

Matters of Principle: JCPenney & Environmental Responsibility

JCPenney's *Matters of Principle: JCPenney & Environmental Responsibility* is the Company's promise of stewardship to the environment, the communities in which it does business, customers, Associates and shareholders. The core principles were approved by the Company in 1991.

The Matters of Principle commit the Company to:

- Continually review its operations for the purpose of assessing their potential impact on the environment or on related human health or safety issues; and develop and implement plans, programs, and policies for eliminating or minimizing significant threats to the environment or to human health or safety that may be identified.
- Maintain programs for keeping Associates and other affected parties informed of significant environmental, health, or safety concerns that have been identified in the Company's operations.
- Provide information or training, as appropriate, to Associates responsible for the management of operations in which environmental or related health or safety issues may arise or who are engaged in activities involving contact with potentially hazardous products or materials.
- Work with its suppliers of merchandise, equipment, materials and services to develop products and packaging and to ensure that services are performed in ways that are environmentally responsible and safe.
- Keep abreast of relevant developments and cooperate in efforts to achieve advances in environmental and related health technologies, practices and programs and explore ways of applying such technologies, practices and programs in the Company's operations.
- Comply with laws and regulations involving environmental quality and related health and safety issues that are applicable to its operations; continue to remain aware of such laws and regulations and keep those Associates responsible for the management of its operations informed of environmental and related health and safety laws and regulations that may apply to their activities.
- Extend its cooperation to government agencies in their efforts to investigate potential environmental, health, or safety problems and provide them with relevant information to which they are entitled.
- Support legislative and regulatory proposals relevant to its operations that would establish economically realistic, technologically practical and uniformly applicable standards for the protection of the environment and the promotion of related human health and safety standards.

The Company works with its Associates, customers, suppliers and interest groups to meet these goals and maintains regular dialog with these constituencies to foster continual improvements.

Recent progress includes:

Packaging

JCPenney makes a conscious effort to eliminate unnecessary packaging materials that do not protect merchandise or enhance its presentation on the sales floor. We have reduced the amount of packaging materials used and, where possible, converted packaging to recycled materials containing post-consumer waste recycled content. We have converted:

- Apparel gift boxes to 75% post-consumer material.
- Post-sale jewelry gift packaging to 70% post-consumer material and
- Catalog shipping cartons to 65% post-consumer material in the medium-board and 25% scrap materials in the linerboard.

JCPenney has also eliminated using individual poly bags and uses thinner master bags when possible. Our customer shopping bags are made of high density plastic, which is recyclable and uses less material to produce, less fuel to transport, and, if not recycled, less landfill space.

JCPenney requires packaging suppliers to submit alternative solutions in addition to quoting prices on approved or existing specifications. The Company's packaging specifications include a weight and volume tracking that enables us to monitor our progress. Changes made are saving more than 5,500 tons of virgin paper per year.

Reducing Paper Usage

Like many large retailers and companies, JCPenney uses paper for newspaper inserts, advertising mailers and catalogs. As a marketer whose use of paper is critical to our business, we invest considerable time and resources to understand and address environmental issues associated with production of these materials, and the Company is committed to procuring, using and disposing of paper in a manner that promotes the sustainability of forests and other natural resources. All of the paper JCPenney uses in catalogs, newspaper inserts, and advertising mailers is recyclable.

We require paper suppliers to be certified and verified by an independent third party, to be in compliance with all applicable national and local laws and regulations, and to assure us that they do not produce paper from illegally harvested or stolen wood. We also require suppliers to use loggers that have been properly trained in recommended harvesting and reforestation methods. To assess the ongoing support of our environmental principles, we conduct an annual review of each supplier, including on-site visits to observe their forestry management practices.

JCPenney has adopted a Catalog Paper Policy, which includes a commitment to incorporate 10 percent post-consumer waste (PCW) recycled content into its catalogs as rapidly as possible. Progress on this goal will be determined by the availability of recycled paper, economics and good business practices. With the current shortage of 10 percent PCW recycled paper in the marketplace, we are actively encouraging paper manufacturers to identify ways to increase supply.

We use some of the lowest weight papers in the industry, and are committed to continuing this practice to limit overall paper consumption. We are committed to eliminating waste from the printing process, and prohibit overruns and printing of excess copies as part of our contracts.

Waste Management

JCPenney's facilities and stores have been recycling since the mid 1960s. More than 50,000 tons of cardboard are recycled annually. JCPenney also recycles various types of plastic, office paper, magazines, light bulbs, fluorescent tubes and ballasts, wood, liquids such as waste oil, cleaners, and paint, and metals such as steel, aluminum, copper, and lead (from industrial batteries). The Company uses reusable products such as plastic pallets and totes, and more than 100,000 plastic pallets are currently used for transporting merchandise to our stores and returning items back to store support centers. Plastic pallets are made from a combination of 30% virgin plastic and 70% recycled plastic.

