

Sears Holdings Corporation believes in the responsible use of natural resources and our preference is to work with suppliers that practice sustainable forestry. We continue to work within the supply chain to promote certification of forests and fiber. We've developed a paper policy to address many of these issues.

Sustainable Paper Procurement Policy

Our Commitments

Sears Holdings and its affiliates, Sears Roebuck and Co, Kmart Corporation, Lands' End and Sears Canada ("Sears Holdings") is committed to having a positive role in promoting the sustainability of forests and other natural resources. The objective of this policy is to encourage a sustainable combination of resources and processes to produce the paper for:

- catalogs and retail flyers/circulars
- internal use
- direct mail

We begin our policy with what we mean by 'sustainable fiber' and then set supplier requirements and a preferred paper supplier program. This is followed by our commitment to the efficient use of paper and our key principles to achieving such efficiencies. We conclude with reporting guidelines and by stating that this is a living document.

Sustainable Fiber

We will not knowingly source fiber from illegally harvested or traded sources, and we commit to phasing out fiber from other "unwanted" sources. Our long-term goal is to procure paper sourced from:

- credibly certified forest sources with verified chain-of-custody
- recycled sources, with a preference for post-consumer recycled (PCR)

We will work with our suppliers to increase the proportion of paper from these categories. We use principles of lifecycle assessment to comparatively rate the environmental impact of paper procurement choices. In practice, this means working with our suppliers to get more accurate understandings of the lifecycle costs of paper choices based on grade types and fiber sources available.

Supplier Requirements and Preferred Sustainable Supplier Program

We require all of our paper suppliers to meet our supplier requirements. By meeting those requirements and going beyond them, suppliers can also qualify for our preferred sustainable supplier program. The preferred program gives purchasing preference to suppliers who otherwise meet our price, reliability and quality requirements.

Supplier requirements

All paper suppliers to Sears Holdings must ensure that their products are legally harvested and traded. Furthermore, all paper suppliers to Sears Holdings must demonstrate that they are progressively phasing out their use of "unwanted" forest sources. An unwanted source falls within one or more of the following categories:

- The source forest is known or suspected of containing high conservation and/or exceptional values, except where:
 - The forest is certified or in progress of certification under a credible certification standard or
 - The forest manager can otherwise demonstrate that the forest and/or surrounding landscape is managed to ensure those values are maintained;
- The source forest is being actively converted from natural forest to a plantation or other land use, except where the conversion is justified on grounds of net social and environmental gain, including the enhancement of high conservation and/or exceptional values in the surrounding landscape;
- The timber is conflict timber (i.e., it is traded in a way that drives violent armed conflict or threatens national or regional stability);
- The harvesting or processing entity, or a related political or military regime, is violating human rights;
- The timber is from transgenic genetically modified trees;
- The source forest is unknown.

We will progressively phase out suppliers who do not meet these requirements as they are identified and alternative sources of supply are found.

Preferred Paper Supplier Program

Our preferred paper supplier program provides a positive incentive to suppliers who clearly demonstrate that they source sustainably

managed forest products and demonstrate leadership in other environmental aspects of their operations. The preferred paper supplier program evaluates suppliers on the following criteria:

Fiber Sourcing

- Chain-of-custody Certification: Chain-of-custody Certification is an accounting system audit that tracks certified forest fiber, recycled content and/or non-certified forest fiber. Sears Holdings gives preference to suppliers that have third-party independent chain of custody certification. The non-certified forest fiber must meet the controlled wood or non-controversial sources definitions of FSC, PEFC and/or SFI.
- Procurement system certification: Sears Holdings gives preference to suppliers that have third party independent certification of their procurement systems that also focus on improving forestry on uncertified lands through logger training, landowner outreach and best management practices.
- Conservation Values: Sears Holdings gives preference to suppliers that demonstrate that they are not sourcing fiber from forests that possess one or more of the following attributes, unless the forest is third-party certified to one of the standards that Sears Holdings recognizes:
 - Forest areas containing globally, regionally, or nationally significant concentrations of biodiversity values (e.g., endemism, endangered species, and refugia).
 - Forest areas containing globally, regionally, or nationally significant large landscape level forests contained within, or containing, the management unit where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance.
 - Forest areas that are in or contain rare, threatened, or endangered, critically imperiled or imperiled species.
 - Forest areas that provide essential ecosystems services to nearby human populations in critical sustainable situations.
 - Forest areas critical to local communities' traditional cultural identity (areas of cultural, ecological, economic, or religious significance).
- Certification: Sears Holdings gives preference to suppliers that provide certification by a third party that a forest is well managed, under a certification system requiring (a) transparency, stakeholder involvement, and the administration of a standard for forest management that is broadly accepted, such as, CSA, FSC, PEFC, and SFI; (b) compatibility between the standard and globally applicable principles that balance economic, ecological, and equity dimensions of forest management; and (c) an independent and credible mechanism for verifying the achievement of these standards and communicating the results to all major stakeholders.

Non-Sourcing Environmental Aspects

- Mill performance: Sears Holdings gives preference to suppliers that report their mill environmental performance to us annually, based on comprehensive environmental criteria, using the Environmental Performance Assessment Tool (EPAT) or an alternative assessment tool that allows equivalent comparisons among all the mills that supply Sears Holdings.
- Greenhouse gas reduction: Sears Holdings gives preference to suppliers that have programs to account for and reduce their greenhouse gas emissions.
- Transparency: Sears Holdings gives preference to suppliers that achieve the highest levels of transparency by publicly reporting their environmental and forestry policies and performance on an annual basis. The reports may be published exclusively on the internet.
- Corporate leadership: Sears Holdings gives preference to suppliers that demonstrate corporate leadership by participating in voluntary programs like the Carbon Disclosure Project, and others.
- Environmental management systems: Sears Holdings gives preference to suppliers that certify their environmental management systems to the ISO 14001, EMAS or other credible international environmental management standards

Efficient Use

Sears Holdings is committed to the efficient use of paper and encourages the recycling of paper through the following actions:

- Appropriateness of size
- Appropriateness of paper basis weight
- Management of mailing lists
- Reduction initiatives, including digital media and versioning
- Promotion of the recycling of catalogs and retail flyers/circulars by customers
- Increase internal recycling
- Possible use of alternative fibers

Transparency

Sears Holdings is committed to the transparent implementation of this policy. Sears Holdings will require its suppliers to verify their performance against this policy and may require suppliers to audit their compliance with the policy. Sears Holdings will also report its own performance related to the implementation of this policy.

