



FISCAL YEAR 2016  
**CORPORATE RESPONSIBILITY &  
SUSTAINABILITY REPORT**

As we enter the fourth year of our transformation, we continued to make significant progress in fiscal year 2016 *increasing* our domestic revenue and *expanding* our operating margin. This progress was made possible through our unrelenting focus on the **Five Pillars** of our Renew Blue transformation:

- Reinvigorate and rejuvenate the **customer experience**
- Attract and inspire **leaders and employees**
- Work with **vendor partners** to innovate and drive value
- Increase our return on invested capital for **investors**
- Continue our leadership role in positively impacting **our world**

As you will read in this report, we are committed to positively impacting our world. Our recycling efforts have collected more than 1 billion pound of e-waste, and our pledge to reduce our carbon footprint by 20 percent was exceeded in fiscal year 2016. We subsequently increased our target to a 45 percent carbon reduction by calendar year 2020 from a 2009 baseline. Our Best Buy Foundation continued its work to provide underserved teenagers across the U.S. with access to technology.

As pleased as we are with our performance, we are even more excited about what lies ahead. We have entered the next phase of our transformation, and our purpose is clear: help customers learn about and enjoy the latest technology as they pursue their passions or take care of what is important to them in their lives.

With this purpose in mind, we are on a mission to constantly innovate to improve the experience of our customers and determined to find ways to accelerate the growth of our business. In this context, we are pursuing the following priorities in fiscal year 2017:

- 1) Build on our strong industry position and multi-channel capabilities to move the existing business forward
- 2) Create greater efficiency and reduce waste throughout the business
- 3) Advance key growth initiatives

2016 is a special year in the history of Best Buy, as it marks our 50<sup>th</sup> anniversary. From our humble beginnings as a single “Sound of Music” store in St. Paul, Minnesota, we have grown to be a specialty retailer that has a strong legacy of innovation. Time and time again, Best Buy has created a way forward.

As I approach the four-year anniversary of my appointment as CEO, I remain humbled by the talent and passion of my colleagues throughout the company. I am incredibly grateful for their support and commitment. Together, we are determined to shape a great future for Best Buy, for the benefit of all our stakeholders.

Respectfully,

Hubert Joly  
Chairman and Chief Executive Officer  
Best Buy Co., Inc.



Best Buy is a leading provider of technology products, services and solutions. We offer expert service at an unbeatable price more than 1.5 billion times a year to the consumers who visit our stores, engage with Geek Squad agents or use BestBuy.com or the Best Buy app. The company has operations in the U.S., where more than 70 percent of the population lives within 15 minutes of a Best Buy store, as well as in Canada and Mexico, where Best Buy has a physical and online presence.

Headquartered in Richfield, Minnesota, the company was founded by Richard Schulze in 1966 and called Sound of Music (incorporated in Minnesota as Sound of Music, Inc.) before the name changed to Best Buy in 1983.

Best Buy generates nearly \$40 billion annually.

In North America, Best Buy has approximately 1,600 stores and locations, including large-format and Best Buy Mobile stores. During fiscal year 2016, the company employed approximately 125,000 people.

In the U.S., our operations consist of: Best Buy (BestBuy.com), Best Buy Mobile, Best Buy Direct, Best Buy Express, Geek Squad, Magnolia Home Theater, and Pacific Kitchen and Home.

The International segment is comprised of all operations in Canada and Mexico under the brand names Best Buy, BestBuy.ca, BestBuy.com.mx, Best Buy Express, Best Buy Mobile and Geek Squad. In March 2015, we consolidated Future Shop and Best Buy stores and websites in Canada under the Best Buy brand. This resulted in permanently closing 66 Future Shop stores and converting 65 Future Shop stores to the Best Buy brand.

# Awards and Recognition



Scored 100A by the CDP (formerly Climate Disclosure Project)



Listed on the Dow Jones Sustainability Index since 2011



Awarded ENERGY STAR® Partner of the Year Award Sustained Excellence



Listed on the FTSE4Good Global Index



Achieved a perfect score of 100 in the Human Rights Campaign Foundation's Corporate Equality Index;



Named to *CR Magazine's* 100 Best Corporate Citizens List



Received EPA Excellence in Greenhouse Gas Management Award



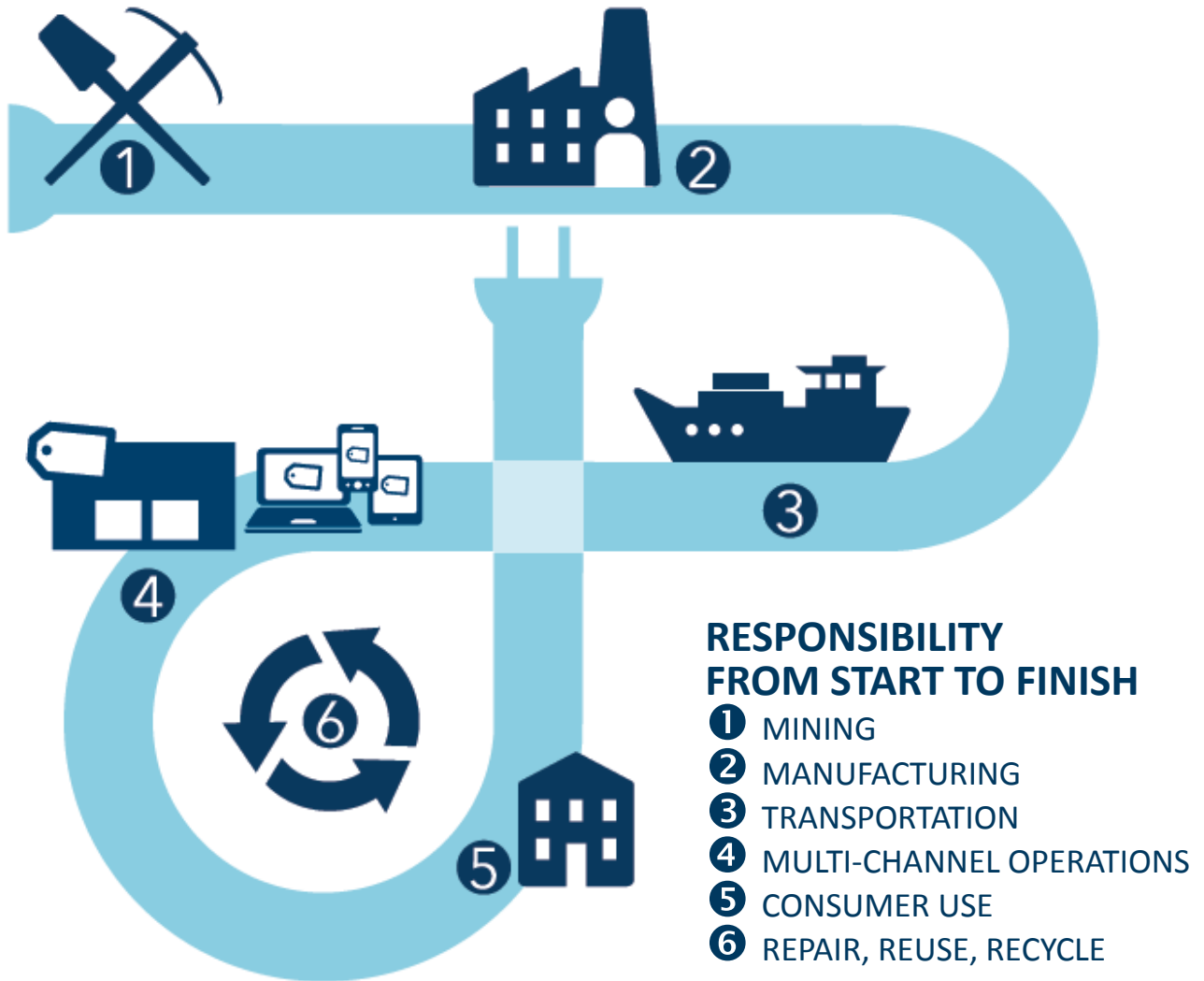
Named one of America's Best Corporations for Women's Business Enterprises



Named to the *Newsweek* Green Rankings list - 2<sup>nd</sup> among U.S. retailers



Best Buy is committed to being a responsible corporation. As a retailer and a contract manufacturer of private label products (which we call Exclusive Brands), we recognize that social, environmental and economic impacts occur throughout our product value chain. As such, our responsibility extends from the mining of raw materials to the reuse and proper recycling of materials after the product life has ended.





