

# **CORPORATE RESPONSIBILITY REPORT**

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## **2011 Corporate Responsibility Report (including disclosures under the California Transparency in Supply Chains Act of 2010)**

[Note: All links to other reports and information have been deactivated in this document. Please see the Company's most recent Corporate Responsibility Report for links to the current version of such applicable reports and information.]

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## I. Introduction

The following report has been issued in November 2011 by Bed Bath & Beyond Inc., 650 Liberty Avenue, Union, New Jersey 07083, the parent company that, together with a group of subsidiaries, operates retail store chains under the names Bed Bath & Beyond, Christmas Tree Shops, Harmon and Harmon Face Values and buybuy BABY. References contained within this report to **“Bed Bath & Beyond Inc.”** or **“the Company”** refer to the enterprise as a whole or, depending on context, to the parent entity in its corporate capacity, while references to an individual brand (Bed Bath & Beyond, Christmas Tree Shops, Harmon/Face Values, buybuy BABY) discuss topics specific to that individual brand. Because domestic Bed Bath & Beyond stores constitute the vast majority of the Company’s locations, in the absence of a specific designation indicating otherwise, these materials should be read as applying to the U.S. operations of Bed Bath & Beyond stores.

The Company has elected to use the Global Reporting Initiative’s (“GRI”) Reporting Framework for sustainability reporting as a general guide in our development of this corporate responsibility report, as well as other sources. This is not intended to indicate full engagement with the GRI guidelines, but rather that the Company consulted the GRI protocols as it collected the information included in this corporate responsibility report.

Last year’s corporate responsibility report, our first, is available for review on the Company’s website, on the Corporate Responsibility landing page. This report follows the same general format and updates or adds information where there have been further developments.

Since our inception in 1971, Bed Bath & Beyond has been dedicated to being a responsible corporate entity in the markets we serve as we have built our business by offering attractive merchandise at competitive prices, supported by superior customer service. In addition to these core principles, the Company has often indicated its commitment to being a positive economic force, a responsible citizen in the communities we serve, and a mindful steward of the resources we consume. We have informed our shareholders and customers of such commitment in prior years’ annual reports and proxy statements, in various places on our website and in last year’s initial corporate responsibility report. Nevertheless, as with everything we do, we focus on our areas in need of improvement, and we are never satisfied. Therefore, while we are proud of our accomplishments in these areas, we will continue to strive for improvement.

If you have any comments or suggestions relative to this report, please feel free to contact us at [corporateresponsibility@bedbath.com](mailto:corporateresponsibility@bedbath.com), where they will be considered, acted upon if appropriate, and in all cases appreciated.

## II. Governance

Bed Bath & Beyond Inc. was founded in 1971 and went public in 1992. Shares of Bed Bath & Beyond Inc. are traded on the NASDAQ National Market under the symbol “BBBY” and are included in the Standard & Poor’s 500 Index and the NASDAQ-100 Index. The Company is counted among the Fortune 500 and the Forbes 2000.

**Mission statement**

The Company’s objective is to be a customer’s first choice for products and services in the categories offered, in the markets in which the Company operates. The Company’s strategy is to achieve this objective through excellent customer service, an extensive breadth and depth of assortment, everyday low prices, and introduction of new merchandising offerings, supported by the continuous development and improvement of our infrastructure.

**A. Governance Structure of the Organization**

The Company lists its Directors and Executive Officers in the Investor Relations section of its website at [www.bedbathandbeyond.com](http://www.bedbathandbeyond.com).

[The Board of Directors](#) is made up of three executive and six independent members.

**Director Independence**

The Board of Directors, upon the advice of the Nominating and Corporate Governance Committee, has determined that each of Ms. Morrison and Messrs. Adler, Barshay, Eppler, Gaston and Heller are “independent directors” under the independence standards set forth in the NASDAQ Listing Rule 5605(a)(2). This determination was based on the fact that each of these directors is not an executive officer or employee of the Company or has any other relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. This independence assessment is analyzed annually in both fact and appearance to promote arms-length oversight.

More information is available in the Company’s most recent [Proxy Statement](#), in the Director Independence section (pg. 40).

The Company’s executive officers are elected by the Board of Directors for one-year terms and serve at the discretion of the Board of Directors. No family relationships exist between any of the executive officers or directors of the Company.

Co-Chairmen Warren Eisenberg and Leonard Feinstein, as founders of Bed Bath & Beyond Inc., and Chief Executive Officer Steven Temares, are also executive officers.

## **Committees**

[Committees and Governance Documents](#), including Committee charters, are listed on The Company's investor relations site, including the following documents:

### **Committees:**

[Audit Committee](#)

[Compensation Committee](#)

[Nominating and Corporate Governance Committee](#)

[Incentive Compensation Committee for Non-Senior Persons](#)

### **Governance Documents**

[Policy of Ethical Standards for Business Conduct](#)

[Corporate Governance Guidelines](#)

[Policies Regarding Director Nominations, Shareholder Communications and Annual Meeting Attendance](#)

[Compensation Committee Equity Grant Procedures](#)

[Procedures for the Grant of Equity Awards to Non-Senior Persons](#)

## **Information about Committees of the Board**

All members of the Audit, Compensation and Nominating and Corporate Governance Committees are considered independent pursuant to applicable Securities and Exchange Commission ("SEC") and NASDAQ rules. None of the members of the Compensation Committee was (i) during fiscal 2010, an officer or employee of the Company or any of its subsidiaries or (ii) formerly an officer of the Company or any of its subsidiaries. None of our executive officers currently serves, or in fiscal 2010 has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board of Directors or Compensation Committee.

## **Leadership Structure**

Messrs. Eisenberg, Feinstein and Temares function together as the senior leaders of the Company. Since Messrs. Eisenberg, Feinstein and Temares are not "independent directors" within the meaning of the NASDAQ Listing Rule 5605(a)(2), the Board of Directors appointed an independent director to serve as the outside Lead Director. Mr. Eppler has served as the outside Lead Director since 2002. The general authority and responsibilities of the outside Lead Director are established by the Board of Directors. In that capacity, Mr. Eppler presides at all executive sessions of the independent directors, has the authority to call meetings of the independent directors, acts as a liaison between the members of the Board and management, functions as Secretary of the Board (including with respect to the proposal and maintenance of Board agendas and schedules for meetings), arranges for Board committee functions and acts as Secretary of all Board committees (other than when another independent director acts in such capacity), and receives communications from the Company's shareholders.

## **B. Policies, Guidelines and Practices**

### **Corporate Governance Guidelines**

This [document](#) includes the Company's policies on Board composition, responsibilities of the Board of Directors, Board meetings and materials, Board committees and shareholder communications with the Board.

The Board's general policy, based on experience, is that the positions of Chairman of the Board and Chief Executive Officer should be held by separate persons. The Board may, at its discretion, appoint Co-Chairmen, each of whom may exercise the full powers and authorities of the office of Chairman.

Per the [Policy of Ethical Standards for Business Conduct](#), Members of the Board of Directors shall act at all times in accordance with the requirements of the Corporation's Policy of Ethical Standards for Business Conduct, which shall be applicable to each director in connection with his or her activities relating to the Company. This obligation shall at all times include, without limitation, adherence to the Corporation's policies with respect to conflicts of interest, confidentiality, protection of the Company's assets, ethical conduct in business dealings and respect for and compliance with applicable law. Any waiver of the requirements of the Policy of Ethical Standards for Business Conduct with respect to any individual director shall be reported to, and be subject to the approval of, the Board of Directors.

## **Processes for Evaluating the Board of Directors**

### **Board Membership Criteria**

The Board has adopted a policy regarding specific, minimum qualifications for potential directors. These factors, and others as considered useful by the Board and the Nominating and Corporate Governance Committee, are reviewed in the context of an assessment of the perceived needs of the Board at a particular point in time. Board members are expected to prepare for, attend, and participate in all Board and applicable Committee meetings. Each Board member is expected to ensure that other existing and planned future commitments do not materially interfere with the member's service as a director. These other commitments will be considered by the Nominating and Corporate Governance Committee and the Board when reviewing Board candidates.

### **Selection of New Director Candidates**

Through the Board's adopted policy regarding the process for identifying and evaluating director nominees, the Committee identifies individuals qualified to become Board members and considers, evaluates and recommends for the Board's selection nominees to fill positions on the Board. The Board shall give due consideration to the Committee's recommendation in selecting the slate of directors to stand for election by the Company's shareholders.

### **Compensation Philosophy and Objectives**

The Compensation Committee has developed and implemented compensation policies, plans and programs to provide competitive compensation opportunities

to the executives whose compensation is determined by the Compensation Committee. The Compensation Committee considers the total compensation package (earned or potentially available, including benefits) in establishing each element of compensation.

The policies, plans and programs are designed to meet the following objectives:

- Retain the executives who are part of the Company’s executive team and attract highly qualified executives when new executives are required
- Be competitive with other major U.S. peer retail companies
- Reward corporate and individual performance
- Align the interests of executives and shareholders
- Promote the balance of annual and long-term results

The Company believes that its compensation policies, plans and programs have no material adverse effect on the Company’s enterprise risk.

Additional information is available in the ‘Executive Compensation’ section in the [Proxy Statement](#). (pg. 44 and following).

