through third- party platforms, and make our own apps available to customers** through a variety of third- party publisher and platform channels ~~. Our~~ **and our** ability to market on any given platform or channel is subject to the policies of that party **and regulatory requirements**. **Our** ~~We are dependent~~ **dependency** on the interoperability of our products with popular mobile operating systems, such as Android or iOS, websites, networks, technologies, products and standards that we do not control ~~. Additionally~~, **coupled** ~~mobile operating systems and websites have identifiers within~~ -- **with** their ~~platforms that advertisers use to deliver personalized~~ **unilateral control of the terms of service** and **ongoing regulatory scrutiny associated with** targeted advertising, ~~requiring users to " opt- in. " Changes in our relationships with mobile operating system partners, websites or mobile carriers, or in their terms of service,~~ could reduce or eliminate our ability to update ~~or~~ **our** ~~distribute~~ **apps** ~~our~~ - **or sell** ~~products~~ - **product** on these platforms. Any changes, bugs or technical issues in such systems or websites may limit our ability to **effectively** deliver **our products**, **or to** target or measure the effectiveness of **our** ads ~~. There is no guarantee that popular platforms will continue to feature our products, or that mobile device users will continue to use our products rather than competing products~~. If we do not pick the platforms relevant to our customers, if the platforms give preferential treatment to competitors, limit our ability to deliver, target or measure the effectiveness of ads **,** or if there is a sudden shift in platform preference, our ability to market our brand effectively could be negatively impacted. Furthermore, to the extent ~~that~~ **platform** users ~~choose~~ **do** not ~~to~~ " opt- in " ~~for advertiser access~~ to ~~customer tracking~~ **certain data collection and sharing practices**, our ability to deliver, target or measure the effectiveness of ads or drive usage on our apps is ~~limited~~ **impacted**. The concentration of stock ownership in a small number of our shareholders may limit a shareholder' s ability to influence corporate matters and impact the price of our shares. We have regularly reported in our annual proxy statements the holdings of members of the Nordstrom family, including Bruce A. Nordstrom, our former Co- President and Chairman of the

Board, his sister Anne E. Gittinger and certain members of the Nordstrom family within our Executive Team. As of March ~~10~~ **19** , ~~2023~~ **2024** , these individuals beneficially owned an aggregate of approximately 30 % of our common stock. As a result, either individually or acting together, they may be able to exercise considerable influence over matters requiring shareholder approval, including the election of directors or other matters impacting our management or corporate governance. In addition, as reported in our periodic filings, our Board of Directors has from time to time authorized share repurchases. While these repurchases may be partially offset by share issuances under our equity incentive plans and as consideration for acquisitions, the repurchases may nevertheless have the effect of increasing the overall percentage interest held by these shareholders. **Our** ~~In September 2022, our~~ Board of Directors adopted a limited- duration shareholder rights agreement. The Rights Plan would cause substantial dilution to the ownership of any person or group that acquires 10 % or more of the outstanding shares of our common stock, subject to certain exceptions in the plan (including that the ownership of Bruce A. Nordstrom, Anne E. Gittinger and certain other members of the Nordstrom family as of the date of the Rights Plan' s adoption is grandfathered under the plan). By effectively preventing a shareholder or group of shareholders other than the Nordstrom family from acquiring 10 % or more of our common stock, the Rights Plan may ensure that the Nordstrom family retains its concentration of ownership relative to other shareholders. The corporate law of the State of Washington, where we are incorporated, provides that approval of a merger or similar significant corporate transaction requires the affirmative vote of two- thirds of a company' s outstanding shares. The interests of the Nordstrom family shareholders may differ from the interest of our shareholders as a whole. The beneficial ownership of the Nordstrom family shareholders may have the effect of discouraging offers to acquire us, delaying or otherwise preventing a significant corporate transaction because the consummation of any such transaction would likely require their approval. As a result of these factors, the market price of our common stock may be affected. INVESTMENT AND CAPITAL RISKS If we fail to appropriately manage our capital, we may negatively impact our