Best Buy manages social, environmental and economic impacts throughout the value chain. We believe the largest impact we make as an employer is providing jobs in local communities in the U.S., Canada and Mexico.

The most relevant sustainability risk, as stated in our fiscal year 2016 Annual Report on form 10-K, relates to natural disasters and changes in the climate. The risk or actual occurrence of various catastrophic events could materially adversely affect our financial performance. Such events could be caused by, for example: natural disasters or extreme weather. These events can adversely affect our workforce, prevent employees and customers from reaching our stores and properties, and can disrupt or disable portions of our supply chain and distribution network. As a consequence of these catastrophic events, we may endure interruption to our operations or losses of property, equipment or inventory, which would adversely affect our revenue and profitability.

Our top sustainability priority and opportunity remains our programs supporting customers through the life of their products. Our Geek Squad Agents extend the life of products through repair services. We provide a second useful life through the Best Buy Trade-In program. And we continue to operate the most comprehensive consumer electronics takeback program in the U.S. Providing these convenient options to customers creates a competitive opportunity for Best Buy.

Utilizing internal and external points of view, in fiscal year 2016 we conducted a materiality assessment. By following the steps outlined below, we set out to find the intersection of the areas in which stakeholders presented opportunities where Best Buy could lead, and significantly affect our business.



### **Identification**

The first step in our materiality process is identifying potential issues. Utilizing the Global Reporting Initiative (GRI) G4 framework, we begin with the issues listed as G4 Aspects and related Standard Disclosures. Then we add to the list of issues from our past materiality assessments and inputs such as customer surveys, social media and call center activity, media reports, laws and regulations, activist communication and shareholder proposals. Finally, we research industry trends and benchmark industry peers.

### **Prioritization**

The second step is prioritizing issues based on significant economic, environmental and social impacts as shared by our stakeholders.

We elicit feedback by surveying sustainability practitioners and partners within the organization including members of the following teams: Exclusive Brands, Legal, Marketing, Human Resources, Real Estate, Supply Chain, Services, Public Affairs, Sourcing, Consumer Insights, Compliance and Merchandising. We also opened the survey to any Best Buy employee to give feedback on our sustainability progress.

External stakeholders were also surveyed to gain an understanding of how our sustainability efforts are perceived, and on which issues they believe Best Buy should focus. In addition to a survey, we partnered with Ceres, a nonprofit organization advocating for sustainability, to conduct interviews with key stakeholders.

Through this process, we confirmed our focus areas should remain: Responsible Sourcing, Carbon Reduction, Sustainable Products and Repair/Reuse/Recycle. In addition, the issue of Digital Divide was elevated to a greater presence. Later in this report, you will find details on our successes, challenges and strategies to address these issues.

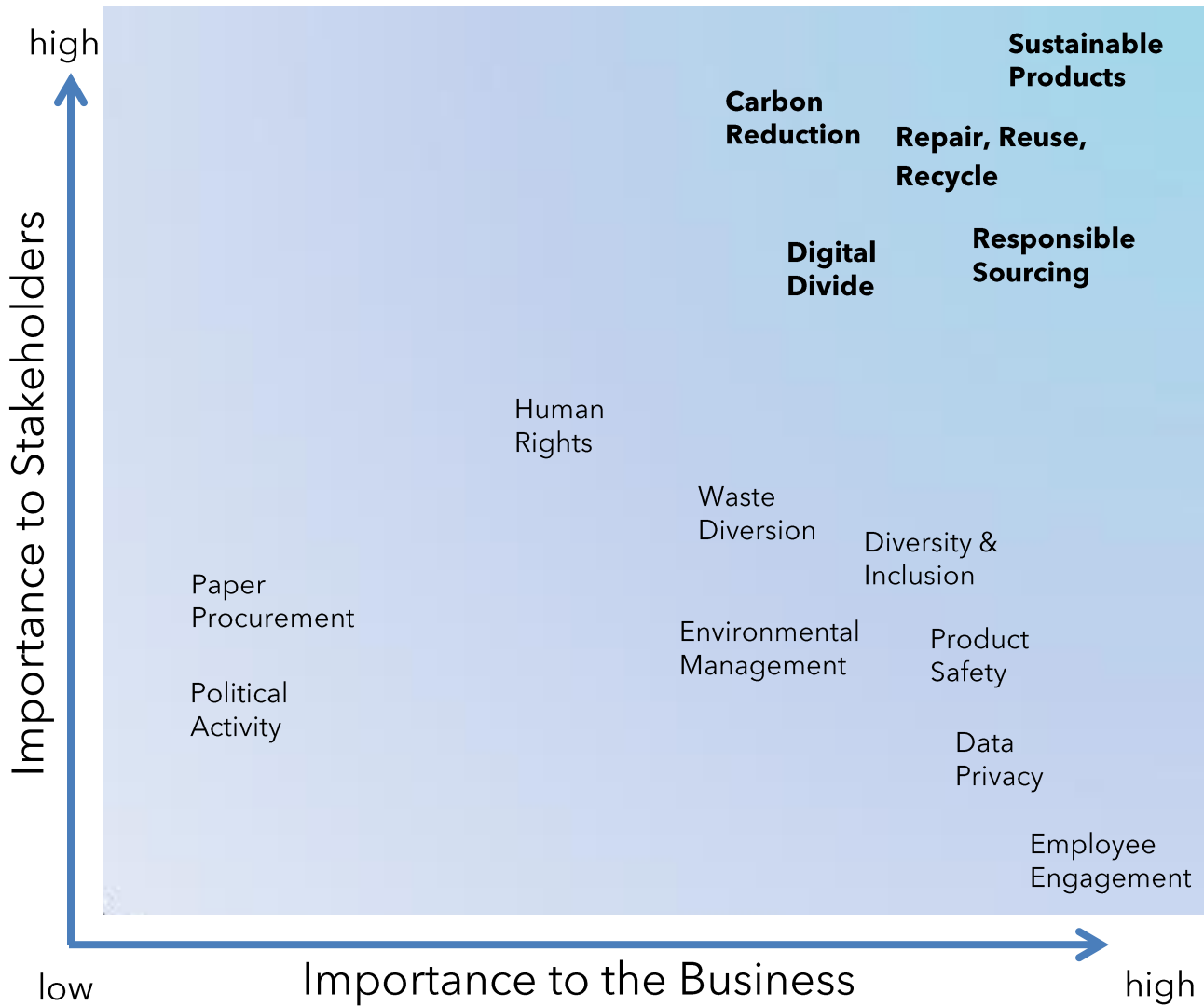
### **Validation**

Once we identified our focus areas, we presented the findings to several levels of our governance structure, including our executive leaders and the Best Buy Sustainability Advisory Committee. Upon gaining their approval, we translated the focus areas and secondary issues into GRI G4 standard disclosures. In addition, we presented the focus areas to our Compliance and Risk Council and the Nominating and Public Policy Committee of the Best Buy Board of Directors.

### **Review**

The final step in our materiality cycle is reviewing the Corporate Responsibility Report with leaders and asking for feedback from internal and external stakeholders. The fiscal year 2015 report was presented to the Board of Directors once published. We look forward to experiencing continuous improvement of our report through the review process.

The following graphical representation reflects survey results and interview feedback from internal and external stakeholders.



\*Materiality assessment complete and issue plotted as of January 2016





At Best Buy, we form relationships with the many people and organizations that have a stake in what we do. We interact daily with our employees, our customers and our communities in a variety of ways. We also actively engage in dialogue with external organizations that provide valuable insights and challenge us to grow.