### **Risk Management**

Management regularly reports to the Board of Directors with respect to compliance and risk management matters through a formal risk management process and committee. The committee, which consists of a number of key executives, meets with executives of each business unit to identify and assess the significant risks in each such unit’s areas of responsibility, then analyzes what risk mitigation efforts are or should be in place to eliminate or minimize such risks to acceptable levels.

### **Code of Conduct**

It is the policy of Bed Bath & Beyond Inc. to conduct all business transactions in accordance with the highest ethical standards. The Company’s [Policy of Ethical Standards for Business Conduct](#) sets forth the ethical standards all associates (including all officers) and directors are expected to abide by when acting on behalf of the Company.

This policy includes our policies on business ethics and conduct, conflicts of interest, associate honesty standards, use of company property, privacy, and confidential information.

### **Commitments to External Initiatives**

Bed Bath & Beyond Inc. is a member of the Retail Industry Leaders Association (“RILA”). This association is valuable for the organization as a whole to learn about developments impacting the retail industry across a number of functional areas.

### **Critical Accounting Policies**

The preparation of consolidated financial statements in conformity with GAAP requires the Company to establish accounting policies and to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company outlines these policies in its 2010 Annual Report under [Critical Accounting Policies](#) (pg. 10).

## **C. Stakeholder Engagement**

### **Policy Regarding Shareholder Communications with the Board**

The Board welcomes communications from the Company's shareholders. Shareholders may communicate directly to the Board of Directors, or to any particular director, by mailing a letter to the Lead Director with an address provided in the [Policies for Shareholder Communication](#). Comments and questions made by shareholders are regularly reviewed and taken into consideration for decisions in regards to corporate policies or process.

The Company's Investor Relations group also regularly communicates with shareholders.

### **Associates**

The Company communicates with its associates regularly through a series of internal communication formats, generally including daily store meetings as well as intranet postings. Topics communicated include company news, training, merchandising, and human resources and customer service policies and procedures. All associates are trained on the company philosophy of intellectual honesty, taking ownership of decisions, reporting any unethical behavior, and admitting mistakes or problems. Associates have an anonymous hotline to report questionable conduct or theft concerns. Comments and questions made by associates are taken into consideration for decisions in regards to store and corporate policies or processes.

### **Customers**

The Company communicates with customers through daily interactions in all stores, as well as through the toll-free customer service lines and email available on [www.bedbathandbeyond.com](http://www.bedbathandbeyond.com), [www.buybuybaby.com](http://www.buybuybaby.com), [www.facevalues.com](http://www.facevalues.com), and [www.christmastreeshops.com](http://www.christmastreeshops.com). The Bed Bath & Beyond and buybuy BABY sites also accept customer reviews of specific products. Customers engage through these channels on all matters, including merchandise and order issues, or questions or comments on corporate philosophy. Comments and questions made by customers are reviewed daily by senior management and taken into consideration for decisions with respect to store and corporate policies or processes.

### **III. Economic Responsibility**

Since it has been in business, Bed Bath & Beyond Inc. has achieved substantial growth in net earnings, including the 19 year period, from fiscal 1992 thru fiscal 2010, as detailed in the Consolidated Selected Financial data summary [[2010 Annual Report](#) (page 2)].

In achieving these results, the Company has grown net sales, improved its gross profit and margins, and prudently managed its selling, general and administrative expenses. The Company has also carefully managed its capital expenditures and has maintained its store and other facilities in good condition.

During this period, it has also maintained strong consolidated balance sheets and cash flows, which are also included in the 2010 Annual Report.

Since December 2004, in order to return value to its shareholders, the Company has undertaken a share repurchase program, the aggregate amount of which has totaled approximately 3.1 billion dollars through June 30, 2011.

The Company's consolidated working capital, total assets and shareholders' equity have each grown over time.

As of June 30, 2011, the Company employed approximately 46,000 associates, most of whom work in stores, with the balance working in our offices and distribution centers. Approximately 11,000 new positions have been created in the five year period between June 30, 2006 and June 30, 2011. Our associates are the principal connection between our Company and our customers. Their creativity and innovation have been among the principal reasons for the success of the programs designed to sustain our corporate responsibility mission. Our associates remain our most valuable asset.

### **IV. Social Responsibility**

#### **A. Community**

Bed Bath & Beyond Inc. is committed to being a good neighbor by ensuring that we give back to the communities we serve. In our decentralized culture, local managers are empowered to support local events and do so on a frequent basis. In addition, the Company has a number of relationships through which we can engage with and serve our customers and others in the areas in which we do business.

#### **Good360**

In 2001, Bed Bath & Beyond formed a partnership with Good360 (formerly known as Gifts In Kind International), a non-profit organization based in Alexandria, Virginia, that has enabled us to provide product donations to those most in need.

For the past ten years, we have worked with Good360 to match each of our retail stores with a local 501(c)(3) charity. Merchandise is donated on a weekly basis from our stores to hundreds of local charities across the United States, Canada and Puerto Rico. Merchandise donations provide relief and assistance to many people in difficult situations such as victims of natural disasters, transitional housing needs for families in crisis, youth in low income situations and support for mentally and physically disabled individuals.

In 2008, one of our subsidiary companies, buybuy BABY, joined the partnership.

The amount of merchandise we have donated locally has increased each year since we formed our partnership. For fiscal year 2010 we estimate the fair retail value of our product donations to be over \$111 million. To date we estimate we have provided over \$622 million in product donations to our local communities.

The Company is recognized by Good360 as a Light of Hope Award winner. This award recognizes corporations for outstanding corporate citizenship and effective product philanthropy.

### **HealthyWomen**

In an effort to promote a healthy lifestyle for women and their families, Bed Bath & Beyond Inc. has partnered with HealthyWomen (formerly the National Women's Health Resource Center) since 2004. HealthyWomen has become the nation's leading independent health information source for women providing unbiased and accurate health information for more than 20 years. Utilizing the various online and in-store communication channels available at Bed Bath & Beyond and buybuy BABY, we are happy to provide our customers access to a broad assortment of valuable and reliable health information for themselves and their families supplied by HealthyWomen while promoting a healthy lifestyle. Content from HealthyWomen is also available on the Company's [www.facevalues.com](http://www.facevalues.com) website.

### **Head Injury Association**

The Company is a supporting partner of The Head Injury Association ("HIA"), an independent, non-profit agency widely recognized for its innovative programming for survivors of head injury and their families, based in Commack, New York. The HIA offers support services to traumatic brain injury survivors and their families through clinical treatment as well as vocational, educational, cultural, and recreational experiences that help survivors adapt to the daily challenges of life. In addition, the HIA provides the necessary residential programs to help traumatic brain injury survivors achieve four valued outcomes: Individualization, Independence, Integration, and Productivity. The Company assists the HIA in its annual fundraising activities.

### **National Fish & Wildlife Foundation**

In 2008, Bed Bath & Beyond established a relationship with the National Fish &

Wildlife Foundation in connection with our sale of reusable shopping bags. Through the support of our customers in purchasing the bags, we have been able to assist a variety of local projects to preserve coastal and marine habitats and the life within them. More detail on this shopping bag program appears below in Section V, subsection A.

## **B. Product and Vendors**

### **Product Responsibility**

#### **Assortment Offerings**

As a Company, we realize the need to provide our customers with an assortment of products made from sustainable materials or having other sustainable characteristics. Customers who are interested in purchasing these types of products will be happy to find the following in our various concepts:

#### **Bed Bath & Beyond**

Currently Bed Bath & Beyond offers alternative products deemed sustainable and materials with energy saving properties in a number of product categories such as cleaning, utility, bedding, bath, and window.

Examples of textile offerings made from sustainable materials are 100% organic towels and eucalyptus organic sheets. In the Bath area, approximately 80% of all our non-fabric shower curtains are made of PEVA or EVA instead of vinyl, and we have shifted over 65% of our non-fabric shower liner assortment from PVC to EVA. Bamboo is used in a collection of bath furniture, bath accessories, placemats, cutting boards, serveware, and snack tables.

Energy saving products have become increasingly important choices for our customers. Included in our offerings are window treatments with insulating properties under the Insola brand and a range of down comforters providing natural warmth. These products are identified with the E<sup>2</sup> symbol, our designation for products that could create energy savings for our customers. Shower heads that reduce water consumption have been added to our product offerings, accounting for approximately 20% of the assortment. Bed Bath & Beyond also carries compact fluorescent light bulbs.

#### **buybuy BABY**

Customers will also find sustainable products in our buybuy BABY stores. The assortment includes clothing and bedding made of organic cotton, as well as organic towels. Stores offer an organic mattress option, as well as a mattress that uses soy foam. Customers can also choose from an assortment of toys made from recyclable plastic, organic baby food options, and natural cleaning products.

#### **Christmas Tree Shops**

Within the constantly changing merchandise selection at Christmas Tree Shops

stores, customers have been presented with energy saving items such as insulated window treatments, door and window insulation kits, weather stripping, and compact fluorescent bulbs. In season, the selection has also included items such as outdoor solar lighting and solar driveway markers. The stores regularly offer a selection of bamboo cutting boards and other housewares, as well as a wide selection of natural woven products, such as baskets made of sea grass, bamboo and straw.