operations and shareholder return. We utilize working capital to finance our operations, pay for capital expenditures, acquisitions and investments, manage our debt levels and return value to our shareholders through dividends and share repurchases. Sufficient cash and liquidity are necessary to fund our business. Changes in the credit and capital markets, including market disruptions, limited liquidity and interest rate fluctuations, may increase the cost of financing or restrict access to a potential source of liquidity. A deterioration in our capital structure or the quality and stability of our earnings could result in noncompliance with our debt covenants or a downgrade of our credit rating, constraining the financing available to us or limiting our ability to issue dividends or repurchase shares. In ~~2022~~ **2023** , ~~Fitch~~ **two of the three major** ~~Ratings~~ **ratings agencies revised** ~~downgraded certain of our debt and other~~ -- **the Company' s** credit ~~ratings~~ - **rating outlook from stable to negative** . These ~~downgrades~~ **outlook changes** , and any future reductions in our credit ratings, could result in restricted access to financing and increased borrowing costs and could adversely impact our operations and financial condition. In addition, if we do not properly allocate our capital to maximize returns or we do not maintain financial flexibility, our operations, cash flows and returns to shareholders could be adversely affected. **Nordstrom, Inc. and subsidiaries 17** Owning and leasing real estate exposes us to possible liabilities and losses. We own or lease the land, buildings and equipment for all of our Supply Chain Network facilities, stores and corporate locations and are therefore subject to all of the risks associated with owning and leasing real estate. In particular, the value of the assets could decrease, their operating costs could increase or facilities or stores may not be opened as planned due to changes in the real estate market, demographic trends, site competition, dependence on third- party performance or overall economic environment ~~or may be constrained as a result of the COVID- 19 pandemic~~ . We are also potentially subject to liability for environmental conditions, exit costs associated with disposal of a store and commitments to pay base rent for the entire lease term or **to** operate a store for the duration of an operating covenant. In addition, the invalidity of, or default or termination under, any of our leases may accelerate required cash payments or interfere with our ability to use and operate all or a portion of certain of our facilities, which may have an adverse impact on our operations and results. The investment in existing and new locations may not achieve our expected returns, such as our investment in the Canada business **,** which ultimately did not achieve our expectations. The locations of our Supply Chain Network facilities and existing stores, planned store openings and relocations are assessed based upon desirability, demographics and retail environment. In particular, we have expanded our ~~Closer to You~~ **omni- channel market** strategy, where we leverage and connect our digital and physical assets within discrete geographic markets to seamlessly serve our customers within those markets and create synergies between our digital assets, Supply Chain Network and stores. **Our expansion of this market strategy has allowed us to execute against one of our top priorities of improving Nordstrom Rack performance through the opening of new Nordstrom Rack stores.** We must equip our locations with the proper processes, technology and tools for timely and accurate fulfillment and inventory replenishment. This involves certain risks, including properly balancing our capital investments between fulfillment capabilities, technology, digital channels, new stores, relocations and remodels, assessing the suitability of locations in new domestic and international markets and constructing, furnishing and supplying a facility or store in a timely and cost- effective manner, which may be affected by the actions of third parties, including **,** but not limited to **,** private entities and local, state or federal regulatory agencies. Customers' expectations regarding speed of delivery are evolving. If we do not effectively integrate our digital and physical assets as part of our **market** ~~Closer to You~~ strategy, or select locations to optimize our **market** ~~Closer to You~~ strategy, we could incur significantly higher costs and shipping times that do not meet customer expectations, which in turn could have a material adverse effect on our business. ~~Particularly in light of the changing~~ **Sales through our digital channels or at our stores may not meet projections as we balance** trends between digital and brick- and- mortar shopping channels ~~, sales through our digital channels or at our stores may not meet projections~~ , which