Our sustainability stakeholder engagement strategy continues to evolve as we concentrate on building relationships within our four priority areas.

- Best Buy **employees** participate in a formal engagement survey every a year, supplemented by regular performance reviews and an interactive internal communication site called The Employee Hub.
- In addition to our direct **customer** conversations, we regularly survey our customers to elicit feedback relating to their overall satisfaction with Best Buy.
- We have regular interaction with **elected officials** and staff, government agencies and associations on issues that affect our business.
- We have ongoing contact with our **investors** through calls and meetings, stakeholder councils brought together by Ceres, and analyst surveys where we are able to disclose specific sustainability information.
- We maintain relationships with non-governmental organizations (**NGOs**), such as industry organizations, activists and community nonprofits, in order to advance the progress in our focus areas.
- We partner with our product **vendors** and manufacturing suppliers to innovate and bring additional business value.



Business for Social Responsibility (BSR)  
Carbon Disclosure Project (CDP) Reporter Services  
Ceres  
Conflict Free Sourcing Initiative (CFSI) – Steering Committee  
Consumer Technology Association (CTA) – Board of Industry Leaders and several working groups  
Council of Institutional Investors (CII)  
Council of State Retail Associations  
Electronic Industry Citizenship Coalition (EICC) – Board of Directors  
Environmental Initiative – Minnesota Sustainable Growth Coalition  
GreenBiz Executive Network Member  
Green Chemistry and Commerce Council (GC3) – Retail Leadership Council  
International Consumer Product Health and Safety Organization  
National Association of Environmental Managers (NAEM)  
National Center for Electronics Recycling  
Public Affairs Council – Board of Directors  
Retail Industry Leaders Association (RILA) – Board of Directors and several working groups  
World Resources Institute’s Customer Consultative Group



## **Store Development**

We had approximately 1,600 large- and small-format stores at the end of fiscal 2015 throughout our domestic and international segments. In the U.S., we have the ability to ship from all of our Best Buy stores, and we have opened a number of vendor store-within-a-store concepts to better leverage our square footage. In fiscal 2016 and beyond, we will continue to look for opportunities to optimize our store space, renegotiate leases and selectively open or close locations to support our ongoing transformation.

In March 2015, we made consolidated Future Shop and Best Buy stores and websites in Canada under the Best Buy brand. This resulted in permanently closing 66 Future Shop stores and converting 65 Future Shop stores to the Best Buy brand.

## **Report Timing**

Best Buy publishes a yearly Corporate Responsibility & Sustainability Report. This report covers our fiscal year 2016 (2/1/2015 – 1/30/2016). Our previous report covering fiscal year 2015 was released in June 2015.

## **Verification**

An independent third-party organization (POINT380), verifies 100 percent of our scope 1, 2, and 3 carbon emissions using the ISO14064-3 standard.

## **Boundaries**

This report includes 99 percent of our operations in the U.S., Canada and Mexico.

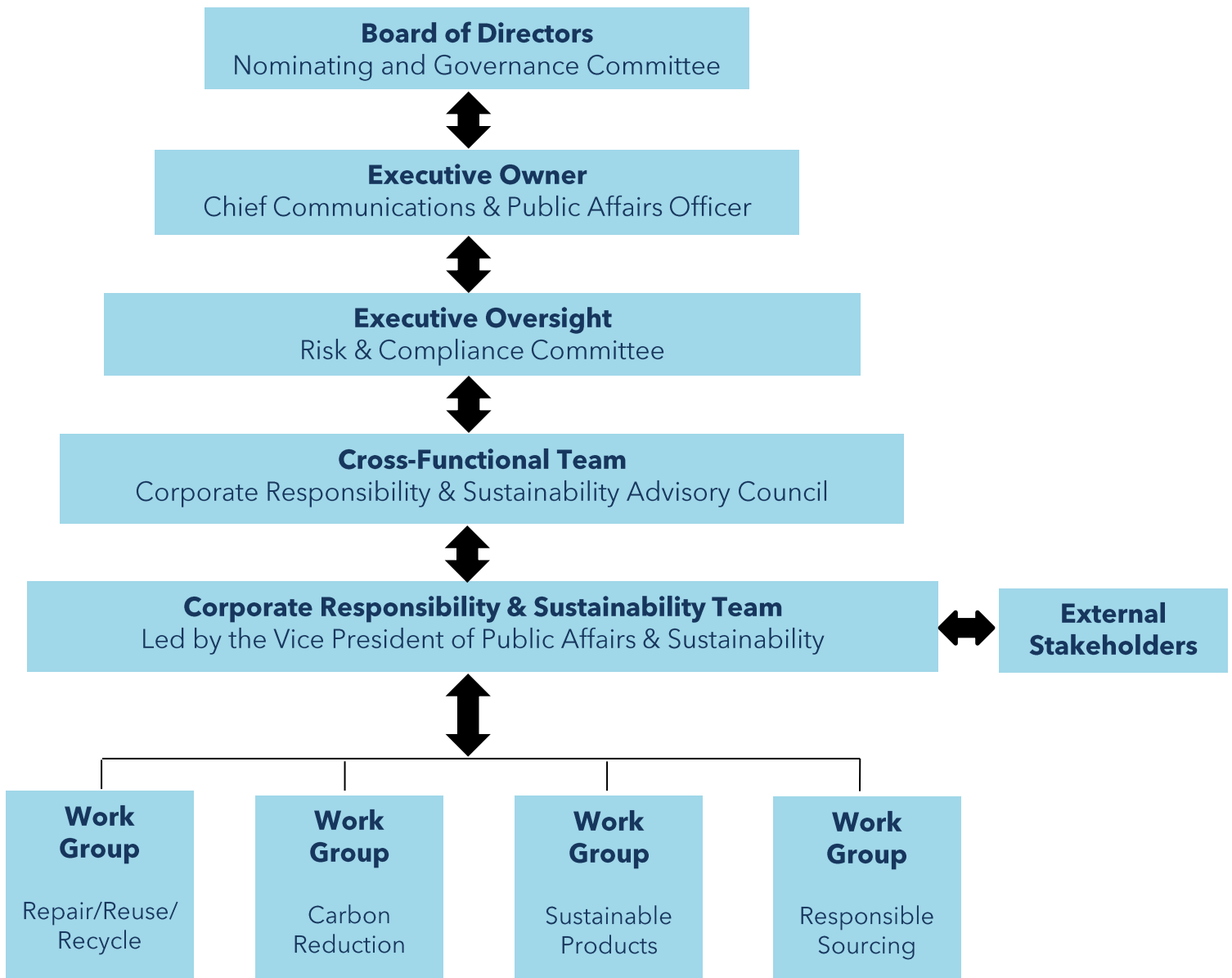
The Responsible Sourcing section of this report includes our non-U.S. Exclusive Brands contracted suppliers.

For more information and full financial disclosures, please see the Best Buy Fiscal 2016 Annual Report on Form 10-K at [Investors.BestBuy.com](http://Investors.BestBuy.com).

Feedback about this report is welcome at [CorporateResponsibility@bestbuy.com](mailto:CorporateResponsibility@bestbuy.com).



Strong governance practices are critical enablers of a company’s success. Our corporate responsibility governance structure starts at the highest levels of our company. The fully independent Nominating, Corporate Governance and Public Policy Committee of our Board of Directors oversees Corporate Responsibility & Sustainability (CR&S). The Committee annually reviews our CR&S program and discusses with management relevant strategies and risks. In addition, we have leaders from across the company who advise our CR&S programs and initiatives, support integration, assist in setting goals and measuring results. Each of our four focus areas have a cross-functional working group that meets to discuss programs and progress toward goals.



Everything that Best Buy is now – and strives to become – ultimately ties back to our core values as a company. At Best Buy, we demonstrate our business ethics by living our values:

**UNLEASH THE POWER OF OUR PEOPLE**  
**LEARN FROM CHALLENGE AND CHANGE**  
**SHOW RESPECT, HUMILITY AND INTEGRITY**  
**HAVE FUN WHILE BEING THE BEST**

This means that employees live our values every day through interactions with each other as well as with our customers, vendors, business partners and the communities in which we work and live. It also means our business decisions are not only about financial risk or reward. We train our employees to consider the impact of their decisions on people, communities and the environment. Our yearly training on the Best Buy Code of Business Ethics is required for new employees and includes real examples of ethical dilemmas. Our Code of Business Ethics is available to employees, customers and other stakeholders at **BestBuyEthicsCode.com**.