### **Harmon and Harmon Face Values**

Our Harmon and Harmon Face Value stores carry lines of eco friendly and/or natural or organic product. These types of products are available in a variety of product categories including household cleaning products, baby care product related to personal care for the skin (including diaper rash creams and lotions), shampoo, as well as an abundance of personal care products.

Consistent with our customer focused mission, we continue to explore additional opportunities to satisfy customer needs in these broad categories of sustainability and energy efficiency.

### **Product Health & Safety**

#### **Private Label Product**

At Bed Bath & Beyond, we choose our vendor partners carefully, knowing the importance of responsibly managed factories, production and output. Acting responsibly when it comes to vendor selection and sourcing is in our control, and we take this task seriously. Making appropriate materials choices is also a consideration. We follow guidance provided by the industry and comply with all industry safety standards.

#### **Product Testing**

Bed Bath & Beyond is committed to providing our customers with safe, high quality products. Though the amount of product that we sell in our stores that is imported directly by us is a small portion of our business, we require that our direct imported products be tested in order to ensure delivery of safe, high quality merchandise to our customers. Therefore, the Company established testing protocols to assist in ensuring compliance with applicable legislation, industry safety standards, and corporate quality standards for selected merchandise. Bureau Veritas Consumer Product Services is our primary testing service provider, and Intertek has been designated as an alternate testing service provider for textiles, toys, children's furniture, and electrics.

This testing program is not meant to be a substitute for the vendor's responsibility to monitor and supply safe, compliant merchandise. Our vendors are expected to monitor product quality throughout the entire production process and on all manufacturing lots. All products made for our stores must be in compliance with all applicable U.S. and international laws, rules, guidelines and regulations, and

must also meet industry safety standards and our quality and corporate standards.

### **Proactive Measures to Protect Our Customers' Health & Safety**

In an effort to assure we are providing our customers with safe, high quality merchandise, the Company remains vigilant to ensure we are aware of concerns surrounding products (or materials) we offer in our stores. In some instances we have been proactive and made decisions ahead of regulatory changes in keeping with these efforts.

In light of growing concerns surrounding Bisphenol A (“BPA”) in children’s products, buybuy BABY stores began the process of eliminating BPA from our assortment entirely in mid-March 2009 and had this transition completed by Summer of 2009.

In mid-October 2009, buybuy BABY also made the decision to proactively remove drop-side cribs from the assortment before this was mandated by law in many places (and prior to the recall of many drop side cribs). This process was complete by December 2009.

In June 2010, and in light of growing concerns surrounding the use of cadmium in children’s jewelry and the use of BPA in any feeding product or reusable food or beverage container, the Company proactively implemented certain requirements related to both issues and communicated these to all vendors at each concept:

#### **Cadmium**

Established a policy prohibiting total cadmium in excess of 40 ppm (substrates and surface coatings) in children’s jewelry.

#### **BPA**

Established a policy prohibiting BPA in any children’s feeding product including, but not limited to, bottles, sippy cups, pacifiers, and teethers.

Additionally, we notified our vendors that, effective October 2011, our Company policy prohibiting BPA will expand to any reusable food or beverage container, including, but not limited to, sports bottles, tumblers and storage containers.

More recently, the Company proactively implemented additional product safety requirements regarding soluble heavy metals (substrates and surface coatings) in children’s jewelry, child care items and toys. For products manufactured after July 1, 2011, the following limits apply:

<b>Heavy Metal</b>	<b>Limit (ppm)</b>
Antimony	60
Arsenic	25
Barium	1000
Cadmium	75
Chromium	60

Lead	90
Mercury	60
Selenium	500

## C. Marketing Communications

### Sustainable Paper Procurement Policy

#### Our Goal

At Bed Bath & Beyond Inc., we recognize our role in the lifecycle of our print advertising material, and we embrace the responsibility for making that lifecycle as environmentally sustainable as we can. From our founding in 1971, word-of-mouth has defined our approach to communicating with our customers, allowing the quality and selection of our merchandise to speak for themselves.

Consequently, we believe we have traditionally relied less on paper to deliver our message than comparable enterprises.

Print ads remain essential marketing tools. Our goal is to increase the sustainability and reduce the environmental footprint of these tools to the greatest extent practicable through our paper selection and use. We encourage the continuing environmental performance improvement of our paper suppliers.

#### Sustainable Paper Defined

There is general agreement about the definition of sustainability (see the Brundtland Commission report); however, there is as yet no universally accepted definition of sustainable paper. Bed Bath & Beyond Inc. adheres to the more broadly accepted understanding of sustainability in paper procurement, which advocates using only paper products that are sourced and manufactured in ways that minimize the use of natural resources and any burden on the environment throughout their lifecycle.

#### Our Approach to Sustainable Paper Procurement

As a practical matter, achieving our sustainable paper procurement goal means meeting specific commitments in six key areas:

- Fiber from non-endangered, sustainable forests
- Certified fiber
- Recycled content
- Environmentally superior manufacturing
- Energy and greenhouse gas reduction
- Minimum use of paper

To meet these commitments we use an internal action plan, minimum supplier requirements, supplier preferences, and wherever possible, quantifiable targets. Rather than drafting and redefining new forestry, manufacturing or other sustainability standards and imposing them on ourselves and our suppliers, we have chosen from existing, widely-accepted and respected national and

international standards wherever possible. For our forestry requirements, our suppliers will have the option of complying with the relevant provisions of one or more of the following forest certification standards:

Forest Stewardship Council (“FSC”)  
Sustainable Forestry Initiative (“SFI”)  
Canadian Standards Association (“CSA”)  
Programme for the Endorsement of Forest Certification Schemes (“PEFC”)

### **Fiber from non-endangered, sustainable forests**

**Minimum supplier requirement:** Suppliers must demonstrate that none of the fiber in the paper they supply the Company originates in forests that are illegally harvested or endangered, as defined by the FSC, SFI, CSA or PEFC standards. Suppliers also must demonstrate compliance with the Lacey Act, the U.S. law enacted to prevent the importation of illegal wildlife, fish and plants. In 2008, the Act was amended to include illegally harvested wood and wood products, including pulp and paper.

**Supplier preference:** The Company prefers suppliers who document that all of the fiber in the paper they supply is at least “controlled wood” as defined by the FSC standard, or is from “non-controversial” sources as defined by the SFI, CSA or PEFC standards.

**Company target:** 100 percent of the fiber in our print advertising material is documented as at least controlled or non-controversial.

### **Certified fiber**

**Minimum supplier requirement:** All paper sold to the Company must be certified to either a chain-of-custody or sustainable fiber procurement standard. In addition to the forest certification standards listed above, we will accept certification to other credible standards, including the American Tree Farm System (“ATFS”) and Master Logger.

**Supplier preference:** The Company prefers suppliers who can document the highest percentage of the fiber in their paper back to forests certified to the FSC standard.

**Company target:** 100 percent of the paper used in our circulars is FSC certified. Much of the fiber in all our other print advertising material is certified (65 percent in 2010). We will work with our suppliers to increase that percentage, with the ultimate goal of certifying 100 percent of that fiber.

### **Recycled content**

**Minimum supplier requirement:** There are substantial percentages of recycled content in several of the grades we use. In some regions where our suppliers operate, there is insufficient recovered fiber available to require a minimum percentage of post-consumer or recycled content. Therefore, we cannot currently specify a minimum amount of recycled content for each and every paper type.

**Supplier preference:** In regions where recovered fiber is more readily available (like North America), the Company prefers suppliers who can provide paper with 10 percent or more post-consumer content fiber.

**Company target:** Our goal is to increase the percentage of post-consumer content fiber in our catalogs, inserts, and circulars as far as the market, affordability and availability will allow.

### **Environmentally superior manufacturing**

**Minimum supplier requirement:** All suppliers must demonstrate to the Company that they operate in an environmentally responsible manner, encourage pollution prevention and seek continuous environmental performance improvement.

**Supplier preference:** The Company prefers suppliers who:

- Report their environmental and sustainability performance using Metafore's Environmental Paper Assessment Tool® ("EPAT"),
- Have adopted, implemented and maintain an Environmental Management System ("EMS") with elements the same as or comparable to the ISO 14001:2004, EMAS, or
- Qualify for eco-labels like Blue Angel and Nordic Swan.

**Company target:** 100 percent of the Company paper suppliers will document their mill environmental performance for 2010, and report once a year thereafter.

### **Energy and greenhouse gas reduction**

**Minimum supplier requirement:** The lack of binding state, federal and international standards for greenhouse gas emissions combined with differing supplier operational considerations makes it difficult to set a specific greenhouse gas reduction requirement for all suppliers. Until clear standards are established, we ask our suppliers to demonstrate a commitment to continuous performance improvement in both overall energy efficiency and greenhouse gas reductions.

**Supplier preference:** The Company prefers suppliers who demonstrate continuous energy-related performance improvement, including increased overall energy efficiency, decreased fossil fuel use, increased use of renewable energy and decreased greenhouse gas emissions per ton of production (intensity).

**Company target:** The Company seeks to reduce the carbon footprint of our catalogs, inserts and circulars by moving toward lighter-weight paper grades where practical. Lightweight papers require less energy to manufacture and ship, thereby reducing greenhouse gas emissions that contribute to climate change.