could adversely affect our return on investment. If we do not properly allocate capital expenditures between locations, **ensure** timely ~~complete~~ **completion of** construction projects associated with Supply Chain Network facilities and new, relocated and remodeled stores or properly maintain any of our properties, customer expectations may not be met, we may lose sales and may incur additional expenses. ~~Nordstrom, Inc. and subsidiaries 17~~ ECONOMIC AND EXTERNAL MARKET RISKS Our revenues and operating results are affected by the seasonal nature of our business and cyclical trends in consumer spending. Our business, like that of other retailers, is subject to seasonal fluctuations and cyclical trends in consumer spending. Our sales are typically higher in our second quarter, which usually includes most of our Anniversary Sale, and in the fourth quarter due to the holidays. **One** ~~Approximately one~~ week of our Anniversary Sale shifted from the **second quarter in 2022 to the** third quarter in ~~2021~~ **2023** ~~to the second quarter in 2022~~ . To provide shareholders a better understanding of management' s expectations surrounding results, we provide our financial outlook on our expected operating and financial results for future periods comprised of forward- looking statements subject to certain risks and uncertainties. Any factor that negatively impacts these selling seasons could have an adverse and disproportionate effect on our results of operations for the entire year. Additionally, factors such as results differing from our outlook, changes in sales and operating income, changes in our market valuations, performance results for the general retail industry, news or announcements by us or our industry competitors or changes in analysts' recommendations may cause volatility in the price of our common stock and our shareholder returns. A downturn in economic conditions, currency fluctuations, inflation, ~~increased~~ unemployment and bankruptcy rates, changes in fiscal stimulus **or interest rates** and other external market factors have had and could have a significant adverse effect on our business and stock price. During economic downturns or inflationary periods, ~~including those resulting from the impacts of COVID- 19,~~ fewer customers may shop **,** as these purchases may be seen as discretionary, and those who do shop may limit the amount of their purchases. Any reduced demand or changes in customer purchasing behavior may lead to lower sales, higher markdowns and an overly promotional environment or increased marketing and promotional spending. Our stores located in shopping centers and malls have been and may be affected by consumer traffic at shopping centers and malls. The majority of our stores are located within shopping centers and malls and may benefit from the abilities that we and other anchor tenants have to generate consumer traffic. A decline in shopping center traffic in favor of **e-** ~~ecommerce~~ - **commerce** , the development of new shopping centers and malls, the lack of availability of favorable locations within existing or new shopping centers and malls, the success of individual shopping centers and malls and the success or failure of other anchor tenants have impacted and may impact our ability in the future to maintain or grow our business, as well as our ability to open new stores, which could have an adverse effect on our financial condition or results of operations **. Like other retailers, our stores have been impacted by changing levels of theft or vandalism, which may affect consumer traffic in our stores and cause inventory shrinkage. If we experience higher rates of inventory shrinkage at stores located in shopping centers and malls, or if we are unable to effectively reduce the impact of loss or theft of assets, our operating results could be adversely affected. The severity or quantity of incidents, including perceptions and reactions, may result in reputational damage or loss of customer trust** . The results from our credit card operations could be adversely affected by changes in market conditions or laws. Revenues earned under our program agreement with TD are indirectly subject to economic and market conditions that are beyond our control, including, but not limited to, interest rates, consumer credit availability, demand for credit, consumer debt levels, payment patterns, delinquency rates, frequency of fee waivers, frequency or volume of governmental stimulus, personal bankruptcy rates, employment trends, laws and other factors. Additionally, changes in net sales partially translate to program agreement revenues. Changes in economic, market or regulatory conditions, customer behavior or our mix of sales and program agreement revenues could impact our revenues and profitability. Our business and operations could be materially and adversely affected by severe weather patterns, climate change, natural disasters, widespread pandemics, epidemics, civil