Best Buy employees have several avenues for resolving work-related complaints, including:

- Speaking directly to their manager, employee relations representative or the Ethics Office.
- Contacting the Ethics Office via mail, phone, email, web or in person.
- Visiting Best Buy's dedicated ethics website (**BestBuyEthics.com**), which is available 24/7 and is operated by an independent third-party company. Once a report is created (with the option of remaining anonymous), it is forwarded directly to the Ethics Office for investigation.



# Responsible Sourcing

At Best Buy, we partner with approximately 160 factories, mainly in China, to produce our private label products. We work with these suppliers on the design, production and testing of these products, and partner with them to ensure they meet our expectations for safe workplaces where workers are treated fairly.



Through our Supply Chain Sustainability (SCS) program, we seek to control risk, enhance the partnership with our suppliers by building their capacity for responsible business practices, and create value for all stakeholders. Our leadership in the Electronic Industry Citizenship Coalition (EICC) includes participating on their Board of Directors, and allows us to partner with many of the national brands we sell, including Apple, Intel, Microsoft and Samsung. Collectively, we embrace a common supplier code of conduct and audit methodology that creates business value by improving working and environmental conditions in the supply chain.



## Part 1 – Code Introduction and Adoption

Before working with new suppliers, we provide an in-depth training on our code and program, and conduct a third-party audit of their facilities, which includes environmental and human rights screening criteria. In fiscal 2016, we screened 100 percent of our new suppliers utilizing environmental and human rights criteria and provided these suppliers with an on-site training focused on the EICC code. When conducting pre-contract screenings, we identify non-conformance and require the supplier to take corrective action. If there is a critical non-conformance, it must be addressed immediately; suppliers that are unwilling or unable to address critical violations are rejected. In the past fiscal year, we rejected 18 percent of potential new factories based on our initial screening.

## Part 2 – Self-Reporting

Existing suppliers assess their performance against the EICC code by completing an annual self-assessment questionnaire (SAQ) and submitting quarterly key performance indicator (KPI) reports. The SAQs help us better understand our suppliers’ policies and management systems, while KPI reports provide insight into their sustainability practices and performance. In fiscal year 2016, we achieved a 100 percent completion rate for SAQs and a 100 percent completion rate for KPIs. Any supplier that does not provide either an SAQ or a KPI report is automatically considered a high-risk supplier and will be audited.

## Part 3 – Risk Assessment

We evaluate our suppliers’ ability to meet the EICC code, which guides how we monitor their performance and build their capacity. Our evaluation takes into consideration several dimensions of business and social risk as well as the factories’ willingness to be transparent. Based on the results of our assessment, suppliers are classified by risk level. We focus our audits and capacity-building on those suppliers identified as medium or high risk. By focusing our efforts, we believe we can more effectively improve environmental practices, better protect worker rights and build a more reliable supply chain. In fiscal year 2016 we updated our risk assessment methodology to incorporate new metrics in an effort to ensure more accurate risk classifications. This will go into effect in fiscal year 2017.

## Part 4 – Monitoring

For suppliers identified as high-risk, a third-party conducts an audit and for medium-risk suppliers Best Buy conducts an audit, in order to identify any gaps between suppliers' performance and the EICC code. We not only assess their social and environmental performance, referred to as “**practices compliance**,” we also review the management system they have in place to drive EICC code compliance, which is known as “**management compliance**.”

Fiscal Year 2016 Audits	Amount
Factory Count (non-U.S.)	160
Number of Third Party-led Audits	99
Number of Best Buy-led Audits	26
Total Number of Audits	125

When non-conformance is discovered, we classify them into the following categories:

- **Priority Non-conformance** is the highest severity audit finding requiring escalation by the auditor and immediate attention by the vendor. Priority Non-conformance consists of findings which represent: 1) a serious non-conformance of the EICC code or applicable legal requirements, 2) an immediate threat to life or health, or 3) risk of serious and immediate harm to the community or environment. The identification of any Priority Non-conformance automatically results in a failed audit. Vendors must take immediate action to remedy all Priority Non-conformances through the Priority Non-conformance Remediation Process.
- **High Risk Major Non-conformance** is a significant failure in the management system that affects the ability of the system to produce the desired results and/or satisfy legally mandated requirements. The identification of High Risk Major Non-Conformances will result in a High Risk Warning. Two High Risk Warnings for the same non-conformance finding within a single year is considered the equivalent of a Priority Non-conformance.
- **Major Non-conformance** is a significant failure in the management system that affects the ability of the system to produce the desired results.
- **Minor Non-conformance** is an isolated or random incident which by itself does not indicate an inherent problem with the management system.

For all types of non-conformance, we conduct follow-up audits to determine if violations – whether priority, high risk major, major or minor – are resolved.

## Part 5 – Capacity-Building

We build our suppliers' capacity so they can close any gap between their performance and the EICC code. We periodically conduct trainings on the EICC code to ensure our suppliers have the tools to meet the code and fully understand our expectations.



In fiscal year 2016, in addition to code training, we continued to collaborate with the EICC to address a common high-risk issue – employment of student workers. Due to a labor shortage in China, some factories partner with vocational schools to fill their labor needs while at the same time providing students with internship and employment opportunities. While these students are of legal age, there are restrictions from the Chinese government on their employment, including the type and hours of work. We also set additional requirements regarding direct contracts with the students and ensuring direct payment is made to the students. Recognizing the potential risks, we take further steps to improve management of student workers that include:

- Providing select suppliers with specialized training focused on student worker management.
- Sending a letter prior to summer and winter vacation – peak season for student workers – to remind factories of our requirements.
- Providing a toolkit we developed in partnership with the EICC, select EICC member companies and the Labour Education and Service Network, a Hong Kong-based non-governmental organization, to help factories properly manage student workers.
- Sending the factories a self-assessment questionnaire so they can identify gaps in their management practices.
- Conducting audits of high-risk factories.

Looking forward, we will expand our training focus to also include worker health and safety, particularly in the areas of chemical management and fire safety. We will begin this work by conducting a survey to understand current processes. The trainings will be based on leading industry practices while addressing gaps found from survey result analysis. We intend to launch these new supplier trainings in fiscal year 2017.

## Part 6 – Reporting

Each year we publicly disclose our suppliers’ rates of compliance against the EICC code. We refer to suppliers’ social and environmental performance as “practices compliance,” and we refer to the management system they have in place to drive EICC code compliance as “management compliance.”

<b>Fiscal Year 2016 Audit Category</b>	<b>Practices Compliance</b>	<b>Management System Compliance</b>
Labor	93%	95%
Health and Safety	85%	99%
Environment	85%	95%
Ethics	100%	78%
Management System	100%	70%

In fiscal year 2016, we did not find child labor, forced labor or freedom of association violations in the factories we audited. If such a violation was to be found, it would be considered a critical violation – the highest severity audit finding – and would require escalation by the auditor and immediate attention by the vendor/factory. Best Buy suppliers are given remediation guidelines to ensure immediate corrective actions are taken, and sustained, to ensure the protection of workers and a continued business relationship with Best Buy.

## **Worker Survey**

Factories in China face a difficult labor market and often struggle to retain employees. This can have a detrimental effect on the quality of products produced at the factory and their ability to be a reliable supplier to Best Buy. To address these challenges, in the past few years, leading companies have implemented factory worker surveys in an effort to move beyond audits and drive sustainable improvements in factory conditions. In fiscal year 2016 we partnered with Verite, a global nonprofit organization dedicated to ensuring fair working conditions. Together, we piloted a worker survey program with three key factories. The worker survey not only allows Best Buy to assess labor conditions at a factory, we are also able to gain invaluable insights that can help factory management better engage workers and strengthen overall business performance through higher retention rates. Through the program, we look to gain a deeper partnership with key factories and drive increased efficiency. At the same time, we are seeking to empower our suppliers, increasing their ownership of sustainable business practices.

