

Core Values and Code of Conduct

Sears Code of Conduct

Important Notice to Associates

This Code of Conduct provides information about the standards of ethical behavior that each associate is expected to uphold. It does not address every situation you might encounter, and is not a substitute for exercising your own good judgment and common sense.

This Code is not a contract of employment, and does not create any contractual rights between Sears and its associates. Employment at Sears is on an "at-will" basis. This means that you can terminate your employment whenever you wish, for any reason, just as Sears may terminate your employment at any time and for any reason, with or without cause.

Where local country laws contain requirements that conflict with this Code, those requirements apply for Sears associates working in those countries.

This Code supersedes all other Sears policies, procedures, instructions, practices, rules or verbal representations to the extent they are inconsistent or less restrictive. However, Sears business units may adopt procedures that are more restrictive than this Code.

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Introduction

Applicability

This Code sets forth Sears' general expectations for its employees, officers and directors, who will be referred to in this Code as "associates." Sears expects you to make and maintain a personal commitment to the Core Values and this Code, take responsibility for your actions, and comply with all applicable laws and regulations.

If you have any questions about this Code or how it applies to you, seek guidance from your manager. If you are uncomfortable or feel it would be inappropriate to discuss a

problem with your manager, contact the Ethics Office at 1-800-8-ASSIST, or your HR representative, either in person or by calling 1-888-88-SEARS. You will find additional information on most of the subjects covered by the Code in the Sears Policies and Procedures ("Sears Policies") library (available on the Sears Intranet at <http://integrity.intra.sears.com/search/search2.htm>).

Acknowledgment

All new associates must read the Code and certify that they understand and will abide by the Code's requirements. Associates must repeat this process annually.

Responsibilities of Managers

Managers have additional responsibilities under the Code to create and sustain an ethical work environment. A Sears manager is anyone with supervisory responsibilities over any other associate. Managers are expected to lead by example. Managers must communicate the Code and relevant Sears Policies to all associates who report to them, and assist associates in understanding the Code and Sears Policies. Managers must maintain open, honest and constructive two-way communication with associates. This means not only allowing but also encouraging associates to ask questions, make suggestions and report errors and wrongdoing. Finally, managers must follow up on allegations of wrongdoing brought to their attention and take appropriate corrective or disciplinary action.

Enforcement of Code

We are all responsible for our own actions and behavior, and Sears will hold you accountable for any violations of the Code or Sears Policies. Sears enforces the Code and Sears Policies rigorously, regardless of an associate's position or status. Sears does not tolerate unethical or illegal conduct under any circumstances.

If you violate this Code or Sears Policies, you will be subject to discipline up to and including termination. Violations of the Code or Sears Policies can also be violations of law, and can subject you and Sears to criminal penalties, including fines or jail sentences, or civil sanctions, including damage awards or fines.

Reporting / Seeking Help

Promptly report any known or suspected violation of the Code or Sears Policies to your manager or your Human Resources representative, either in person or by dialing 1-888-88SEARS. If you believe you've witnessed theft, fraud unethical selling practices, or a conflict of interest, tell your manager or call the Ethics AssistLine at 1-800-8ASSIST. You do not have to give your name when reporting. Sears will investigate all reported violations promptly and will take appropriate action based on the results of each investigation. While Sears will maintain confidentiality to the extent possible, Sears cannot guarantee confidentiality in cases where it might limit the ability to conduct a thorough investigation. Sears will not retaliate against you for good faith reporting of genuine concerns. If you knowingly make a false report, however, you will be subject to disciplinary action.

Treatment of Customers

Satisfied customers are the key to Sears' success. We earn our customers' continued loyalty every day by treating them fairly and delivering the products and services they want. Do your part by working hard each day to satisfy our customers. Be honest with them, and promise only what you can deliver. Earn their trust and respect by consistently meeting their needs and exceeding their expectations. Do everything you can to make sure their overall experience with Sears is positive.