JCPenney has centralized recycling of cardboard from all retail stores through its store support centers, which has enabled the Company to eliminate 11,500 additional tons of waste cardboard from being put into local landfills. The central program is being expanded to include the recycling of all plastic used to package merchandise, which will reduce the amount of waste sent to landfills by about an additional 9,800 tons per year.

JCPenney recycles more than 150,000,000 plastic hangers per year through a recycler who separates the reusable hangers from those that are damaged. Reusable hangers are sent to merchandise manufacturers, while damaged hangers are ground up and recycled.

JCPenney has a national contract for waste management services and recycling that covers all of its facilities. The contractor picks up and disposes used ballasts and lamps, and disposes of those materials in accordance with applicable law. The Company also outsources the disposal of computer equipment and point of sale terminals to ensure they are disposed of properly. Waste and trash compactors are secured to ensure that hazardous materials are not placed in the Company's waste stream by third parties.

JCPenney stores recycle about 75% of their waste. JCPenney support facilities recycle approximately 85% of their waste.

Energy Conservation

JCPenney has reduced its electrical energy consumption through improvements in heating, ventilation and air conditioning, high efficiency lighting systems, occupancy sensor based control of lighting and vending equipment, variable speed control of pumps and motors, building management and lighting control systems, more efficient desktop computers and monitors, and point of sale terminals. We also continually update criteria so that the most energy efficient and cost effective equipment and systems available are installed in JCPenney facilities. The Company is a partner in the Environmental Protection Agency Energy Star Program, and continues to achieve reductions in energy consumption and, equally as important, air pollutants and emissions.

With lighting accounting for 40% of all electricity consumed by the average retailer in the United States, JCPenney has made a commitment to "light right," while delivering an equivalent or better quality of lighting. JCPenney also has an annual energy awareness campaign to influence behaviors. During the first year of the four-week campaign, the Company saved enough energy to fuel 55 average stores for one month. Opportunities for energy savings are also emphasized throughout the year.

The Company has a centralized system for control of energy management at its approximately 1,070 facilities throughout the nation. The Company is installing or improving existing heating, ventilation, air conditioning equipment and lighting control systems in most of its stores. The Company is investing more than \$30 million, and the improvements are projected to reduce energy consumption by more than 10%.

Employee Health and Safety

JCPenney continues to add and enhance programs to protect human health and safety. Some of these efforts include the development of emergency evacuation and severe weather procedures, installation of ergonomic workstations, establishment of a network of first responders for emergencies, and accident prevention programs. The Company also has a hazard communications program to prevent injury or illness in maintenance, janitorial, styling salons and printing. A lockout/tagout program is in place to control potential injury from energized equipment, such as electric lighting systems, heating and ventilation systems, and steam generators. A pathogens program is in place to protect against illness that may be contracted through housekeeping, maintenance and first-aid procedures. Other programs cover fall protection, confined space entry, personal protective equipment, hazard communication, ergonomics training, powered industrial truck training, hazardous waste disposal, and hot work environments.

Home Office Headquarters

The core of JCPenney operations is its home office in Plano, Texas, where approximately 5,000 Associates not only work in a state-of-the-art, environmentally friendly facility, but also participate in the Company's efforts to reduce, reuse and recycle.

In addition to participating in the Company's recycling programs for paper, cardboard, and aluminum, the home office has a computer system that tracks light-sensitive photo cells within window shades, automatically raising or lowering the control heating and cooling. An innovative thermal-storage system makes ice during off-peak hours to cool the building during peak hours. Garage lighting is designed for maximum energy efficiency.

The building and garage cover only 20% of the 122-acre site. The remaining 98-acre campus is maintained with organic and environmentally sound materials, including predatory insects and slow-release organic fertilizers. Yard waste is composted on site, including expired interior plants and seasonal flowers, and the compost is applied to turf areas and ornamental beds.

A plan is in place for water conservation, and storm-water run-off drains into a six-acre lake, which is tested annually for pesticides, PCB and herbicides. There have not been any contaminants identified to date. The Company also has a hazardous office waste collection and federally approved disposal-waste stream program.

JCPenney has had an established RideShare Program since 1993, and prime parking spaces are reserved for RideShare participants. A medical center, fitness center, and day care facility are located on site to enhance employee well being.

Other Environmental Issues

JCPenney maintains a comprehensive program to address asbestos and underground storage tanks associated with its facilities and properties. An active program is in place to identify and remediate any environmental issues at existing or former facilities, and to assess potential or newly acquired properties. JCPenney cultivates partnerships with environmental contractors and consultants who are prepared to respond, as needed, to assure a safe workplace and prevent environmental impairment.

JCPenney procurement agents receive guidelines for evaluating and substantiating environmental themes and claims for merchandise, packaging, labeling and promotions. These guidelines describe procedures to ensure that all environmental claims meet legal requirements and communicate a clear, consistent message to the public.