The first step of the worker survey consisted of a questionnaire focusing on eight key areas including compensation, working and living conditions, and worker concerns. Next, a smaller sample of workers participated in group discussions to gather feedback on factories' management practices. Finally, individual interviews were conducted with select workers to gain in-depth insights on common issues at the factory. After the worker survey, we conducted follow-up meetings with the pilot factories to help them understand the results of the survey and identify the opportunities for improvement.

In fiscal year 2017, we will continue to work with the pilot factories to track improvements made and the impacts those improvements have on worker engagement and retention. We also plan to conduct several more worker surveys at other key factories.



Our supply chain program also includes the Customs-Trade Partnership Against Terrorism (C-TPAT), a safety and security protocol intended to protect ports and secure borders by eliminating tampering, the unlawful use of containers and unauthorized entrance into shipping facilities. This includes extensive audits of the methods used to store containers securely and conduct background checks on employees and the process of earning certification for the supply chain security program.

In fiscal year 2016 we optimized the program to better align with U.S. Customs requirements and to help make suppliers' management systems stronger. Our program changes include:

- Adding more checkpoints to align our requirements with those from Customs and Border Protection (U.S. Customs)
- Assigning a risk level to each factory based on audit results; the risk level will inform audit frequency
- Accepting other certifications - Global Security Verification (GSV) and C-TPAT joint validation certifications

The Democratic Republic of the Congo (DRC) and its adjoining countries have reserves of tin, tantalum, tungsten and gold (known as 3TG), all of which are commonly used in the manufacturing of many consumer products. Occasionally, these minerals are illegally sourced and traded in the eastern DRC and surrounding areas by armed groups who are responsible for human rights violations. As such, these minerals are known as “conflict minerals.”

In 2010, the United States passed into law Section 1502 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act*, which requires companies to disclose whether the 3TG used in their products originated from the DRC or covered countries, as defined by the law.

Historically, we have had very limited engagement with parties beyond the direct suppliers (i.e. those suppliers with which we have a contractual agreement) in our private label supply chain. Consequently, identifying, with certainty, the smelters, refiners and recyclers and the source of the materials they process is a significant challenge. One way we address this challenge is by participating in and, in some cases, leading collaborative industry efforts that seek to gather accurate data about the sources of 3TG, and encouraging smelters to be validated as conflict-free in an effort to ensure a supply chain in which human rights abuses do not exist.

## Due Diligence

To determine the source and chain of custody of 3TG used in our private label products, we conducted due diligence on our supply chain. Our due diligence process is based on the five-step Organisation for Economic Cooperation and Development (OECD) Guidance, an internationally recognized due diligence framework.



## Performance of our Due Diligence Measures

We are working with consumer electronics and retail industry peers to maximize the efficiency and effectiveness of our efforts to identify relevant smelters and refiners, and encourage their participation in the Conflict Free Sourcing Initiative’s (CFSI) Conflict-Free Smelter Program (CFSP).

We have a Conflict Minerals Policy that established Exclusive Brands commitments regarding the sourcing of 3TG. Such commitments include aligning with the OECD Guidance, supporting industry efforts, and seeking to avoid sourcing 3TG that directly or indirectly benefit non-state armed groups. The policy also establishes expectations for our private label suppliers, including their application of relevant aspects of the OECD Guidance, supporting our efforts to identify smelters and refiners by completing an annual CMRT, and, when available, sourcing 3TG from smelters and refiners validated as conflict free. Our policy can be found at [Corporate.BestBuy.com/Sustainability](http://Corporate.BestBuy.com/Sustainability).

<b>Fiscal Year 2016 Conflict Mineral Program Key Performance Indicator</b>	<b>Percentage</b>
Exclusive Brands factories who attended training	91%
Exclusive Brands factories who received training material	100%
3TG products that have had their supply chains surveyed	100%
Exclusive Brands factories who returned a CMRT	100%

Given our position in the supply chain, we relied heavily on our direct suppliers to provide information about the smelters that provided the 3TG used in our products.

Since we do not have a direct relationship with any smelters in our supply chain, we do not conduct audits. Instead, we support the development and implementation of an effective smelter audit program through our membership in the CFSI, which administers smelter audits.

The CFSI conducts independent, third-party audits to validate that smelters source conflict-free materials. We support many CFSI activities through our participation on work groups and task forces. In particular, we serve on the CFSI Steering Committee and as the Chair of the Smelter Engagement Team, which researches and validates alleged smelters and conducts coordinated outreach to known smelters to encourage them to be audited. We also conducted a total of 20 meetings with non-validated smelter facilities in 2016 in order to provide an overview of CFSI, assess their sourcing practices and encourage their participation in the CFSI audit program.

To date, nearly 87 percent of the processing facilities reported by ExB suppliers have been validated as conflict-free via an independent, third-party audit or have committed to go through an audit. Nevertheless, based on our due diligence process and the subsequent information we gathered, we are unable to determine the origin of all the 3TG used in our products and whether armed groups directly or indirectly benefitted. This is primarily due to the lack of transparency among smelters who have not yet been audited. While there have been improvements in the systems of transparency and control for the sourcing of 3TG necessary to the functionality and/or production of our ExB products, these results are not unexpected, especially given our downstream position as a retailer and manufacturer of ExB products.

Of the smelters and refiners provided by our suppliers, we identified 23 instances for which we had reason to believe that the 3TG they processed may have originated in the DRC or an adjoining country and may not have been from recycled or scrap sources. All 23 of these processing facilities have been validated as conflict-free through CFSI or another independent, third-party audit scheme. Furthermore, we have not identified a supplier, smelter or refiner that we have reason to believe may be sourcing from the DRC or an adjoining country and – directly or indirectly – benefitting armed groups.

In fiscal year 2017, we will continue to focus our efforts on collaborating with both the retail and consumer electronic industries to improve the systems of transparency and control in our supply chain. We will also continue our engagement with ExB suppliers in order to build their knowledge so they are able to provide more complete and accurate information on the source of conflict minerals in our ExB supply chain and, furthermore, to impress upon them our expectation that they also apply the OECD Guidance in good faith.



# Carbon Reduction

Best Buy is committed to addressing climate change by finding cost-effective solutions to save energy and directly reduce carbon emissions through making operational improvements and sourcing renewable energy.

## **New Goal Set**

While the issue of climate change is worldwide, the impact is felt close to home for Best Buy. It is experienced in the communities where we live and work in the form of devastating droughts, severe storms and rising temperatures that affect the environment, our communities and human health. In fiscal year 2016, approximately 60 percent of our large format stores were impacted by extreme weather events.

In addition to these climate impacts, carbon reduction makes good business sense, driving efficiencies and saving costs. In fiscal year 2016, we joined more than 150 leading U.S. companies in signing the American Business Act Pledge on Climate Change. In our pledge, we committed to further advancing our efforts toward addressing this global challenge and achieving our updated carbon reduction goal.

In fiscal year 2015, we exceeded our goal to reduce our carbon emissions 20 percent by 2020. In fiscal year 2016, we reset our goal and pledged to reduce our own absolute carbon emissions by 45 percent by 2020 to be achieved through operational reductions and renewable sourcing (over a 2009 baseline). This science-based goal was set shortly after CDP awarded Best Buy a perfect score of 100A on the climate disclosure survey.

## **Renewable Energy**

Renewable energy is a new component of our 45 percent by 2020 goal, with up to 12 percent of the reduction being achieved through a combination of on-site renewables, offsite renewables and REC purchases.

On-site renewables systems are not a viable option for Best Buy because the majority of our facilities are leased. Therefore, we have been a strong supporter of renewable energy through the purchase of Renewable Energy Credits (RECs). In calendar year 2015, we offset approximately 21 percent of our U.S. electricity through RECs. In January 2016, through the EPA's Green Power Partnership, we ranked No. 49 overall and No. 4 among retailers. Our REC program was an independent emission reduction effort, which was not counted toward our 20 by 20 reduction goal.