### **Minimum use of paper**

Responsibly managed forests where trees are grown, harvested and re-grown in harmony with nature provide a perpetual resource for papermaking. Even so, the Company believes we have a responsibility to use this valuable resource as efficiently as possible. To minimize our use of paper we:

- Conduct regular mailing list maintenance to assure lists are accurate and up to date;
- Maintain in-house do-not-market lists for customers and prospects who do not wish to receive circulars from us;
- Participate in the DMAChoice program of the Direct Marketing Association (“DMA”), which allows consumers to opt-out of unwanted catalog mailings via the internet;
- Design catalogs, inserts and circulars for maximum economy of space;
- Work with our printers to eliminate overprinting and reduce waste;
- Encourage recycling through our participation in programs like the DMA’s *Please Recycle* campaign; and
- Benchmark and implement best environmental practices through our participation in the DMA *Green 15* program.

### **Meeting our sustainability goal**

We continue to adopt an internal action plan to implement this policy, periodically measure the results toward our targets and adjust our practices to meet these commitments, and we will work with our suppliers to set workable timetables to meet our goal.

### **Customer Privacy**

The Company is committed to protecting the privacy of our customers and therefore does not sell or rent our customers’ Personal Information to any third party. Further, we do not share personal information with any third parties for their direct marketing purposes without first providing our customers the opportunity to opt-in or opt-out of such sharing. Our concepts that have a direct mail program (Bed Bath & Beyond and buybuy BABY) subscribe to the DMA’s “Do Not Mail Requestor Program” and apply all requests in a timely manner to

our direct marketing program. The DMA is the leading global trade association of businesses and nonprofit organizations using and supporting multichannel direct marketing tools and techniques. Similarly, the Company complies with the guidelines of the Mobile Marketing Association in connection with its marketing activities in the mobile space.

For further information, review [our privacy policy](#).

## **D. Human Resources**

### **Growth**

The expansion of our store count and our merchandise offerings has required similar expansion of our staff, which we have accomplished, in part, by promotions from within the Company, as well as by hiring the most qualified candidates. A number of former stock associates, sales associates and management trainees are today the Store Managers, District Managers, Regional Managers and Vice Presidents of the Company. And, as we continue to grow, our “promote from within” philosophy will continue to offer the opportunity for advancement to qualified associates. We offer numerous opportunities for people who wish to move ahead in the retail field and demonstrate commitment, motivation and ability. We welcome new associates, hoping they will enjoy being a part of our Company’s growth.

### **Diversity**

The Company celebrates diversity and believes that our diverse workforce contributes to the strong bond our associates have with our customers. We also believe that our commitment to diversity and the outstanding opportunities for professional and personal growth we offer to all associates, regardless of background, contribute to the extraordinarily high associate retention rate that we have long enjoyed.

For more information see our [complete commitment to equal opportunity and diversity statement](#).

### **Mutual Respect**

The Company has zero tolerance for any form of harassment or unlawful discrimination. Our policies relating to workplace issues revolve around a philosophy of mutual respect.

Since its founding in 1971, the Company has been committed to working directly with our associates with respect to any issues that may arise. Our actions over the years demonstrate our desire to have our managers available for our associates. Our associates share a common mutual interest to do what is right for our customers and our business. We are proud of the environment we provide our associates. We have a commitment to communicating with our associates, ensuring they work in a safe environment, providing recognition and feedback,

training and developing our associates, treating them consistently, and having our leadership team strive to act with integrity and to lead by example in all instances.

### **Intellectual Honesty**

We have developed a culture that believes in empowering our people with a decentralized management structure. We give them the autonomy to run the business and be an entrepreneur. With this empowerment and decentralized decision - making process comes many responsibilities, including intellectual honesty.

We remind our associates that they are representatives of the Company and, as such, it is expected that their behavior and conduct are appropriate and beyond reproach in all professional and personal dealings and interactions with all levels of associates, vendors, customers, or others.

### **Work Environment**

The Company is also committed to maintaining a working environment completely free from harassment, unlawful discrimination or intimidation of any kind. We have policies and procedures in place to discourage such conduct and enable associates to report such conduct (even anonymously) so that it can be promptly and fairly addressed. Appropriate disciplinary action will be taken against any associate who harasses or unlawfully discriminates in violation of this policy.

### **Safe Work Environment**

It is the policy of Bed Bath & Beyond Inc. to provide a safe and accident free environment for our associates and customers.

The success of Bed Bath & Beyond in preventing accidents from occurring is dependent upon three critical elements:

- Established safety standards
- An awareness and training program
- Safe work practices consistently enforced

The Company has an established safety program and encourages safe work practices. We provide awareness and training programs for all associates. The specific awareness and/or training program consists of: Lifting and Ladder Certification, Fire Safety Training, Material Safety Data Sheets (“MSDS”), Safety Knife, Tritium Exit Sign, Workplace Violence training and Code Adam alerts.

The safety of our customers and associates requires that we address violations of safe work practices. Safety guidelines provide a fair and consistent approach to counseling when unsafe practices are observed.

### **Recruitment**

Employment at any of our locations is based solely on job-related qualifications: we recruit, hire, train, promote and compensate our associates and provide all other conditions of employment including company sponsored events without regard to race, color, creed, religion, national origin, age, sex, gender identity, genetic information, marital status, lawful alien status, sexual orientation, physical or mental disability, citizenship status, veteran status, or any other basis prohibited by applicable law. Employment actions are based upon our operating needs and individual associate or applicant merit, including but not limited to: qualifications, experience, ability, availability, cooperation, and job performance.

Our Associate Referral Bonus Plan is designed to provide incentive to associates to encourage and recommend friends, acquaintances, former work associates or people met while shopping who provided excellent customer service, for possible employment with us.

In addition our recruiting efforts are widespread via such means as the Internet, college campus visits, job fairs, and venues designed to increase our access to qualified minority candidates.

### **Benefits**

Bed Bath & Beyond Inc. provides its eligible associates with a variety of benefits, including:

- Medical & Dental Benefits
- Personal Life Insurance
- Dependent Care Flexible Spending Account
- 401(k) Savings Plan
- Associate Purchase Discounts
- Vacation

### **Training and Education**

Bed Bath & Beyond Inc. is a unique company with a unique culture and, as such, we have a unique approach to training. Our strong, service-oriented culture is based on a philosophy of promoting from within. Our many training programs, such as Associate Development Training, Management Development Training, Leadership Development Training, and Product University Training, are designed to give our associates the skills that will enable them to grow as far as their ability will take them in our Company.

We are now hiring and training the managers who will become our store managers and district managers in the near future. Successful candidates with retail management experience will be given the opportunity for advancement via our “promote from within” approach. Just as we offer our customers the widest range of quality housewares and home furnishings, we offer energetic and ambitious individuals a wide range of outstanding opportunities, an incredible sense of loyalty and the ability to grow with a proven industry leader.

### **Advancement Opportunities**

Associates are considered for advancement based on their performance in their present position and the skills they demonstrate. There are many career opportunities available to qualified associates. Our Company's continued growth is constantly generating new job openings, which can create opportunities for advancement for qualified associates. Associates are encouraged to let their supervisors know exactly what their interests are, to learn as much as possible about the various careers within the Company and to be certain that their performance is at its best.

### **Reasonable Accommodations**

The Company provides to associates with disabilities that need an accommodation, at a minimum, all legally required reasonable accommodations. Moreover, where circumstances permit, we attempt to accommodate associates with disabilities with accommodations which may not be legally required. Circumstances under which a request for accommodation can be made vary. The determination as to what accommodation(s), if any, can be afforded is made on an individual basis after careful consideration and discussions with the associate. Among the factors considered are: the essential function(s) of the position, the specific restriction(s), the staffing levels at the store, the duration of the restriction, and the hardship that would be placed on the business. Among the factors which are not considered include: the particular medical condition necessitating the accommodation and the associate's membership in any class protected by law.

### **E. Social Compliance (including disclosures under the California Transparency in Supply Chains Act of 2010)**

Bed Bath & Beyond is committed to sourcing quality merchandise and developing meaningful relationships with our vendors who share common principles of social responsibility. We aim to cooperate with our vendors and their subcontractors on a systematic, long term basis to ensure ethical quality of our sourced merchandise.

As a result, we urge our vendors to assume a proactive and committed position to social responsibility.

Christmas Tree Shops, through its subsidiary Nantucket Distributing Co, Inc., requires its import vendors to represent that no child labor, forced labor or discriminatory practices are utilized in the production of goods, and that all applicable safety, health, wage, and benefit laws and regulations applicable to the manufacture of the product are adhered to.

Though the amount of product sold in stores that is imported directly is a very small portion of the business, Bed Bath & Beyond, buybuy BABY, and Harmon

have in place the following vendor requirements for direct import merchandise, which are communicated to import vendors and manufacturers by means of our Import Vendor Compliance Guide:

All vendors or Buying/Selling Agents (and all factories) must follow our “Code of Conduct” (below), which details our policies in regard to child labor, involuntary labor, human trafficking, disciplinary practices, non-discrimination, health and safety, environmental protection, wages and benefits, working hours, employee relations, and other items.

All vendors or Buying/Selling Agents are required to be fully knowledgeable of all factories and labor arrangements used in the production of goods.

All vendors are required to provide us with a list of all factories in which the manufacturing of product will be performed. Before any new factory is used, approval must be granted by the respective division.

