

# SEARS HOLDINGS CORPORATION

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## Corporate Governance

### Sears Holdings Corporation Corporate Governance Guidelines

The Board of Directors of Sears Holdings Corporation (the "Board") is committed to the maximization of stockholder value while adhering to all applicable laws and observing the highest ethical standards. The following principles have been approved and adopted by the Board. These guidelines should be interpreted in the context of all applicable laws and the certificate of incorporation, bylaws and other corporate governance documents of Sears Holdings Corporation (the "Corporation"). The Board recognizes corporate governance as an ongoing concern, and will review these principles at least annually, and more often if deemed appropriate.

#### 1. Board Size

The Board believes that 8 to 12 members is the optimum size range for the Board. However, the Board would be willing to go to a somewhat larger size in order to accommodate the availability of an outstanding candidate.

#### 2. Board Meetings

Directors are expected to attend the annual shareholders meeting, Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the Directors before the meeting, and Directors should review these materials in advance of the meeting. The independent Directors will meet regularly in executive session in conjunction with regularly scheduled Board meetings. Executive sessions of the independent Directors will occur at least twice a year.

A Director can make a valuable contribution through focused discussion of and relevant inquiry into management proposals. Any questions that occur to a Director, however basic, should be raised and discussed.

#### 3. Board Agendas

The Chairman will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that

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are not on the agenda for that meeting. The Board will review the Corporation's long-term strategic plans and the principal issues that the Corporation will face in the future during at least one Board meeting each year.

#### 4. Board Committees

The Board will have at all times an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and a Finance Committee. Members of these committees will be independent Directors to the extent required by the NASDAQ Stock Market and by other applicable laws and regulations. The Board may have additional standing and temporary committees as appropriate. In general, committee members will be appointed by the Board with consideration of the desires of individual Directors. It is the sense of the Board that consideration should be given to rotating committee members periodically, but the Board does not feel that rotation should be mandated as a policy.

Each committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees.

The chairman of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The chairman of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. The schedule for each committee will be furnished to all Directors.

#### 5. Selection of Chairman and CEO

The Board has no policy with respect to the separation of the offices of Chairman and the Chief Executive Officer. The Board believes that this issue is part of the succession planning process, which is overseen by the Compensation Committee, and that it is in the best interests of the Corporation for the Board to make a determination when it elects a new chief executive officer.

#### 6. Director Qualifications/Attributes

Directors must be committed to representing the long-term interests of the shareholders. It is important to align the interests of Board members and shareholders, and therefore we encourage Board members to own shares of the Corporation in an amount that is meaningful to the Board member. Board members should possess a high degree of integrity and should have broad knowledge, experience and mature judgment. In addition to a meaningful economic commitment to the Corporation as expressed in share ownership, members should possess predominately business backgrounds, have experience at policy-making levels in business and/or technology, and bring a diverse set of business experience and perspectives to the Board.

#### 7. Director Independence

A majority of Directors will be independent to the extent required by the securities laws and the rules of the NASDAQ Stock Market.

#### 8. Term Limits

The Board does not believe it should establish term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they have the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Corporation and its operations and, therefore, provide an increasing contribution to the Board as a whole. The retirement of a Director should normally occur at the end of the term in which he or she becomes 70 years of age.

#### 9. Director Selection

The Nominating and Corporate Governance Committee is responsible for reviewing the qualifications and independence of the members of the Board and its various committees on a periodic basis as well as the composition of the Board as a whole. This assessment will include members' qualification as independent, their economic interest in the Corporation through meaningful share ownership, as well as consideration of diversity, age, skills, and experience in the context of the needs of the Board. Nominees for Directorship will be recommended to the Board by the Nominating and Corporate Governance Committee in accordance with the policies and principles in its charter.

The ultimate responsibility for selection of new candidates resides with the Board of Directors.