unrest and other natural or man- made economic, political or environmental disruptions. Disruptions, and government responses, could cause, among other things, decreases in consumer spending that could negatively impact our sales, declines in traffic in urban centers, staffing shortages in our Supply Chain Network facilities, stores or corporate offices, interruptions in the flow of merchandise to our stores, disruptions in the operations of our merchandise vendors or property developers, increased costs and a negative impact on our reputation and long- term growth plans, which could vary based on the length and severity of the disruption. **Health pandemics and epidemics, have in the past and may in the future, impact consumer and government responses, which may have an adverse impact on global economic conditions and our business, results of operations and financial condition.** We **also** have a significant amount of our total sales, stores and square footage on the ~~west~~ **West** ~~coast~~ **Coast** of the United States, particularly in California, where we have experienced earthquakes, wildfires **, flooding** and power outages and shortages that increase our exposure to any market- disrupting conditions in this region. LEGAL AND REGULATORY RISKS We are subject to certain laws, litigation, regulatory matters and ethical standards, and compliance or failure to comply with or adequately address developments as they arise could adversely affect our reputation and operations. Our policies, procedures and practices and the technology we implement are intended to **address** ~~comply with~~ applicable federal, state, local and foreign laws, tariffs, rules and regulations, as well as responsible business, social and environmental practices, all of which may change from time to time. ~~Our and~~ **If we,** ~~our~~ - **or** ~~vendors' compliance~~ **the third parties we do business with, fail to comply** with these requirements and / or changes to them **,** ~~may cause~~ our business ~~to~~ **could** be adversely impacted ~~, or even limit or restrict the activities of our business~~ . In addition, **noncompliance** ~~if we fail to comply~~ with applicable laws and regulations or **failure to** implement responsible business, social, environmental and supply chain practices ~~, we~~ could ~~be subject to~~ **result in reputational** damage ~~to our reputation~~ , class action lawsuits, regulatory investigations, legal ~~and settlement~~ costs **and penalties** , charges and payments, civil and criminal liability, increased cost of regulatory compliance, ~~losing~~ **loss of** our ability to offer or accept credit and debit card payments from our customers, restatements of our financial statements, disruption of our business ~~and~~ **,** loss of customers ~~. New~~ and ~~emerging~~ **loss of customer trust. Changes to existing and new** privacy and data protection laws may increase compliance expenses and limit business opportunities and strategic initiatives, including customer engagement. Any required changes to our employment practices could result in the loss of employees, reduced sales, increased employment costs, low employee morale and harm to our business and results of operations. In addition, political and economic factors could lead to unfavorable changes in federal, state and foreign tax laws, which may affect our tax assets or liabilities and adversely affect our results of operations. We are also regularly involved in various litigation matters that arise in the ordinary course of business. Litigation or regulatory developments could adversely affect our business and financial condition. Compliance with Section 404 of the Sarbanes- Oxley Act of 2002 requires management assessments of the effectiveness of our internal controls over financial reporting through documenting, testing, monitoring and enhancement of internal control over financial reporting. If we fail to implement or maintain adequate internal controls, we may not produce reliable financial reports or fail to prevent or detect financial fraud, which may adversely affect our financial position, investor confidence or our stock price. **Nordstrom, Inc. and subsidiaries 19** Changes to accounting rules and regulations could affect our financial results or financial condition. Accounting principles and related pronouncements, implementation guidelines and interpretations with regard to a wide variety of accounting matters that are relevant to our business, including, but not limited to, revenue recognition, inventory valuation, long- lived asset recoverability ~~and~~ **,** income taxes **and contingent liabilities, including assumptions related to our Canada wind- down** , are highly complex and involve subjective assumptions, estimates and judgments. Changes in these rules and regulations, changes in our interpretation or our misapplication of the rules or regulations, changes in accounting policies or changes in underlying assumptions, estimates