

# Sears Corporate Information

## Corporate Governance

The board of directors (the "Board") believes that strong corporate governance practices are essential to the success of the Company, effective corporate performance and the best interests of shareholders.

The mandate of the Board is to oversee the management of the business and affairs of the Company and provide guidance and direction to the management of the Company in order to attain corporate objectives and maximize shareholder value.

The Board has four regularly scheduled meetings each year with additional meetings being held as required. In 2012, there were twelve meetings of the Board, six meetings of the Audit Committee, three meetings of the Human Resources and Compensation Committee ("HR and Compensation Committee"), four meetings of the Investment Committee and two meetings of the Nominating and Corporate Governance Committee ("Governance Committee"). The Audit Committee, HR and Compensation Committee and Governance Committee are each responsible for certain corporate governance functions in accordance with their respective charters. The Governance Committee is responsible for developing, implementing and overseeing compliance with the Board's corporate governance policies, practices and procedures and also oversees, on behalf of the Board, the methods and processes for evaluating Board effectiveness and performance.

The Governance Committee conducts a board effectiveness survey every two years, the results of which are presented by the Governance Committee to the Board. The board effectiveness survey, which also includes a director evaluation component (the "Surveys"), evaluates the performance and effectiveness of:

- the Board and the Chairman of the Board;
- the Board Committees and their respective Chairs; and
- each Director by way of peer review.

The last Board effectiveness survey was conducted in Fiscal 2012.

Questionnaires are prepared by the Company and circulated to each Director. The input of the Directors is summarized on a confidential basis and the results from the Surveys are reviewed with the Chair of the Governance Committee. The Chair of the Governance Committee reports the results of the Surveys to the full Board and sets aside time for a full and comprehensive discussion of Board effectiveness.

The directors are elected annually by the shareholders. The Board is currently comprised of eight directors, three independent and five non-independent. The Directors are expected to abide by the Code of Conduct for the Board of Directors of the Company which sets out the general

expectations of each Director and describes standards of ethical behaviour that each Director is expected to uphold.

The Company also has a Code of Business Conduct which applies to every officer and associate. It provides guidelines and sets out expectations regarding interactions with customers, investors, governmental authorities, suppliers of merchandise and services, and among associates. It also sets out the ethical values and standards of behaviour that apply to all of the Company's business activities including such matters as fair dealing, conduct in the workplace, conflicts of interest, corporate property and records and compliance with the laws of all jurisdictions in which the Company conducts business. The Company has established the Sears Canada Ethics Hotline which facilitates confidential and anonymous reporting of suspected breaches of internal accounting controls, or other financial reporting matters, as well as actual or suspected violations of the Code.

The Company has adopted a Disclosure, Confidentiality and Insider Trading Policy (the "Disclosure Policy") which reflects its commitment to providing timely and accurate corporate information to the capital markets, including its shareholders, and to the general public. The Disclosure Policy provides direction and guidance to directors, officers and employees regarding confidentiality and disclosure of corporate information, and insider trading obligations and sanctions for non-compliance. The Disclosure Policy requires prompt general disclosure of any material information.

For more information on the Company's corporate governance practices, see the Company's Management Proxy Circular dated March 14, 2013 available on [www.sedar.com](http://www.sedar.com).