All vendors or their agents must allow us to conduct scheduled and unscheduled inspections of their facilities for the purpose of ensuring compliance with the Code of Conduct. During inspections, we maintain the right to review all employee related books and records maintained by the vendor and to interview workers.

For any merchandise where Bed Bath & Beyond is listed as the dealer on the retail packaging, an acceptable audit report is required before any new vendor is set up or new factory is used by an existing vendor. For all other import vendors, factories are selected at random for auditing, based upon sales volume and seasonal work schedules.

Audits initiated by the Company are performed by Specialized Technology Resources, a unit of Underwriters Laboratories (“UL-STR”). UL-STR is a global product quality, safety and social compliance auditing firm. UL-STR currently performs audits unannounced within a specified two-week time frame. Commencing in January 2012, this audit is planned to include new protocols to assess risks of human trafficking and slavery.

Failure to comply with Bed Bath & Beyond’s auditing policy may generate a chargeback. In addition, Bed Bath & Beyond reserves the right to return all merchandise and get reimbursed for damages, lost sales and any costs associated with the transfer and handling of the merchandise.

All vendors are required to sign our Import Vendor Compliance Guide Acknowledgment Form, which confirms their acceptance and certifies their compliance with all of the above policies. In addition, vendors are selectively audited, as indicated above, to validate such compliance.

## Code of Conduct

Below are the basic requirements concerning working conditions to be satisfied by all direct import vendors and their factories. Bed Bath & Beyond reserves the right to supplement these requirements at any time.

### **Child Labor**

Vendors shall not use child labor. The international standard for defining “Child Labor” is found in the International Labor Organizations’ Convention 138 on Minimum Age for Employment (1973) which provides as follows: *The minimum age . . . should not be less than the age of compulsory schooling and, in any case, shall not be less than 15 years.* If the country of production has a more restrictive definition of child labor, then we will not produce product made by persons in violation of that country’s laws. Vendors must verify the age of their workers and maintain copies of their workers’ proof of age. Vendors must follow all applicable laws and regulations regarding working hours and conditions for minors.

### **Involuntary Labor**

Vendors shall not use involuntary labor. “Involuntary Labor” is defined as work or service which is extracted from any person under threat or penalty for its non-performance and for which the worker does not offer himself or herself voluntarily, and includes all manner of prison, bonded, indentured, and forced labor.

### **Human Trafficking**

Vendors and all direct suppliers shall comply with the laws addressing human trafficking and slavery of the country or countries where the suppliers do business. For purposes of this Code of Conduct, the operative standard for defining “Human Trafficking” is taken from the U.N. Convention against Transnational Organized Crime (Palermo Protocol): “. . .*the recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, [or] servitude; . . .*

### **Disciplinary Practices**

Vendors shall not use corporal punishment or any other form of physical or psychological coercion or intimidation against workers.

### **Non-discrimination**

Vendors shall employ workers solely on the basis of their ability to do the job and shall not discriminate on the basis of age, gender, racial characteristics, maternity

or marital status, nationality or cultural, religious or personal beliefs or otherwise in relation to hiring, wages, benefits, termination, or retirement.

**Health and Safety**

Vendors shall maintain a clean, safe and healthy workplace in compliance with all applicable laws and regulations. Vendors shall ensure that workers have access to clean drinking water, sanitary washing facilities and an adequate number of toilets, fire extinguishers, and fire exits, and that workplaces provide adequate lighting and ventilation. Vendors shall ensure that the aforementioned standards are also met in any canteen and/or dormitory which are provided for workers.

**Environmental Protection**

Vendors shall comply with all applicable laws and regulations in respect of protecting the environment and maintain procedures for notifying local authorities in the event of an environmental accident resulting from the vendor's operations.

**Wages and Benefits**

Vendors shall provide wages and benefits that comply with all applicable laws and regulations or match the prevailing local manufacturing or industry rates, whichever is higher. Overtime pay shall be calculated at the legally required rate, regardless of whether workers are compensated hourly or by piece rate.

**Working Hours**

Vendors shall not require workers to work, including overtime, more than 60 hours per week or more than any maximum number of hours per week established by applicable laws and regulations, whichever is less. Vendors shall guarantee that workers receive at least one day off during each seven day period.

**Employee Relations**

Vendors shall respect the right of workers to take advantage of any laws relating to employee management relations.

**Familiarization and Display of This Code of Conduct**

Vendors shall familiarize workers with this Code of Conduct and display it, translated in the local language, at each of their facilities in a place readily visible and accessible to workers.

**Legal Requirements**

Vendors shall comply with all legal requirements applicable to the conduct of their businesses, including those set out above.

**Contractors and Suppliers**

Vendors shall ensure that their contractors and suppliers adhere to the Code of Conduct.

Management at the Company has also participated in webinars and attended presentations organized by SGS (a third-party testing service provider) and STR Responsible Sourcing, with respect to the requirements of the California Transparency in Supply Chains Act of 2010. As a result, we plan to schedule additional training on slavery and human trafficking, including training on mitigating related risks in supply chains, for appropriate personnel with direct responsibility for supply chain management.

## **V. Environmental Responsibility**

The words of our Co-Chairmen and Chief Executive Officer in their letter to shareholders in advance of our Company's 2006 Annual Meeting continue to guide our thinking regarding our Company's environmental responsibility. They wrote, "The broader concerns over energy costs, our nation's dependence on foreign oil, the rate of consumption and environmental impacts of fossil fuels, deforestation, and global warming, must be our concerns as well. Our response to these broad concerns is local..." Our Company continues its years-old effort to decrease its own energy consumption, as discussed more fully below, acting locally to address the areas we can feasibly address. We must also continue to pay attention to our waste stream and that of our products. As with all things we do, we know we can do better and we continue to find ways to improve, in a manner consistent with our obligations to all our constituencies.

### **A. In Our Stores/Warehouses**

#### **Reusable Shopping Bags**

The introduction of the Bed Bath & Beyond reusable shopping bag has been a success for both our customers looking for a shopping bag alternative, as well as the charities to which we have donated proceeds based on the sales of such bags. Our goals with this program have been the reduction of the distribution of single-use plastic bags, and support of programs benefitting coastal and other waterway habitats.

The special logo bags were originally piloted in approximately 80 stores in the fall of 2007. Once the initial bag test was proven a success, the program was rolled out to all stores during the spring of 2008.

Our current partner is the National Fish and Wildlife Foundation ("NFWF"), which receives one dollar from the purchase price of every logo bag sold through the program. Through the end of fiscal 2010, the program has provided more than \$500,000 to help support NFWF activities.

As of October 2011, monies donated on behalf of Bed Bath & Beyond and its customers had supported 494 projects in 34 states and territories.

Those projects range from education projects in coordination with the Chumash tribe to reach inner-city students in California about the marine environment to

working with the fishing and local communities of Miami, Florida to remove harmful derelict fishing gear from nearshore seagrass beds.

These contributions have also reached teams working to rebuild and sustain fish stocks like Bluefin Tuna in the Gulf of Mexico and River Herring in New England waters, and to restore water quality for oysters in Chesapeake Bay and for coral reefs in Hawaii and Puerto Rico.

The ongoing contributions made by Bed Bath & Beyond and our customers will allow the groups supported by the NFWF to continue improving the environmental surroundings we all inhabit and enjoy.

While this program is ongoing, we continue to evaluate other means of addressing issues related to single-use plastic bags, including the introduction of additional alternatives, testing certain messaging around the provision of bags to customers, and, in some areas, recycling. We believe plastic bag use is an area in which we have an ongoing opportunity to improve, and one in which we will continue to work with our customers to explore mutually beneficial ways to reduce their potential environmental impact.

### **Stretch Wrap Recycling**

A component of waste frequently generated by our Company is stretch wrap. Stretch wrap is generally used during shipping to secure cartons of goods to pallets.

In late 2006, the Bed Bath & Beyond and Christmas Tree Shops distribution centers implemented a recycling program for stretch wrap. Since the program began, through July 31, 2011, the distribution centers have recycled 194 tons of plastic. According to [www.earth911.com](http://www.earth911.com), 1 ton of plastic saves 7.4 cubic yards of landfill space. By recycling the stretch wrap, we have saved approximately 1,435 cubic yards of landfill space since this program began.

In the fall of 2010, Bed Bath & Beyond and buybuy BABY began implementing a program to recycle stretch wrap used to ship products to stores. Through September of 2011, this recycling program has been implemented for 459 stores. Based on the initial results, it is projected that each store will recycle 1,325 lbs of plastic each year. This would equate to about 304 tons of plastic or approximately 2,250 cubic yards of landfill space saved by recycling the stretch wrap in 459 stores.

The Company will continue to explore expanding the recycling of stretch wrap to additional store and concept locations.

### **Reused Boxes**

Bed Bath & Beyond and Harmon are purchasing used boxes to meet some of our internal shipping and storage needs. During the past year, Bed Bath & Beyond and Harmon have increased their consumption of used boxes. For the twelve

month period of August 1, 2010 thru July 31, 2011, they have purchased 721,400 used boxes or 540 tons of used corrugated.