## **Energy Use in Our Stores**

The **Energy Management System** we have been using in our stores since 2012 has been a substantial factor in our past carbon reduction. It allows us to automate the lighting, heating and air conditioning, thereby optimizing store energy usage. We are also still realizing the benefits of our fiscal year 2015 store lighting retrofit project. We transitioned 840 stores from high-wattage, metal halide fixtures to more efficient, lower-wattage fluorescent fixtures. It reduced our lighting energy usage by nearly half.

In fiscal year 2017, we will be working on several projects to uncover energy-saving opportunities in our locations, including increased use of LED lighting, improved display management and equipment process improvements.

## **Dedicated Fleet**

In addition to our customer-facing vehicles, we closely manage our fleet of inventory distribution trucks. We continue to reduce "empty miles," (miles driven with no products in the truck), by backhauling e-waste to the distribution centers, where it is collected by our recycling partners.

In addition, we require our dedicated fleet transportation partners to follow these policies and requirements:

- Be certified through the EPA's SmartWay program
- Follow the Coalition for Responsible Transportation's standards for using certain trucks and engines
- Adhere to our "No idling" policy

## Geek Squad Vehicles

We closely manage the carbon emissions of our fleet of more than 4,000 Geek Squad vehicles. We aim to use smaller vehicles as often as possible, and map the most efficient routes to our destinations. In order to meet customer demand, we needed to add more than 100 vans and small trucks to our fleet in calendar year 2015, which increased our fuel usage slightly compared to 2014.

We continue to build efficiency through the use of telematics that we deployed to our fleet in fiscal year 2015. Telematics technology allows the tracking of key vehicle performance metrics, which can be used to potentially route, monitor, locate and service vehicles within our fleet.

Telematics helps increase our Geek Squad fleet efficiency by:

- Ensuring unused vehicles are repurposed or retired
- Reducing fuel expense through efficient routing and reduced speeding and engine idle time
- Reducing maintenance expenses through real-time vehicle diagnostics and maintenance records

We are also part of the Department of Energy's National Clean Fleets Partnership. This public/private partnership provides fleets with resources, expertise and support to incorporate fuel-saving measures into operations.

## Looking ahead

In April 2016, we announced the rollout of nearly 1,000 Toyota Prius c hybrids nationwide to serve as our new Geekmobile vehicles. When Geek Squad began more than 20 years ago, it was a small, local business dedicated solely to repairing personal computers. Now, it is a national organization of more than 20,000 Agents who help customers learn about and enjoy their technology, and the new Geekmobile better reflects today's new Geek Squad.

Geek Squad selected the Toyota Prius c because of its innovative engineering and environmental advantages. The Prius revolutionized the auto industry as the first mass-produced hybrid car.

Switching to the Prius c will cut the Geekmobile fleet's carbon emissions in half. The car gets an EPA-estimated 53 miles per gallon in the city. That's more than double the fuel economy of the previous Geekmobile and it is top among all non-plug-in cars.





## Global Climate Engagement

In fiscal year 2016, Best Buy's Vice President of Public Affairs & Sustainability attended COP21, the United Nations global conference on climate change. COP21 brought together business, nonprofit and government leaders from around the world to collectively agree to reduce the carbon emissions that are warming our planet and creating economic risks. By participating in COP21 in Paris, we continued to deepen our relationships with government officials and business leaders and helped influence the climate change policies that will help our company and our customers move to a low-carbon economy.

The 187 countries who gathered in Paris unanimously agreed to reduce their carbon emissions to confront climate change. The following outlines our four key takeaways from COP21:

**Our world is united** – This remarkable agreement resulted from the public and private sectors working together to forge a global pact to keep global warming well below 2 degrees Celsius (3.6 degrees Fahrenheit), with a target of below 1.5 C (2.7 F).

**Long-term goals were set** – As part of the agreement, countries will report on their progress with emissions reduction every two years and set new goals every five years.

**Best Buy is helping lead where it matters most** – The agreement confirms that our commitment to carbon reduction is in lock step with what matters most. Countries worldwide made carbon commitments, and by setting our own carbon-reduction goal of 45 percent by 2020, we are fully aligned with what's meaningful to our customers, our business and the planet.

**Youth and technology are key** – It became abundantly clear that future solutions for addressing climate change will come from technological innovation powered by our nation's youth. Our partnership with Climate Generation enables its network of education ambassadors to further empower young people to speak out about climate change. Our ongoing teen programming, such as Geek Squad Academy and Teen Tech Centers, will further help youth use technology to help lead the way.



*Laura Bishop, vice president of public affairs and sustainability (upper right), speaking to educators at the COP21 climate conference*

## Carbon Reporting

Since 2008, we have disclosed carbon emissions data to the CDP. Each year, we have increased the boundaries of our reporting and/or become more refined in our reporting methodology. In 2010 we adjusted our reporting boundaries to include all locations in Canada and Mexico, a square footage increase of 12.6 percent. In 2011, we included some scope 3 (indirect emissions) activities. In 2012, we added two additional scope 3 categories (Use of Sold Product and Employee Commute). In 2013, we developed an industry-leading waste emissions calculator to measure the carbon impacts of our waste, recycling and compost programs. In 2014, we continually improved upon our reporting methodologies, increasing the accuracy of our inventory as well as our reporting frequency. This resulted in a perfect score of 100A.

The methodologies used to report our energy consumption include:

- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)
- U.S. EPA Climate Leaders: Direct Emissions from Stationary Combustion
- U.S. EPA Climate Leaders: Direct HFC and PFC Emissions from Use of Refrigeration and Air Conditioning Equipment
- The Climate Registry: General Reporting Protocol

## Energy and GHG Data EN 3-7, 15-19

Key Performance Indicator	DATA
Energy consumption within the organization	Fuel consumption: 2,883,506,400,000,000 joules Electricity consumption: 1,074,586 MWh Total scope 1 & 2: 1,875,560 MWh
Energy intensity	0.0332275 MWh/Sq Ft
Reduction of energy consumption	34,415 MWh or 1.8% reduction year-over-year
Direct GHG emissions (Scope 1)	219,869 MT CO <sub>2</sub> e
Energy indirect GHG emissions (Scope 2)	*354,451 MT CO <sub>2</sub> e
Other indirect GHG emissions (Scope 3)	1,019,791 MT CO <sub>2</sub> e
GHG emissions intensity	0.01017468 MT CO <sub>2</sub> e/Sq Ft
Reduction of GHG emissions	*120,444 MT CO <sub>2</sub> e, or 17.3% reduction year-over-year

\*not including RECs



# Sustainable Products

At Best Buy, we are committed to providing our customers with a wide assortment of sustainable products. This includes offering a large selection of energy-efficient products, and “Connected Home” products, as a smart home is a more sustainable home.

## ENERGY STAR G4-EN7, EN27

At Best Buy, we offer a large selection of ENERGY STAR<sup>®</sup> certified products to help our customers save money, reduce energy use and protect the environment by meeting strict energy guidelines set by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy. Our U.S. customers purchased more than 19 million ENERGY STAR certified products in fiscal year 2016 and realized utility bill savings of more than \$40 million<sup>1</sup>. This energy savings equates to more than 515 million pounds of CO<sub>2</sub> emissions avoidance<sup>2</sup>, or the equivalent of removing nearly 50,000 cars from the road<sup>3</sup>. Learn more about U.S. ENERGY STAR certified products at [BestBuy.com/ENERGYSTAR](http://BestBuy.com/ENERGYSTAR).

Since their launch in 2008, Best Buy's exclusive **Blue Label laptops** have changed the dynamic of how laptops are designed. Each generation brings insights from Best Buy customers and employees into desired features, styling and performance. These are translated into product specifications for further development by our leading computing partners. The resulting laptops are offered exclusively at Best Buy stores and online. In fiscal year 2016, all of our Blue Label laptops met ENERGY STAR certification criteria. Moving forward, ENERGY STAR certification is required for all Blue Label laptops.

