

Paper and Wood Products Procurement Policy Sears Holdings Corporation

Purpose

The purpose of this policy is to ensure that Sears Holdings Corporation (“SHC”) conducts its paper and wood products sourcing activities in a manner that promotes forestry and paper production practices that ensure the sustainability of forests and the natural resources that reside in them. SHC shall act as a responsible user of such products and shall enact affirmative programs to give effect to this Policy, including adopting a preferred supplier program that provides incentives for its paper suppliers to meet the objectives of this policy. SHC shall assess the environmental performance of its suppliers’ paper and wood sourcing practices, and is committed to continuous improvement throughout its paper and wood products supply chain. To ensure accountability for SHC’s performance under this policy, SHC shall issue an annual report disclosing the results of its programs and progress against the goals of this policy.

Prudent Use of Natural Resources

SHC shall exercise prudence in its use of forest resources and institute specific programs to continually improve efficient use of these resources, including the following:

- **Catalogs:** SHC shall continue to foster the efficient use and conservation of catalog paper through ongoing review of appropriateness of catalog size, paper basis weight, management of mailing lists and catalog reduction initiatives, including e-catalogs and versioning.
- **Office Paper:** SHC shall continue its commitment to 2-sided printing of office copies and internal recycling programs to reduce waste.
- **Cardboard:** SHC shall continue its program to recycle corrugated cardboard used in its supply chain.

No Illegal Products

SHC shall not knowingly purchase illegally produced, sourced, or traded timber or wood and paper products, and shall require its suppliers to demonstrate that they have a program in place for excluding illegally sourced materials and products and to confirm that all wood and paper products supplied to SHC are produced from legal sources. SHC shall also cooperate with international, national, and regional initiatives by corporate, governmental and non-governmental organization parties to prevent commerce in illegally produced wood and paper products.

Preferred Supplier Program for Paper Suppliers

SHC shall create a preferred supplier program for its paper supply chain that gives purchasing preference among suppliers who otherwise meet SHC's price, reliability and quality requirements based on the suppliers' verifiable environmental performance. Specifically, SHC shall work with knowledgeable stakeholders and experts to construct a supplier report card that measures suppliers on their performance against comprehensive environmental criteria and awards incremental business to otherwise qualified suppliers based on their environmental performance. SHC's preferred supplier program shall include evaluation of suppliers on the following criteria:

- **Prevention of Pollution:** SHC shall prefer qualified suppliers that demonstrate responsible environmental management through implementation of environmental management systems and initiatives to reduce emissions and waste, including the use of harmful chlorine processes for bleaching paper.
- **Responsible Forest Management and Governance:** SHC shall prefer suppliers who provide paper products made from sustainably managed forests as demonstrated by independent, third party certification to recognized sustainable forest management standards, including the Forest Stewardship Council (FSC), that ensure conservation of biological diversity for plants and animals, reforestation, conservation of soil and water resources, responsible use of chemicals, and efficient and sustainable utilization of wood fiber, including consideration of community interests. Consistent with this, SHC shall support the use of well-managed plantations that reduce pressure on natural forests. SHC's long-term goal is to have all of its forest products suppliers certified to recognized sustainable forest management standards.
- **Transparency:** SHC shall give preference to suppliers that implement credible chain-of-custody tracking systems to reliably identify the origin of fiber sources and enable SHC to verify a supplier's adherence to its preferred supplier standards.
- **Sustainably Managed Fiber:** SHC is committed to continuously increasing its use of "sustainably managed fiber" where such managed fiber can be obtained at acceptable price and performance levels. Managed fiber means either: (1) virgin fiber obtained from sources that have been appropriately certified; or (2) recycled paper containing post consumer recycled (PCR) content.

SHC shall survey their suppliers to determine the amount of managed fiber present in its supply chain and to identify those suppliers that can assist SHC in meeting its goal of increasing the amount of managed fiber used by SHC. In particular, SHC shall seek to increase the use of managed fiber in its catalogs, cardboard and internal office paper supplies. SHC recognizes the

importance of setting realistic goals on the use of recycled paper containing PCR and virgin fiber from certified sources, and shall set such goals as soon as it can determine the likely availability of such fiber sources in the marketplace and shall periodically update these goals to reflect changes in the market supply over time.

- SHC shall not knowingly confer preferred supplier status on suppliers that:
 - ❑ Have not committed to forestry certification and achieved certification at least one location; or
 - ❑ Have failed to identify or protect company-owned or controlled lands containing special ecological or biodiversity values unless appropriately managed to generally accepted scientific standards.
- SHC shall phase out the use of suppliers that provide paper products from forests with exceptional conservation values, including critically imperiled or endangered species that are not adequately addressed in long term management plans.

Wood Products

SHC intends to hold its suppliers of wood products to similar standards as its paper suppliers, including certification and environmental responsibility. To determine the most effective way to do this, SHC shall conduct a survey of its wood products suppliers to determine the environmental and market characteristics (e.g., dedicated allocations vs. spot market purchases) of the wood used in the products SHC purchases. Using the results of this survey, SHC shall work with knowledgeable stakeholders to develop an effective program to promote the purpose and principles of this Policy among its wood products supply chains.

Performance Measures and Reporting

- SHC shall require its suppliers to track and annually report and verify their performance against this Policy and the elements of SHC's preferred supplier program. To ensure the quality of this reporting, SHC will develop and implement an environmental survey and rating instrument for its suppliers.
- To ensure informed stakeholder communications, SHC shall report the results of the implementation of this Policy throughout its paper and wood products supply chains on an annual basis.
- SHC shall annually review and update this Policy and its preferred paper supplier program to ensure continuous improvement in environmental

performance, and shall require suppliers to make similar commitments to continuous improvement in their performance against the goals of this Policy and the elements of SHC's preferred supplier program.