Using the Environmental Paper Network Paper Calculator ([www.papercalculator.org](http://www.papercalculator.org)), this represents an annual reduction of approximately 3,066,500 lbs of CO2 emissions, which equates to removing 278 cars from the road each year. It is a reduction of 1,743 tons of wood, which equates to 12,079 trees saved. It also equates to 780,986 lbs, or 28 garbage trucks, of solid waste not generated.

We continue to look for more opportunities to reuse corrugated boxes rather than purchase newly manufactured boxes.

### **Cardboard Recycling**

As a Company, the single largest waste component we generate through operation of our stores is cardboard. Cardboard accounts for roughly 75% of all the waste the Company generates at store level. Eighty-five percent of our stores recycle their cardboard, with the remainder representing an opportunity for improvement. Our cardboard is sent to various recyclers and processors for eventual use in the production of new cardboard products.

Since 2001, we have chosen to recycle cardboard wherever we can. From August 1, 2010 thru July 31, 2011, we recycled 42,500 tons of cardboard. This is an increase of 12.7% in the amount of recycled cardboard from the previous year (August 1, 2009 thru July 31, 2010) total of 37,700 tons.

According to [www.cardboardrecycling.org](http://www.cardboardrecycling.org), for every ton of cardboard that is recycled, nine cubic yards of landfill space is saved. Further, according to the 100% Recycled Paperboard Alliance, fourteen trees are saved for every ton of recycled cardboard boxes used in the manufacturing of new cardboard boxes. Based on this information, we saved 595,000 trees and 382,500 cubic yards of landfill space from August 1, 2010 thru July 31, 2011.

### **Vending Machines**

Since 2007, it has been a Company requirement that all beverage vending machines be Energy Star compliant or have an external Vending Miser installed. The external Vending Miser reduces energy consumption so that the machine's energy use is comparable to an Energy Star compliant machine.

As of August 1, 2011, the Company has 341 Energy Star compliant machines and 663 machines with the Vending Miser installed. The Company works with a vending management company to assure this requirement is met for all new locations, as well as maintained for existing locations.

Using the energy savings calculator found on [www.energystar.gov](http://www.energystar.gov), the Company estimates that we are saving 1,665,600 kWh per year. This equates to an annual

reduction of 2,565,000 lbs of CO2 emissions. The website [www.energystar.gov](http://www.energystar.gov) also equates this to removing 225 cars from the road and saving 250 acres of forest each year. These calculations are based on the number of machines listed above.

### Lighting

The Company has taken significant measures to modify lighting throughout its stores, warehouses and offices in order to reduce energy usage. These measures have resulted in a classic "win-win" scenario: Good for our Company and great for the earth.

The Company's facilities department teamed up with our lighting vendors to develop new fixtures currently being installed in our stores that use High Efficiency Lumen Output ("HELO"). This new technology provides the same or increased lighting levels in the stores and has a longer life and warranty period that results in fewer re-lamps and reduces lighting energy costs by approximately 34%. As of August 27, 2011, there are over 1,162 HELO lighting systems installed throughout the Company, which is comprised of installations in 134 new, and 865 existing, Bed Bath & Beyond stores; 29 new, and 32 existing, Christmas Tree Shops stores; 49 new, and 10 existing, buybuy BABY stores; and 8 new, and 35 existing, Harmon stores. Please note the foregoing electric expense reduction numbers assume a constant rate per kilowatt hour for comparison purposes.

The table below demonstrates the accumulated reductions in Greenhouse Emissions that our Company has achieved as a result of the HELO retrofitted locations only, measured from the date of each individual installation through August 27, 2011, as compared to the twelve month period of use prior to each specific HELO installation (avoided emissions equivalency data obtained from both [www.epa.gov](http://www.epa.gov) and [www.abraxasenergy.com](http://www.abraxasenergy.com) and is based on New Jersey Efficiency Levels):

<b>Positive Environmental Impact of Bed Bath &amp; Beyond Inc.'s HELO Installations</b>	
<b>Energy Savings</b>	
*	106,266,372,000 Kilowatt Hours
<b>Greenhouse and Noxious Gas</b>	
<b>Emissions Avoided Yearly</b>	
*	41,125.1000 tons Carbon Dioxide
*	0.6149 tons Volatile Organic Compounds
*	63.8000 tons Nitrogen Dioxide
*	252.2000 lbs Carbon Oxide
*	111.6000 tons Sulfur Dioxide
*	5.3235 tons Particular Matter
*	2.1000 lbs Mercury
*	0.6000 lbs Cadmium
*	6.5000 lbs Lead
*	484.5000 tons Mercury Compounds
*	145.7000 tons Cadmium Compounds

*	1,459.0000 tons Lead Compounds
These Avoided Emissions	
are Equivalent to:	
*	Planting 11,186,023 acres of forest per year
*	Saving 4,573,109,559 gallons of gas each year
*	Annually removing 8,225,017 cars from the road
*	Driving 284,751,529 fewer miles each year

While the HELO lighting project has been extremely successful, the Company has not stopped there in implementing measures to reduce energy consumption. It has instituted many other lighting modifications throughout its stores that include reducing the number of lamps used in stockrooms, displays and corridors; dimming lighting fixtures; converting exterior lights from high energy to low energy usage by using new long life technology; implementing advanced control programming from the Novar energy management system (discussed in more detail below); testing light sensors that monitor the level of natural light available and dim the lights when sufficient daylight is available; significant reductions of lighting exterior building signs throughout the night; delaying the time customer lights are turned on throughout our stores; and requiring LED lighting that has a longer life span, produces less heat and uses significantly less energy than typical neon signs. Monitoring light levels in the stores has reduced energy consumption and the amount of energy required to cool the building, as lights give off heat. As of August 27, 2011, there are 2,601 specialty lighting fixture LED lamps installed by the Company, resulting in an annual reduction of 161,262 kwh. In addition, 1,319 conventional exterior security light fixtures have been converted to HELO lighting technology by the Company, resulting in an annual reduction of 370,639 kwh.

### **HVAC**

Over 88% of all our Bed Bath & Beyond locations and most new Christmas Tree Shops, buybuy BABY and Harmon locations are serviced by the most energy efficient Heating, Ventilating, Air Conditioning (“HVAC”) equipment available for commercial buildings. Older stores receive the newer energy efficient equipment when their old HVAC equipment is replaced. In 2005, we became one of the first retailers to adopt the use of environment friendly HVAC equipment, which uses non-CFC refrigerant R410A. As of August 27, 2011, 7,384 Lennox L Series HVAC Units are in operation out of the 8,358 total units in service.

### **Energy Management Systems**

Nearly every Bed Bath & Beyond, Christmas Tree Shops, buybuy BABY and many Harmon locations use the Novar energy management system to monitor and control energy use, lighting, heating, cooling, signs and even the amount of electricity that the stores use. As of August 27, 2011, the Company utilizes 1,128 energy management systems. Retrofitted stores experienced an average reduction of fifteen percent in their electrical consumption.

The new lighting and HVAC reduction and monitoring projects have provided, and will continue to provide, immense benefits for the environment. The

following figures were provided by the State of New Jersey in recognizing the expected positive impact of the lighting and HVAC changes in a single Bed Bath & Beyond store, over one year:

**Energy Savings in both lighting energy and HVAC reduction  
(less cooling required):**  
115,845.1 Kilowatt Hours

**The Following Greenhouse and Noxious Gas Emissions Avoided Due to the  
Reduction in Electrical Production**

**(Greenhouse Gas Emissions based on New Jersey Efficiency Levels):**

44.8 Tons Carbon Dioxide  
243 lbs Sulfur Oxide  
139 lbs Nitrogen Oxides  
12 lbs Carbon Monoxide  
12 lbs Particulate Matter  
1,056 lbs Mercury Compounds  
1.6 Tons Lead Compounds

**These Avoided Emissions are equivalent to:**

Planting 19 trees every week; or  
Planting 12 acres of forest per year; or  
Saving 4,982 gallons of gas each year; or  
Annually removing 9 cars from the road; or  
Driving 310 fewer miles each day

**Water**

While the operation of the Company does not result in substantial water usage, Bed Bath & Beyond is committed to water conservation where feasible. As a result, new solar faucets are being tested in certain locations that utilize ambient light, like a solar powered calculator. The faucet does not require electricity for the sensor to automatically turn the water on/off, therefore saving water and energy consumption. In addition, new .5 gallon/ flush urinals being used in most stores in the Company use half the amount of water of a regular urinal which reduces water consumption. Total water savings of these combined efforts is 9,000 gallons a year.

**White "Cool" Roof**

Many stores have a white roof which reflects the sunlight, prevents the absorption of heat into a building and allows a savings in energy cost per year (estimated at \$0.03 / sf) by reducing heat gain inside. Conventional black roofs absorb heat resulting in increased air conditioning costs. A single 30,000 sq ft store saves \$900 a year. As of August 27, 2011, the Company has 385 Johns Manville cool roofs.

**Other Green Building Measures**

The Company continuously looks for new ways to improve operations within the store and its impact on the environment, whether such measures have a significant impact like the HELO lighting project or only a minor impact. No measure is considered too insignificant if it makes sense for our Company to implement it. As a result, other measures that have been taken in our stores throughout the Company include use of sensor operated hand dryers in lieu of paper towels that are more hygienic and conserve paper; vinyl flooring adhesive that gives off zero toxins to provide a more healthy indoor environment for customers and associates; use of fabric ducts in lieu of metal ductwork to encourage even air flow and to provide better climate control; and reduction in the use of metal. Further, commencing as of March, 2011, all wall bumpers installed by the Company in new stores were one hundred percent vinyl free and made of polycarbonate which is one hundred percent recyclable.