Living Document

In the spirit of continuous improvement, Sears Holdings will review this policy on a regular basis and benchmark it against other industry leaders.

Polyvinyl Chloride (PVC) Policy

Some studies suggest that the manufacture, use and disposal of Polyvinyl Chloride (PVC) is directly or indirectly linked to both environmental and health concerns. Sears Holdings Corporation is working to reduce and phase out PVC in its packaging and merchandise.

As such, Sears Holdings Corporation will:

- Identify safer, more sustainable and cost-effective alternatives to PVC and incorporate them into the design and manufacturing process for private label merchandise and packaging;
- Show preference for PVC-free materials that do not contain highly hazardous chemicals and set a long term goal of sourcing bio-based polymers that are sustainably sourced, have higher recycled content, and can be reused, recycled, or composted;
- Show preference to incorporate the Society of the Plastics Industry labeling system on private label merchandise packaging to make it easier for consumers to incorporate packaging options into their purchase decision;
- Show preference to mark private label merchandise as PVC-free when true;
- Encourage vendors to reduce or eliminate their use of PVC in merchandise and packaging;
- Encourage vendors to utilize the Society of the Plastics Industry labeling system on packaging;
- Encourage vendors to label their merchandise as PVC-free when true.

It is the policy of Sears Holdings Corporation to operate its businesses and to provide products and services in a manner that is protective of human health and the environment.

Environmental Stewardship – Sears Holdings is sensitive to the environmental characteristics of its merchandise and encourages its suppliers to provide environmentally sustainable/responsible products that are packaged in a sustainable/responsible manner.

Environmental Impact Reduction – Sears Holdings seeks to promote pollution prevention, reduce the creation of waste and minimize the environmental impact from merchandise, services and processes and actively works to redirect wastes to be recycled or used in other sustainable initiatives.

Regulatory Compliance – Sears Holdings complies with applicable environmental laws and regulations.

Environmental Monitoring – Sears Holdings monitors and measures its environmental performance, assesses its regulatory compliance status, and verifies that its environmental program is meeting established goals and promoting continuous improvement.

Conservation – Sears Holdings strives to conserve natural resources and reduce our carbon footprint through cost-effective use of recycled and reused materials and conservation of energy.

Responsible Growth – Sears Holdings assesses environmental issues in connection with acquisitions and capital improvements to facilities and works to minimize their environmental impact.

Emergency Preparedness – Sears Holdings works to prevent environmental accidents and prepares for environmental emergencies.

Implementing this policy is a primary management objective across the Sears Holdings Corporation family of businesses.

Unnecessary vehicle idling produces emissions that may contribute to health problems, waste fuel and contribute to global warming. The noise from diesel engines can disturb the peace in neighborhoods surrounding our facilities.

Many states and local governments have instituted anti-idling regulations that severely limit any commercial vehicle's ability to idle when stopped for deliveries, loading or other activities. This document has been created to communicate Sears Holdings' corporate guidelines on idling for vehicles visiting our facilities and Sears operated vehicles, including contractors. This document presents our nationwide guidelines and will help to address the potential concerns of our neighbors and air quality regulatory officials.

Vehicles Visiting Sears Facilities

Vehicles parked on or awaiting access to any Sears Holdings property may not idle for longer than three (3) minutes unless the outside temperature is below 25° Fahrenheit. If the outside temperature is below 25° F vehicles may idle for a maximum of 15 consecutive minutes if the vehicle is stopped for three (3) or more hours. Sears encourages the use of auxiliary cab comfort devices so long as they comply with local requirements and do not disturb the peace in adjacent residential areas.

In order to help enforce these guidelines at our facilities, Sears Holdings facility managers may post copies of the "NO IDLING ZONE" sign. These signs are available through POWs or PEOPLE SOFT (KIN) or by contacting SHC Environmental Affairs.

Sears Holdings Operated Vehicles (including contractors)

The term "Sears Operated vehicles" shall mean all vehicles leased, owned, or rented by Sears Holdings or operated for the purpose of conducting business on behalf of or with Sears Holdings. The term "contractor" shall mean all persons who deliver products or services to and from Sears Holdings facilities.

Sears operated vehicles are prohibited from idling for longer than three (3) minutes when parked unless the outside temperature is below 25° Fahrenheit. If the outside temperature is below 25° F, it is permissible to idle the vehicle for a maximum of 15 consecutive minutes if the vehicle is stopped for three (3) or more hours. Idling is acceptable to operate defrosters, heaters, air conditioners, or other equipment to prevent a safety and health emergency, but not solely for the comfort of the driver or passengers. As defined above, these guidelines include vehicles used for In-Home service calls. When possible, we will monitor and report progress on these guidelines.

Exceptions: SHC recognizes that circumstances not anticipated above may exist where these guidelines do not apply. Please contact SHC Environmental Affairs for clarifications on the application of these guidelines and to request an exception.

If you have any questions regarding these guidelines or other environmental issues, please contact SHC Environmental Affairs at (888)ENV-SEARS (368-7327).