

# FEDERATED DEPARTMENT STORES, INC.

## COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE

### COMMITTEE CHARTER

#### A. Statement of Purpose

The purpose of the Compensation and Management Development Committee (the "Committee") of the Board of Directors (the "Board") of Federated Department Stores, Inc. (the "Company") is to establish and administer the Company's policies, programs and procedures for the annual and long-term compensation of the Company's executives and to oversee employee benefit programs.

#### B. Organization

1. All of the members of the Committee shall qualify (i) as "independent" under the applicable listing standards of the New York Stock Exchange ("NYSE"), as amended from time to time, (ii) as "non-employee directors" under Rule 16b-3 of the Securities Exchange Act of 1934, as amended from time to time, (iii) as "outside directors" under Section 162(m) of the Internal Revenue Code of 1986 (the "Internal Revenue Code"), as amended from time to time, and (iv) as specified under any other law or regulation that may be applicable from time to time.
2. The members of the Committee, including the Chairperson, shall be appointed by the Board after considering the recommendations of the Nominating and Corporate Governance Committee. The Board may, at any time and in its complete discretion, add or remove any member of the Committee and may fill any vacancy in the Committee.
3. The size of the Committee shall be determined by the Board, subject to any requirements or limitations in the Company's certificate of incorporation or By-laws. The Board believes that the Committee should always have at least three members.
4. The Committee shall meet as frequently as it deems necessary to carry out its responsibilities under this Charter. The timing of the meetings will be determined by the Chairperson, in consultation with the other members of the Committee. Any action required or permitted to be taken at a meeting may be taken without a meeting in accordance with the Company's By-laws and applicable law.

5. A majority of the total number of members constitutes a quorum of the Committee. A majority of the members of the Committee is empowered to act on behalf of the Committee. The Committee may delegate any of its responsibilities, as it deems appropriate, to a subcommittee composed of one or more members. Minutes will be kept of each meeting of the Committee.
6. The Committee may request any officer or employee of the Company or the Company's outside legal counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.
7. The Committee shall have the resources and authority appropriate to discharge its responsibilities as required by law, including the authority to engage (at the Company's expense) independent counsel and other advisors as the Committee deems necessary to carry out its duties. The Company will provide for appropriate funding, as determined by the Committee, for payment of (i) compensation to independent counsel or any other advisors employed by the Committee and (ii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

**C. Responsibilities**

The primary responsibilities of the Committee are set forth below. The Committee shall:

1. Establish and administer executive compensation programs for the Company that are designed to enable it to recruit, retain and motivate a group of talented and diverse executives, that are appropriately competitive and supportive of organization objectives and shareholder interests, and that provide appropriate linkage between compensation and both individual and Company performance, in each case as determined by the Committee in its business judgment.
2. Review and approve, at least annually, corporate goals and objectives relevant to the compensation of the Chief Executive Officer ("CEO") and the other elected officers of the Company who are obligated to make filings under Section 16(a) of the Securities Exchange Act of 1934 or such other executive officers as determined by the Board from time to time (collectively, the "Other Executives"). The Committee will, either as a Committee or together with other independent directors (as directed by the Board), evaluate the performance of the executive officers in the light of those corporate goals and objectives and set compensation levels for these executive officers based on those evaluations and any other factors that the Committee deems appropriate.

3. Review and make recommendations to the Board with respect to the approval, adoption and amendment of, and administer, any cash incentive compensation plans that apply to the CEO or the Other Executives.
4. Review and make recommendations to the Board with respect to the approval, adoption and amendment of, and administer, any equity-based incentive compensation plans that provide for payment in the Company's stock or any plans that are based on the value of the Company's stock, including option plans, other equity-based plans and income deferral plans, subject to any shareholder approval required by applicable laws, regulations or NYSE listing standards.
5. Review, advise and consult with the Company's management regarding the Company's employee benefit programs, including any pension or other benefit plans.
6. Seek the assistance and counsel of independent advisors, including compensation consultants, at the Company's expense, as the Committee or Committee Chair determines is necessary to carry out its duties. The Committee will determine the fees and other terms of retention of such advisors.
7. Advise the Board in its periodic evaluation, which shall be no less frequent than annually, of the CEO's performance and report the Board's findings and recommendations to the CEO. Approve the CEO's base salary in light of this evaluation.
8. Annually evaluate the performance of the Other Executives and approve their base salaries.
9. Establish any annual or long-term performance goals and objectives and maximum annual or long-term incentive awards for the CEO and the Other Executives. Determine whether and the extent to which annual and/or long-term performance goals and objectives have been achieved and determine related annual and/or long-term incentive awards for the CEO and the Other Executives.
10. Review performance targets and goals for annual and/or long-term incentive awards to Other Executives and approve the aggregate award pool for such executives.
11. Review and approve any proposed employment agreement with, and any proposed severance, termination or retention plans, agreements or payments applicable to, any executive officer of the Company.

12. In consultation with appropriate officers of the Company, oversee regulatory compliance with respect to compensation matters, including any compensation programs intended to preserve tax deductibility, and, as may be required, establishing performance goals and determining whether performance goals have been attained for purposes of Section 162(m) of the Internal Revenue Code.
13. Establish CEO and key executive succession plans, including plans in the event of an emergency, resignation or retirement. Review management development plans for key executives.
14. Receive periodic updates and provide guidance on other programs and initiatives, such as diversity and labor relations.
15. Report to shareholders in the Company's annual proxy statement on those Committee matters required by Securities and Exchange Commission rules.
16. Annually assess the performance and effectiveness of the Committee, including with respect to its discharge of the responsibilities set forth in this Charter. Periodically review this Charter, update it as appropriate, and submit it to the Board for approval when updated.
17. Regularly report Committee actions to the Board, with such recommendations as the Committee deems appropriate.
18. Delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee.
19. Undertake such other responsibilities or tasks as the Board may delegate or assign to the Committee from time to time.