Buying and Selling Practices

Describe Sears' products and services truthfully and accurately. Never mislead customers through unfair methods of competition, deceptive acts or practices, false advertising claims or misrepresentations regarding Sears' products and services or those of our competitors.

At Sears, we always make our own decisions about pricing. Federal and state anti-trust laws prohibit us from agreeing with competitors about the prices at which we will purchase or sell products. The law also prohibits us from agreeing with our licensees regarding specific prices for products and services sold under the Sears name, or from agreeing with suppliers on the retail selling prices of products we purchase from them.

If you are involved in proposals, bid preparations or contract negotiations, be certain that all statements, communications and representations you make are accurate and truthful. Make sure all relationships with vendors and suppliers are conducted at arms-length, and based on objective criteria, fairness, and the best interest of Sears.

If you are involved in any dealings with competitors, you must be aware of and comply with all U.S. and foreign laws that apply to your activities. Consult with the Law Department before entering into any negotiation, agreement or understanding with a competitor.

Product Safety

At Sears, we work hard to ensure the safety and quality of the products we sell. Our products must meet applicable safety standards, and you must comply with all safety requirements and policies. If you are aware of any actual or potential product safety problem, immediately notify the Product Safety Office at (847) 286-6064 or E-mail: pqa817@sears.com. Err on the side of caution – let the experts decide.

EEO / Non-Discrimination / Diversity

Sears is committed to diversity and equal employment opportunities for everyone. We respect the unique attributes and perspectives of every associate, and rely on these diverse perspectives to help us build and improve our relationships with customers and business partners. We also embrace the diversity of our customers and business partners, and work hard to make sure everyone at Sears feels welcome. Sears provides equal treatment and equal employment opportunity without regard to race, color, religion, gender, age, national origin, disability, citizenship status, sexual orientation, veteran status, marital status, ancestry, pregnancy or any other status protected by law.

This applies to all aspects of Sears' dealings with customers, and to our employment decisions, including recruitment, hiring, placement, development, promotion, training, scheduling, benefits, compensation and termination.

You are responsible for doing your part to honor Sears' commitment to diversity and equal employment opportunity. Treat customers and other associates with respect and dignity, and help maintain an inclusive workplace in which all associates have the opportunity to demonstrate their full potential.

Harassment

Sears recognizes the individual worth of its associates, and values the contributions each associate makes to the company. You can help ensure that every associate feels appreciated by treating others fairly and with respect at all times.

Sears does not tolerate harassment, which is both disruptive and illegal. While harassment can take many forms, the most common form is sexual harassment. Sexual harassment occurs when one person requires another to submit to unwelcome sexual advances, makes requests for sexual favors, or engages in other conduct of a sexual nature, as a condition of employment or a basis for employment decisions. It also occurs when such conduct unreasonably interferes with an associate's work performance, or creates an intimidating, hostile or offensive working environment.

Be sensitive to how others could perceive your behavior. Avoid any actions or making comments that others might reasonably interpret as threatening, harassing or intimidating. This includes all statements and conduct that might create a hostile work environment, such as degrading jokes or slurs, displays of sexually oriented materials, unwelcome sexual advances and requests for sexual favors.

Workplace Violence

Workplace violence of any kind will not be tolerated. Workplace violence includes threats, intimidation, physical aggression and other conduct that could reasonably cause fear in another person. To help ensure a safe work environment for all associates, you may not use or possess firearms, other weapons or any dangerous materials at any time while on Sears premises or while conducting business on behalf of Sears.

If you observe or experience any form of violence at Sears, immediately report the incident to your manager, the Ethics Office or your Human Resources representative.

Substance Abuse

Sears does not permit illegal drugs or alcohol at work. You may not possess, use or distribute alcohol or illegal drugs in the workplace, at company functions or while conducting business on behalf of Sears. You may not work under the influence of legal drugs that could prevent you from performing your job safely and effectively. Alcohol may be served at company functions if approved in advance by a Sears vice president or his or her designee. Sears encourages associates who experience drug or alcohol

related problems to seek treatment by calling the Sears Employee Assistance Program, available 24 hours a day, seven days a week, at 1-800-424-4732.