The EPA has named Best Buy a Retail Partner of the Year for the third consecutive year. This is the first year we received the Sustained Excellence designation. This award is based on our outstanding marketing and customer education of the benefits of ENERGY STAR certified products. We trained more than 100,000 Blue Shirts over the last seven years on the benefits of ENERGY STAR certified products. We also educated customers about ENERGY STAR both in store and online. The ENERGY STAR logo is featured on all appliance fact tags in store and our Best Buy ENERGY STAR video plays on in-store televisions throughout the year.

## EPEAT

In addition to ENERGY STAR, which focuses on the customer-use phase, we identify, mark and promote EPEAT<sup>®</sup> products for our business customers. These products are rated on more than 50 environmental-performance criteria regarding design, production, energy use, product longevity and recyclability – with ongoing, independent verification of manufacturer claims. Materials used in TVs, computers and printers contain reduced amounts of hazardous materials, such as mercury and lead. Best Buy customers purchased more than 3 million EPEAT-registered products, which collectively helped prevent the generation of hazardous materials equivalent to the weight of 35,000 refrigerators<sup>4</sup>.

1. Savings based on Best Buy's fiscal year 2016 sales and the difference in U.S. Environmental Protection Agency's ENERGY STAR Program data regarding annual unit energy consumption between non-ENERGY STAR certified products and ENERGY STAR certified products. Electricity rate is \$0.121/kWh.

2. Savings based on Best Buy's fiscal year 2016 sales and the difference in U.S. Environmental Protection Agency's ENERGY STAR Program data regarding annual unit energy consumption between non-ENERGY STAR certified products and ENERGY STAR certified products. Emissions factors are 1.53 pounds CO<sub>2</sub>/kWh and 117.29 pounds CO<sub>2</sub>/MBtu.

3. Savings based on Best Buy's fiscal year 2016 sales and the difference in U.S. Environmental Protection Agency's ENERGY STAR Program data regarding annual unit energy consumption between non-ENERGY STAR certified products and ENERGY STAR certified products. Emissions factors are 1.53 pounds CO<sub>2</sub>/kWh, 117.29 pounds CO<sub>2</sub>/MBtu, and 10,472 pounds CO<sub>2</sub>/car/year.

4. Savings based on Best Buy's fiscal year 2016 sales of EPEAT registered desktop computers, computer displays, notebook computers, printers and multi-function devices compared to non-EPEAT registered equipment, calculated using the U.S. EPA Electronics Environmental Benefits Calculator Computer v 4 and Electronics Environmental Benefits Calculator Imaging Equipment v 1. Savings result from avoiding the use of toxic materials such as lead in printed circuit boards and mercury in light sources, which require special handling and treatment at the end of the product life.

## Connected Home Products

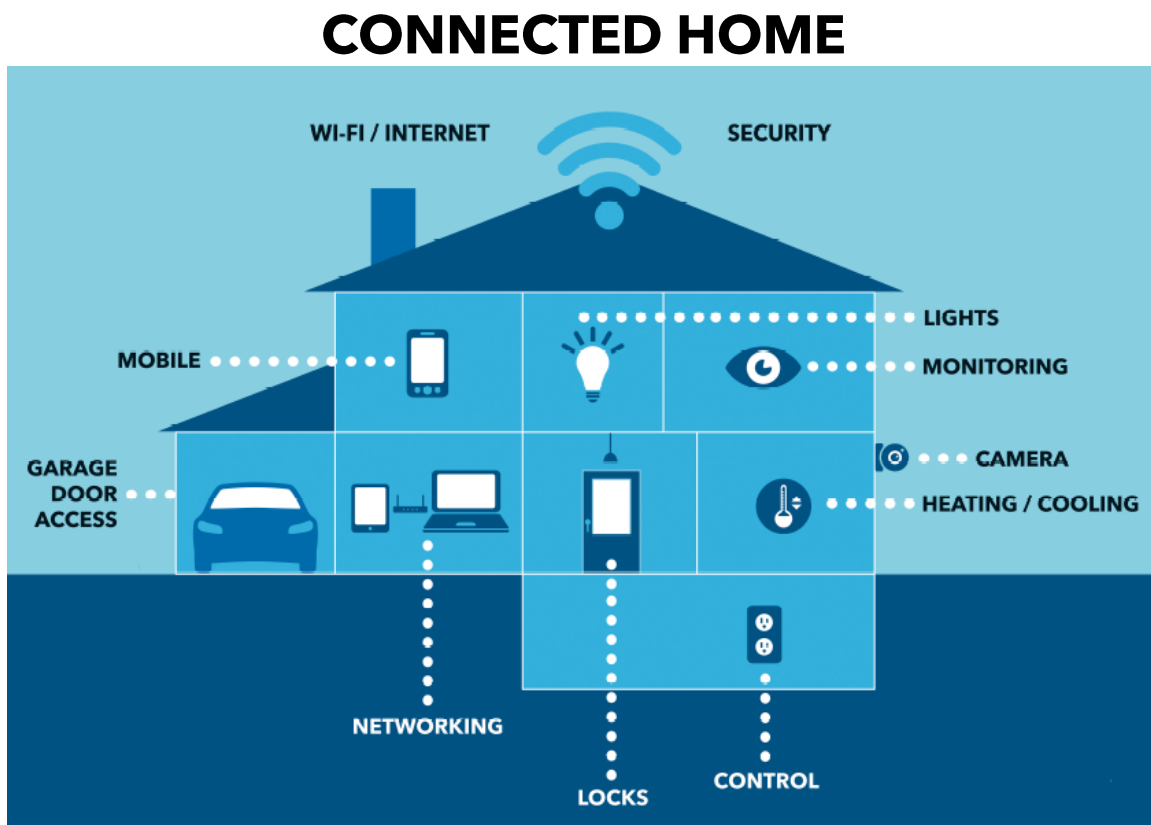
A growing category for Best Buy, called Connected Home, features smart devices that automate functions in a home. These products not only make our customers' lives easier and provide peace of mind, but many also deliver environmental benefits. Examples include:

**Smart Thermostats** – They save money and energy while improving the comfort of customers' homes. These devices are “smart” because they are able to observe patterns and make adjustments such as turning off when the house is empty and dynamically building a profile based on actual household schedule, not pre-programmed inputs. Optimized performance not only reduces utility bills, it extends the lifespan of the home's heating and cooling equipment.

**Smart Lighting** – LED light bulbs are more energy efficient, contain fewer hazardous chemicals and last longer than a traditional bulb. Smart lighting systems provide even more power reduction options such as remote access and geo-fencing technology.

**Smart Irrigation** – Select Best Buy stores now carry a Wi-Fi enabled irrigation control that utilizes real-time weather data and analytics to use less water while maintaining a healthy yard. The system can conserve 15 to 40 percent of water – that's thousands of gallons of water per year, per household, which is especially relevant in parts of the U.S. where water scarcity is an issue.

**Energy Tracking** – Another energy-saving product that can be found at Best Buy stores is a home energy meter, which helps customers monitor electricity consumption real-time from a smartphone. This product can help identify the products in a home that are using an excessive amount of energy.



## Solar Panels

Another way we help customers live more sustainable lives is by helping them utilize renewable energy, in the form of solar panels. More than 250 of our stores in 18 states have representatives from solar panel vendors who are available to educate customers on the benefits of using solar panels and help facilitate installation. Through this relationship that began in 2014, SolarCity has installed systems on more than 5,000 Best Buy customers' homes. The in-store solar experts can quickly use satellite imagery to assess the solar power potential in a customer's home, making the switch easy. Solar panels can be leased, installed and in-use within weeks.





## Chemicals in Products

Over the past several years, there has been heightened awareness about potentially hazardous chemicals in products. At Best Buy, we are actively working to protect our consumers through safer alternatives or by eliminating potentially harmful chemicals.