or judgments could adversely affect our financial performance or financial position. If Nordstrom Canada is unable to make a fair and orderly wind- down of its business operations, or if our existing reserves are not adequate to cover our ultimate liability, our financial condition and results of operations could be adversely affected. On March 2, 2023, we announced the decision to discontinue support for Nordstrom Canada' s operations. Accordingly, Nordstrom Canada ~~has~~ commenced a wind- down of its business operations, obtaining an Initial Order from the Ontario Superior Court of Justice under the CCAA on March 2, 2023 to facilitate the wind- down in an orderly fashion. Nordstrom Canada **wound** ~~intends to wind~~ down its Nordstrom and Nordstrom Rack stores across Canada, with the help of a third- party liquidator, and its Canadian **e-** ~~ecommerce~~ - **commerce** platform. The **e-** ~~ecommerce~~ - **commerce** platform ceased operations on March 2, 2023 ~~. The~~ **and the** in- store wind- down **was** ~~is anticipated to be~~ completed **in** ~~by late~~ June 2023. ~~We expect to~~ **As described in Note 2: Canada Wind- down in Item 8, we have** ~~incur~~ **incurred $ 284 in** pre- tax charges **associated with** ~~of approximately $ 300 to $ 350 related to~~ the wind- down ~~in the first quarter~~ of **operations** ~~2023, driven primarily by the write- down of our investment~~ in ~~Nordstrom~~ Canada **for** ~~. Given~~ the **year ended February 3** ~~early stage of the exit activities~~ , **2024** ~~our estimates of losses are based on currently available information and our assessment of the validity of certain claims. These estimates may change as new information becomes available~~ . Our reserves relating to these matters may not be adequate to cover our ultimate liability ~~and amounts beyond our~~ - **or** ~~reserves could have a material adverse effect on our financial condition and results of operations. In addition,~~ we may suffer other losses for which we have not established reserves, although we believe that possibility is not probable. If Nordstrom Canada is unable to effectively and efficiently ~~execute~~ **finalize** the wind- down of business operations, **or** we ~~may~~ incur additional costs ~~and cash outflows. COVID- 19 RISKS The COVID- 19 global pandemic may continue to have an effect on our business and results of operations. The COVID- 19 pandemic continues to have unpredictable impacts on workforces~~ , **there could be** ~~customers, consumer sentiment, economies, financial markets and business practices. The direct effects of COVID- 19 and associated consumer and governmental responses have had, and may continue to have,~~ a material adverse ~~impact~~ **effect** on ~~global economic conditions and~~ **the conclusion of the CCAA filing** ~~our~~ - **or our** ~~business, results of operations and~~ financial condition ~~. We, as well as our vendors~~ and **results of** ~~third- party service providers, may continue to experience operational effects due to supply chain disruptions, labor shortages, social distancing restrictions and the need to adapt to ever- changing government- imposed restrictions, regulatory requirements, operating procedures and protocols. We are unable to accurately predict the full impact COVID- 19 will have on our longer- term~~ operations ~~, particularly with respect to our current mix of merchandise offerings, shifts in product and channel preferences, store traffic and digital demand trends, employment relations and corporate culture~~ . ~~Nordstrom, Inc. and subsidiaries 19 In addition, the operations, supply chain and financial condition of many of our vendors may continue to be affected by COVID- 19, including difficulty sourcing products and labor or obtaining the financing necessary to manufacture the products they sell to us. As a result, any business disruption may impact our ability to timely acquire the products we sell to our customers. To the extent our vendors may be unable to produce, sell or ship products to us or our customers, our business may be negatively impacted. We may be negatively impacted by any deterioration in economic conditions caused by a resurgence of COVID- 19 and the impact of that deterioration on discretionary consumer spending and changes in consumer behavior. We are unable to accurately predict the full impact that COVID- 19 will have on the global economy and on our employees, vendors, suppliers and customers going forward due to uncertainties, including the currently unknowable duration and spread of COVID- 19, actions taken to limit the spread, the public' s willingness to comply with such actions and the impact of any governmental regulations imposed in response to the pandemic. To the extent the COVID- 19 pandemic and its associated economic challenges adversely affects our business and financial results, it may also have the effect of heightening many of the other risks previously described.~~