Workplace Safety

In order to help ensure a safe and healthy environment for associates and customers, you must comply with all safety requirements and policies. Promptly report all hazardous situations, accidents or injuries sustained on the job, as well as any actual or suspected environmental or safety concerns to your manager, your Human Resources representative, or Loss Prevention at 1-888-368-7327. Once again, err on the side of caution – let the experts decide.

Conflicts of Interest

You must avoid conflicts of interest. A conflict of interest occurs when either you or a member of your family has a personal interest, or is involved in an activity, that could interfere with your ability to perform your job in an objective and impartial manner. A conflict of interest also occurs when personal interests or activities could lead others to doubt your objectivity or impartiality.

All conflicts of interest are prohibited unless a Sears vice president or his or her designee has waived the conflict in writing. While it is impossible to list all situations that could constitute a conflict of interest, the following are examples of some common conflicts:

- Using Sears' property, information or your position at Sears for personal gain, including taking personal advantage of opportunities that are discovered in the course of your employment;
- Having an ownership or economic interest in a company that does business with Sears, if you are in a position to influence the company's relationship with Sears;
- A dating or marriage relationship with a person you supervise or whose job status you are in a position to influence;
- Having decision-making authority or influence over a Sears vendor where the vendor representative is a former Sears colleague; or
- Competing with Sears.

You must report all actual or potential conflicts of interest to your manager. If you are unsure whether a given situation creates a conflict of interest, seek guidance from your manager, the Ethics Office or your Human Resources representative.

Improper payments

Never offer or make an improper payment to anyone for any reason whatsoever. An improper payment is a bribe or anything of value, given directly or indirectly, to influence an official act or decision, or to secure an improper advantage. Improper payments include facilitating payments. Although the Foreign Corrupt Practices Act permits facilitating payments under certain circumstances, Sears never permits them. The legal consequences for improper payment practices can be extremely serious, including civil penalties and federal criminal prosecution.

Gifts

You may never accept an improper gift, gratuity, cash, loan, service or other special benefit or treatment from a competitor, vendor, or other company doing or seeking to do business with Sears. Improper gifts are those with a retail value greater than \$25, or anything of lesser value that may influence your objective business judgment. You may not accept more than \$25 in gifts from the same source in any calendar year, even if an individual gift is worth less than \$25. You must communicate the Sears gift policy to any vendor who gives you an improper gift. Return non-perishable gifts valued over \$25 to the vendor; donate perishable gifts, such as food or candy, to a charitable organization, or share them with other associates.

Notify your manager in writing of all gifts you give or receive at Sears, regardless of the value of the gift. Your manager is required to submit this report to Sears' senior management.

Sears recognizes that you may wish to exchange gifts with other associates on certain occasions. While this is permitted, you should never feel compelled to give a gift to another associate, and any gifts offered or received must be appropriate to the circumstances.

Finally, in addition to abiding by Sears' gift policy, you must respect the gift policies of other companies that do business with Sears.

Insider trading

It is illegal to trade in securities based on inside information. Inside information is any information about Sears or another company that has not reached the public and is likely to be considered important by investors in deciding whether to buy or sell publicly traded securities. Examples include news about Sears' financial results before it is formally released, planned actions regarding Sears stock, and unannounced senior management changes. Inside information also includes non-public information about other companies that you receive in the course of your employment at Sears.

Associates who have access to inside information hold special positions of trust and confidence, and must not abuse this trust. Never trade in securities or other property based on inside information, or "tip" others who might make an investment decision based on this information. Trading under such circumstances is illegal, whether you trade for your own benefit or for the benefit of others. Do not take advantage of inside information when buying or selling Sears stock, options in Sears stock, or the stock of any Sears supplier or customer. This applies whether you act directly or through someone else, such as a family member. Stricter standards apply to officers and certain other manager-level associates. Contact Sears' General Counsel or Associate General Counsel of Corporate and Securities Law if you have any doubts about the information you use to help make buying or selling decisions.