### **Packaging**

Bed Bath & Beyond relies on outside vendors for the majority of our product. We encourage our vendors to consider sustainable options in their shipping choices. There is mutual benefit when our vendors reduce waste in packaging and increase their usage of sustainable packaging materials.

### **Vendor Guidelines**

Included in our Routing and Shipping guidelines is the following:

Bed Bath & Beyond is working to identify safe, more sustainable and cost-effective alternatives for our packaging. We need our vendors to consider using sustainable packaging as an option when presenting packaging concepts to our organization. Vendors should consider using paper that is FSC Certified or Recycled as a step towards helping the environment. In addition, vendors should look into using soy or vegetable based non-solvent inks for printing packaging. In connection with these efforts, we are working to reduce the use of PVC in packaging when applicable. We encourage our vendors to label their product and bags constructed with PVC-free material such as PEVA or EVA when appropriate.

### **Corrugated Packaging**

Balancing the amount of packaging needed for safe shipping of product with space efficiencies is key in waste reduction. If goods are damaged in transit, product waste is incurred. If overprotected, packaging is wasted. Maintaining the balance is our goal at Bed Bath & Beyond. One initiative to attain this goal is to optimize the number of units in each carton shipped to our stores. Ongoing efforts are in place to ship the most efficient number of units per carton, saving corrugated packaging. The related weight reduction translates into a reduction in fuel consumption as well. In 2010 we showed a 2.9% increase in units per carton compared with 2009, resulting in a reduction in total cartons of 1.78 million. Cartons were larger on average, however, to accommodate the increased units per carton, offsetting much of the potential corrugate reduction. This ongoing “Freight Think/Case Pack Optimization” program expects to continue to find

opportunities that will result in more “right-sized” packaging, resulting in more efficient use of corrugated packaging and, therefore, transportation.

### **Right Size the Packaging**

Our goal is to place our product in a package that reduces the amount of air space in each package. Bed Bath & Beyond strives to be as efficient as possible in packaging, including reducing package cube size where possible and, in those cases, using less material, optimizing shipping containers, and reducing fuel costs. Our packaging team will continue to review current product lines to better optimize the packaging.

### **Private Label Packaging**

Packaging decisions are more directly under our control on our private label merchandise. Here we have ongoing efforts in place to reduce printed surfaces, to use less ink and to increase our use of PEVA bags, the preferred option versus vinyl. Many of the packaging inserts that go through our own packaging suppliers are printed with soy-based or vegetable based inks, and we are working to make this the uniform standard for our private label brands.

### **Textiles Packaging**

Progress continues on increasing our use of alternative packaging materials in our textiles, or softside, categories. Some examples are:

- Simply Organic and Eucalyptus Origins private label textile products are packaged in PEVA bags
- All EVA shower liners are packaged in EVA packaging
- Deco Bain (our private label bath line) shower curtains are all in PEVA packaging
- Bamboo bath furniture products (another private label brand) are packaged in craft-style boxes, using less printing, in turn reducing our ink usage

We continue to seek and identify ways we can increase our use of PEVA bags and other sustainable materials.

### **Hard Goods Packaging**

As in our textiles areas, we continue to look for ways to improve the types of materials used in packaging our hardside goods. Recently we began using brown corrugate boxes with printed labels instead of printing on all surfaces on certain products. This reduces the use of ink, and we continue to look for opportunities to reduce our use of printed surfaces in other areas.

### **buybuy BABY Packaging**

Packaging for the buybuy BABY private label brand of bedding products Be Basics is printed with soy or vegetable based inks. This line of products is transitioning into PEVA bags from vinyl bags.

## **B. In Our Offices**

### **Solar Power**

On May 10, 2010, the Company energized its first solar power system at its corporate headquarters in Union, New Jersey, totaling approximately 1.2 megawatts. The system will deliver approximately 20% of the total electrical energy used at the corporate building, which provides a way to defend against rising electricity rates for its over twenty-five years of expected service. The Company's implementation of solar technology at our corporate headquarters is one more step in our continuing efforts to improve energy efficiency, while at the same time providing very real environmental benefits.

It is estimated that this solar project will offset 1,885,863 pounds of CO<sub>2</sub> per year, which is equivalent to annual greenhouse gas emissions from 164 cars or CO<sub>2</sub> emissions from the electricity use of 104 homes, or carbon sequestered annually by 182 acres of pine or fir forest.

On December 23, 2010, the Company energized its second solar power system at its distribution center in Florence, New Jersey, totaling approximately 2.58 megawatts. The system will deliver approximately 100% of the total electrical energy used at the distribution center, which provides a way to defend against rising electricity rates for its over twenty-five years of expected service.

It is estimated that this solar project will offset 4,818,029 pounds of CO<sub>2</sub> per year, which is equivalent to annual greenhouse gas emissions from 372 cars or CO<sub>2</sub> emissions from the electricity use of 236 homes.

On July 26, 2011, the Company energized its third solar power system at its Christmas Tree Shops store in Cherry Hill, New Jersey, totaling approximately 0.502 megawatts. The system will deliver approximately 75% of the total electrical energy used at the store, which provides a way to defend against rising electricity rates for its over twenty-five years of expected service.

It is estimated that this solar project will offset 799,881 pounds of CO<sub>2</sub> per year, which is equivalent to annual greenhouse gas emissions from 71 cars or CO<sub>2</sub> emissions from the electricity use of 45 homes.

By the end of November, 2011, the Company will have energized its fourth solar power system at its distribution center in Port Reading, New Jersey, totaling approximately 2.112 megawatts. The system will deliver approximately 100% of the total electrical energy used at the distribution center, which provides a way to defend against rising electricity rates for its over twenty-five years of expected service.

It is estimated that this solar project will offset 3,421,036 pounds of CO<sub>2</sub> per year, which is equivalent to annual greenhouse gas emissions from 304 cars or CO<sub>2</sub> emissions from the electricity use of 193 homes.

Approximately by December 15, 2011, the Company will have energized its fifth solar power system at its distribution center in Totowa, New Jersey, totaling approximately 1.651 megawatts. The system will deliver approximately 80% of the total electrical energy used at the distribution center, which provides a way to defend against rising electricity rates for its over twenty-five years of expected service.

It is estimated that this solar project will offset 2,758,921 pounds of CO<sub>2</sub> per year, which is equivalent to annual greenhouse gas emissions from 245 cars or CO<sub>2</sub> emissions from the electricity use of 156 homes.

The combined solar arrays will, over a 30 year period, conserve 109,500 barrels of oil and reduce CO<sub>2</sub> by 38 million pounds, which is equivalent to removing 3,800 cars from the road or powering 1,700 homes for 30 years!

### **Paper Best Practices**

In 2008, Bed Bath & Beyond established and published a “Best Practice” document for reducing copy paper consumption. Some of the practices that were implemented include elimination of fax confirmation pages, a commitment to duplex printing, and an annual review of regularly generated documents.

These published practices not only impact the amount of paper used, but the amount of toner as well. Some other practices include limiting the use of shading, use of print preview to better format documents, and electronic review and filing of documents. Since 2008, all printers purchased for our corporate office and warehouse locations have duplex capability and are defaulted to duplex printing. As of 2010, all printers purchased for the stores throughout the Company are also duplex capable and default to duplex printing.

These practices were implemented with the intent of reducing paper consumption by 20%. At present, the Company is still exploring ways to measure the actual amount of paper reduction achieved. The difficulties faced by the Company include the continuous increase in the number of stores, flux in the number of corporate associates, adjustments made due to economic conditions and constantly changing work requirements.

### **EDI Implementation**

Electronic Data Interchange (“EDI”) is defined as the process of using computers to exchange business documents between companies. EDI is a more environmentally friendly process that minimizes paper use and storage requirements.

The Company implemented EDI as a preferred method of purchase order and invoice transmission for corporate purchasing expenditures beginning in November 2008. Prior to EDI, the Company printed hard copies and utilized fax machines to issue purchase orders to these suppliers. There are approximately fifty corporate purchasing suppliers participating in EDI. The Company has reduced fax transmissions by approximately 85,000 pages (17,000 purchase orders x average of 5 pages / order).

In addition, the Company has taken a similar approach to receiving supplier invoices. Invoices are now transmitted via EDI reducing inbound standard mail by approximately 85,000 pages.

Since the implementation of EDI, the Company has discontinued the filing and storage of paper purchase orders and invoices for suppliers. Using the Environmental Paper Network Paper Calculator ([www.papercalculator.org](http://www.papercalculator.org)), eliminating 170,000 pages represents an annual reduction of 5,100 lbs of CO<sub>2</sub> emissions.

#### **Toner**

Bed Bath & Beyond has been using remanufactured printer toner cartridges rather than newly produced cartridges for more than five years. For the twelve month period of August 1, 2010 thru July 31, 2011, 92% or 12,400 cartridges used, were remanufactured. In addition to purchasing remanufactured cartridges, it is our policy to return used cartridges to our provider so that the material can be used again.

