

SEARS HOLDINGS CORPORATION'S SUSTAINABLE PAPER PROCUREMENT POLICY

Our Commitments

Sears Holdings Corporation and its affiliates, including Sears Roebuck and Co. and Kmart Corporation ("SHC") are 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

Sustainable Fiber

SHC will not knowingly source fiber from illegally harvested or traded sources. Our goal is to procure paper sourced from credibly certified forest sources with verified chain-of-custody. 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 SHC must ensure that their products are legally harvested and traded. Paper suppliers to SHC are not permitted to provide paper from "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 values, except where:
 - The forest is certified or in progress of certification under a credible certification standard ensuring responsible management practices, 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 values in the surrounding landscape;
- The timber was illegally harvested, exported, imported, or traded;
- 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.

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:

- **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. SHC 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:** SHC 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.
- **High Conservation Values:** SHC 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 SHC 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 ecosystems.
 - Forest areas that provide basic services of nature in critical situations (e.g., watershed protection and erosion control).
 - 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:** SHC 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.

Efficient Use

SHC 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

SHC is committed to the transparent implementation of this policy. SHC may require suppliers to audit their compliance with the policy.

Living Document

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