Political Activities

You may participate in personal political activity, but your involvement must be on an individual basis, on your own time, and at your own expense. You must make it clear that your views and actions are your own and not those of Sears. Obtain prior approval from the Sears Government Affairs Department before engaging in any political activities or lobbying on behalf of Sears. Similarly, do not use Sears' assets or resources for any political activities without the prior approval of Government Affairs.

Care for Company Assets

You are entrusted with company assets and have a responsibility to protect them. These assets include not only cash, funds and other financial assets, but also the Sears name and all of Sears' brand names, merchandise, facilities, vehicles, supplies, equipment, records, information, telephones and computer resources. You must safeguard company assets from loss through theft, carelessness or waste. Use these assets for authorized company business only, and not for personal purposes or in support of a non-Sears business or activity. You may use some assets, such as telephones and computers, for appropriate limited personal reasons in accordance with Sears Policies, provided that such use does not interfere with your job performance, or that of other associates. Do not misuse the associate discount. Never use Sears assets for loans to associates or to guarantee an associate's obligations. If you wish to use Sears assets in connection with volunteer work, you must first obtain permission from your manager.

Confidentiality of Company Information

As a general rule, keep all information about Sears confidential unless your manager tells you it is public. Sears operates in highly competitive markets and has a legitimate need to protect non-public information. Non-public information is information about Sears, its customers or associates that might be useful to Sears' competitors, or harmful to Sears, its customers, associates, suppliers or shareholders if disclosed. This includes sales and profit figures, financial reports, new product plans, marketing strategies, research and development ideas, and information relating to internal operations, future business plans, potential acquisitions, divestitures and investments.

Do not disclose non-public information to anyone outside of Sears, except as required by law or as authorized in advance by the Law Department. Although there is often a temptation to discuss Sears with friends and family in relaxed and informal settings, remember that these rules apply in all situations.

Never use non-public information for personal gain. Keep non-public information physically secure, limit its access to those who have a need to know in order to do their jobs, and avoid discussing it in public areas. Be particularly careful to safeguard customer information. Disclosing such information may break the bond of trust we have with customers, and can violate state or federal law.

Because Sears is a public company, we must follow strict guidelines about releasing information to the public. The Law Department coordinates all public disclosures to ensure that they are handled properly. Never make any such disclosures on your own.

Contact the Law Department for guidance if you believe you have a legitimate need to disclose non-public information about Sears to the public.

Accuracy of Business Records and Public Communications

You are responsible for the integrity of all Sears business records that you help create or maintain, including time sheets, expense accounts and financial records. Prepare and maintain all Sears records properly and in accordance with the law and Sears Policies. Never include any false or misleading information. Complete reports and records accurately and on time, and retain such records in accordance with Sears' document retention guidelines.

Sears is committed to providing full, fair, accurate, timely and understandable public communications, such as press releases and Securities and Exchange Commission filings. When preparing such communications, make sure that any information you provide is complete and accurate, and complies with Sears Policies.

Waivers

You must comply with all aspects of the Code unless you receive a written waiver from a particular Code requirement. Because Sears expects full compliance with the Code, waivers will be granted in very exceptional circumstances. To apply for a waiver, you must submit a written [Waiver Request Form](#) to the Chief Compliance Officer. Waivers for members of the Sears Board of Directors, an executive officer, or a senior financial officer may only be granted by the Board or a Board committee. Sears will disclose any such waiver in accordance with legal and regulatory requirements.

Conclusion

The Code is not intended to cover all issues that may arise. If you ever need help deciding the right way to handle a situation at work, contact your manager or one of the other resources listed here.