According to Clover Technologies Group ([www.clovertech.com](http://www.clovertech.com)), a provider of remanufactured cartridges, each discarded cartridge equates to 2.5 lbs of waste in our landfills. By using remanufactured cartridges, we kept 31,000 lbs of waste from our landfills during the period noted above.

As a further attempt to reduce toner waste, the Company encourages its associates to reduce printer toner by changing the density setting from high to medium. This will reduce the consumption of toner in all stores and offices.

We continue to look for more opportunities to use remanufactured cartridges rather than purchase newly manufactured cartridges and look for other ways to reduce toner throughout the Company.

#### **Copier / Fax Machines**

The U.S. Environmental Protection Agency and the U.S. Department of Energy have established the Energy Star program which is designed to prevent greenhouse gas emissions by having products that meet strict energy efficiency guidelines.

The Company has been purchasing fax machines and copiers that are Energy Star rated since 2003. As of August 1, 2011, we have 1,188 Energy Star qualified copiers and 93 Energy Star qualified fax machines.

Using the energy savings calculator found on [www.energystar.gov](http://www.energystar.gov), the Company estimates that we are saving 507,000 kWh per year. This equates to an annual reduction of 778,200 lbs of CO2 emissions. The above energy savings calculator also equates this to removing 68 cars from the road and saving 96 acres of forest each year. These calculations are based on the number of machines listed above.

### **Energy**

The Company continuously looks for opportunities to reduce energy within its corporate offices. Some of the measures that continue to be taken are to enable the energy saver function on all monitors and PC's so they will power down after fifteen minutes of non-use, deploy flat panel displays that require less power in replacement of broken CRT's, purchase smaller form factor PC's that use less energy, utilize servers that require less power to run, acquire new green printers that require less power, place printers into sleep mode so they shut down after a period of time, and install multi-function printers in areas that had a copy, fax and printer previously, thus reducing power consumption. The Company is piloting many of these solutions for our stores as well.

## **C. In Our Community/Beyond Our Walls**

### **Hybrid Vehicles**

Since May 2006, the Honda Civic Hybrid has been the vehicle of choice by Bed Bath & Beyond Inc. for all district managers. As of August 1, 2011, we have 106 hybrid vehicles in our fleet, of which 73 are being used by Bed Bath & Beyond associates, 26 by Christmas Tree Shops associates, 4 by buybuy BABY associates, and 3 by Harmon associates.

The 2011 Honda Civic Hybrid achieves 40 mpg in the city and 43 mpg on the highway. By using the Civic Hybrid rather than the standard Civic, we are reducing our carbon emissions by 27% as calculated using the Carbon Footprint Calculator on [www.terrapass.com](http://www.terrapass.com).

The EPA rates vehicles in two categories: air pollution and greenhouse gas. The results are scored on a scale of 1 (worst) to 10 (best). The 2011 Honda Civic Hybrid received an air pollution score of 9.0 and a greenhouse gas score of 9.0. It earned the SmartWay Elite recognition from the EPA. This goes to those few cars that score 9 or higher in both categories.

The 2011 Honda Civic Hybrid continues to be rated as a top “green” car by Yahoo Autos and by [www.thestreet.com](http://www.thestreet.com).

### **Transportation**

The movement of goods is a prime example of an area of our enterprise where the

benefits of seeking greater efficiency extend beyond the strict limits of the Company's business. The Company has had success in finding ways to reduce expense and emissions in its supply chain, and this remains an area where opportunities for improvement still exist. This section will discuss some of those achievements and areas of further potential. The activities described below pertain both to Bed Bath & Beyond and buybuy BABY product supply chains, except for the SmartWay Partnership discussion, which information reflects all concepts. The terms "the Company" and "Bed Bath & Beyond" are used for convenience.

### **Pool and Consolidation**

In 2004, the Company began a program called Pool and Consolidation. This program takes Less than Load and Parcel purchase order quantities shipping to individual retail points and groups them together by region to make fewer larger shipments to stores. By shipping through this new mode, Bed Bath & Beyond has reduced the number of individual carriers handling its products and delivering to its stores. As a result we have reduced the overall miles a package travels, as well as decreased the number of trucks handling our package volume. Overall Collect Managed Freight for inbound Bed Bath & Beyond merchandise volume has increased to 68.9% of these packages moving through this consolidation network. By the end of fiscal 2011, we expect to have just over 70% of Bed Bath & Beyond merchandise flowing through pool points.

### **Intermodal Rail**

Since 2007, the Company has moved each subsequent year an increasing percentage of its domestic transportation on intermodal transportation rather than traditional "Over the Road" trucking. In fiscal 2010, we moved 54% of our Truckload volume via intermodal service on the four main railroads. This fiscal year we are on pace to move more than 65% of Bed Bath & Beyond Truckload volumes via rail. We estimate that will equate to 450 million lbs. or 22,000 trailers (53') taken off the interstate highways. We also estimate that we will save 4.9 million gallons of diesel fuel (up from 4.2 million gallons in 2010) and reduce 47,027 million lbs of CO2 emissions (up from 40,562 tons in 2010).

Partnering with railroads and intermodal service providers to move our domestic freight has enabled us to reduce transportation related emissions, reduce highway congestion and improve our visibility to Bed Bath & Beyond freight in transit.

### **SmartWay**

SmartWay was launched by the U.S. Environmental Protection Agency ("EPA") in 2004. It is a brand that identifies products and services that reduce transportation-related emissions. SmartWay symbolizes environmentally cleaner, more fuel efficient transportation options.

The Company became a SmartWay Partner in August 2009. This collaboration challenges us to improve the environmental performance of our freight operations and helps us to know what environmental impact we are having through the

carriers we select and modes we transport goods to our stores. Based on the tonnage we ship today, over 70% is transported and handled by carriers who are SmartWay Carrier Partners. The use of the SmartWay Partner label requires that the carrier report certain base line equipment, emissions, and fuel consumption data to set a baseline and then they must report an action plan and demonstrate progress to maintain a certain score levels. Our objective in this area is to continue to increase the percentage of Company freight moving with SmartWay Partners and to utilize this information as a factor in our decision-making when awarding contracts to service providers in transportation and warehousing. As a SmartWay Partner, we have committed to improving energy efficiency, reduce greenhouse gas emissions, and improve air quality.

### **Emissions**

Between 2004 and 2010, SmartWay Partners have reported reducing CO<sub>2</sub> emissions by 16.5 million metric tons (the equivalent of taking over 3 million cars off the road) and reducing oxides of nitrogen emissions by up to 235,000 tons. SmartWay Partners also report to have saved an equivalent of up to 50 million barrels of oil (\$6.1 billion dollars in fuel costs saved) and eliminating 9,000 tons of particulate matter. (emissions data is from the EPA SmartWay website, [www.epa.gov/smartway/index.htm](http://www.epa.gov/smartway/index.htm)).

### **Rules/Standards for Carriers**

Carriers that choose to become SmartWay Partners commit to improving freight carrying operations. They agree to set and strive for attainment of environmental and fuel efficiency goals that improve the environment. SmartWay recommends simple actions to make ground freight more efficient and cleaner for the environment. Some of the strategies include: Idle Reduction, Improved Aerodynamics, Automatic Tire Inflation Systems, Wide-base Tires, Driver Training, Low-Viscosity Lubricants, Weight Reduction, Intermodal Shipping, and Hybrid Powertrain Technology.

### **Benefits of SmartWay Partnership**

Benefits of the SmartWay Partnership include:

- Access to information on how to reduce fuel consumption and emissions
- Assistance developing a quantifiable program to improve our environmental impact
- List of partner carriers
- Recognition for improving our environment

Most Bed Bath & Beyond carriers are SmartWay Partners and have joined the initiative to improve on their own fuel efficiency and other green initiatives. Bed Bath & Beyond will continue to improve its supply chain to target efficient modes of transportation and packaging to reduce the negative environmental impact its supply partners have.

Bed Bath & Beyond Inc. Transportation Sustainability Goals for 2011:

- Notify New Carriers of SmartWay Partnership
- Continue to Increase Shipping with Partner Carriers
- Increase Intermodal Shipments
- Further Associate Training and Education

### **Recycle Bank**

Bed Bath & Beyond was one of the first businesses to partner with RecycleBank. RecycleBank partners with cities and municipalities to provide an incentive to those residents to take everyday green actions including recycling, by providing them with rewards.

Bed Bath & Beyond became a partner in 2005 and buybuy BABY in 2008. RecycleBank currently provides service to more than 2.8 million members in the United States and the United Kingdom. We continue to expand our participation in the program as they grow to new markets. We are proud of our partnership with RecycleBank and are excited to be a popular choice of the participants who are doing their part to recycle.

To receive a Bed Bath & Beyond or buybuy BABY reward, which is in the form of a coupon, participants must accumulate 100 points. Each reward issued equates to 40 pounds (2.5 points per pound) of recycled material.

For more information on RecycleBank: [www.recyclebank.com/about-us](http://www.recyclebank.com/about-us)

## **VI. Awards and Recognition in 2011**

- **Forbes Global 2000** - The Company was ranked #897 of the top 2000 public companies in the world by Forbes magazine.
- **Fortune 500** - The Company was ranked #304 of the largest 500 US companies by Fortune Magazine.
- **NRF Top 100 Retailers** – The Company was ranked #39 of the top 100 retailers by NRF's Store Magazine.