### Green Chemistry & Commerce Council

Another important way we are addressing chemicals is through joining the Green Chemistry & Commerce Council (GC3), a business-to-business forum that works collaboratively to accelerate the application of green chemistry across industry sectors and supply chains.

We are a member of the Retail Leadership Council (RLC), where we collaborate with peer companies to promote safer chemicals, materials and products. The RLC is composed of a select group of retail leaders who are working proactively to:

- Understand what chemicals are in our products
- Develop chemicals policies
- Engage our suppliers in improving chemical management
- Identify and implement safer alternatives to chemicals of concern
- Educate our customers

In fiscal year 2016, through the RLC, we participated in a joint statement on using green chemistry and safer alternatives to advance sustainable products: <http://www.greenchemistryandcommerce.org/documents/RLC-JointStatement.pdf>

Thus far, our approach to chemicals in products has come to life on a project basis. Moving forward, we plan to incorporate the work into our ISO 14001-certified Environmental Management System.



# Repair, Reuse, Recycle

At Best Buy, we support our customers throughout the life cycle of their products. We offer a full suite of services to extend the life of products, give products a second life and provide convenient end-of-life options.

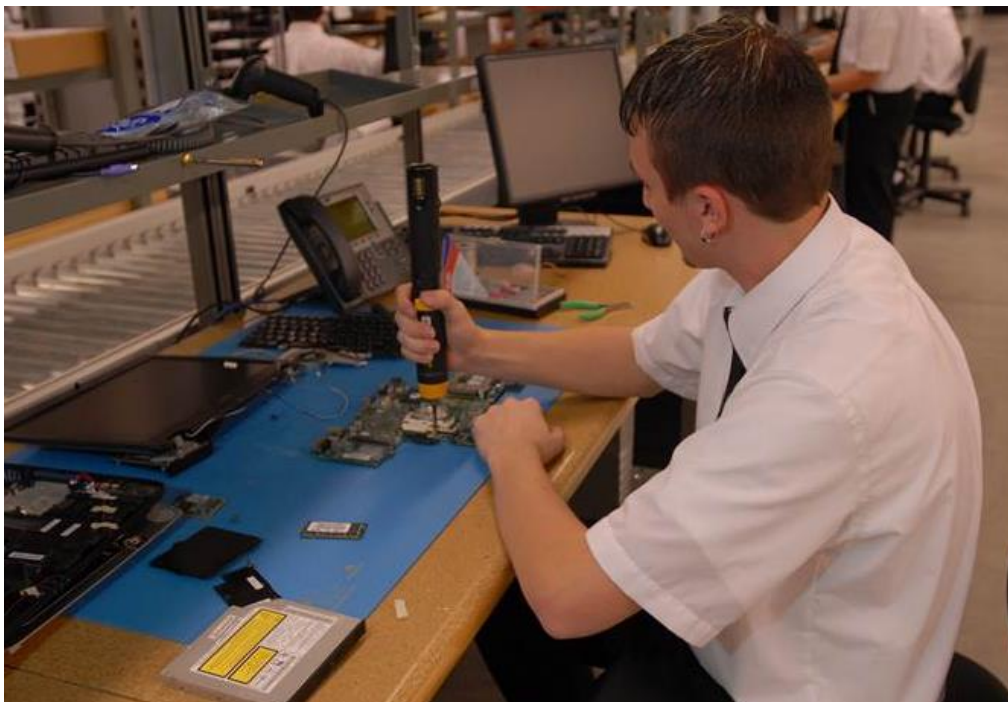


## Repair

We want to help customers extend the life of their products – and we do this using the skills of our more than 20,000 Geek Squad Agents and repair partners. In fiscal year 2016, Best Buy repaired millions of devices, saving customers money and keeping electronics in the “use” phase.

In addition to our in-home repair service, focusing primarily on television and appliance repair, every large-format Best Buy store houses a Geek Squad Precinct. This is where everything from computers to mobile phones to digital cameras are repaired. In addition, remote Agents support software repair, keeping our customers’ computers and tablets functioning. We also operate eight repair depots including Geek Squad City, a facility in Louisville, Kentucky, encompassing nearly four acres and housing the largest concentration of Agents anywhere on Earth.

For those customers who choose to repair their products at home, we help support them with PartStore, a convenient website where customers can access more than 4 million replacement parts to fix their own devices.



## Trade-in

The Best Buy Trade-In Program is the core of our “reuse” phase of the product lifecycle. We offer customers a convenient way to get value for products that are still in good, working condition. These products are typically re-sold in secondary markets, bringing a useful second life for products that might otherwise end up recycled or in a landfill. Another benefit of the Best Buy Trade-In Program is it gives an opportunity for those who may not be able to afford brand-new technology.

We are constantly evaluating categories where we can offer consumers value for electronics they no longer use.

## E-waste Recycling

To address the issue of e-waste, in 2009 we established our recycling program. We continue to operate the most comprehensive consumer electronics takeback program in the U.S. In fiscal year 2016 we introduced changes to our in-store recycling program that allow us to continue to provide this service for our customers.

We are now charging customers \$25 for each TV and computer monitor they recycle at our stores<sup>5</sup>. The new fees help cover the increasing costs of managing TV and monitor disposal through our network of stores, distribution centers and recycling partners. Increased costs have stemmed from lower commodity prices and a dramatic decline in global outlets for recycled glass, a key component of TVs and monitors. All other products – such as batteries, ink cartridges, computers, printers and hundreds of other items – continue to be recycled for free at all of our stores. In addition, Best Buy will haul away old appliances or TVs larger than those accepted in stores from customers' homes for a small fee with the purchase of a new unit.

In 2009, we set a U.S. goal to collect 1 billion pounds of consumer electronics and appliances for recycling by the end of 2014. In June of 2014, we met this goal. Best Buy renewed our commitment to the challenge of e-waste by setting a new goal to collect an additional 2 billion pounds of consumer electronics and appliances for recycling by the end of 2020. In fiscal year 2016 alone, we collected more than 161 million pounds of consumer electronics and 106 million pounds of appliances.

### Our Recycling Standards

At Best Buy, we provide a responsible way for our customers to recycle their old electronics. We promote environmental stewardship by requiring all of our recycling service providers to adhere to Best Buy standards and contractual obligations, recurring onsite, desktop and downstream audits as well as certify their operations to ISO14001 standards. In addition to our own standards, we require all electronics recycling partners to maintain eStewards<sup>®</sup> or R2<sup>®</sup> industry certifications.

### Customer Data Privacy and Recycling

Another concern when recycling electronics is ensuring that any customer data left stored on such products is handled appropriately. To ensure our customers' data is protected, we have strict data privacy protection requirements for our employees and our partners. We only work with pre-qualified companies in our secondary markets and we regularly audit our recycling partners to ensure compliance with our data privacy standards. Visit [BestBuy.com/Recycling](http://BestBuy.com/Recycling) for more information about how to recycle electronics at Best Buy stores. See page 40 for further discussion on customer data privacy.

We are working collaboratively with the industry to minimize the impacts of e-waste through our participation in the following working groups:

- EPA's Sustainable Materials Management Working Group
- R2 Technical Advisory Committee

5. Due to state laws that limit end-of-life fees, we determined that we could no longer collect TVs and computer monitors for recycling in Illinois, Pennsylvania and Connecticut.

## **Battery Recycling**

Best Buy stores, service centers and distribution centers collected more than 225,000 pounds of used rechargeable batteries for recycling in 2015. The recycling kiosk located in each store accepts used rechargeable batteries as well as other recyclable items, making it quick and easy for customers to recycle. Best Buy partners with Call2Recycle<sup>®</sup> - North America's first and largest consumer battery stewardship program. For the past four years, Best Buy has been named a Call2Recycle Leader in Sustainability for our strong commitment to sustainability through our consistent participation in the program.

## **Recognition**

In 2015, Best Buy was again awarded the EPA's Sustainable Materials Management (SMM) Electronics Challenge Champion and Gold Level Participant Awards. Award recipients at these levels are regarded as having the highest level of vision, coalition-building, and execution of programs and policies related to responsible used-electronics management. Best Buy received the award because of our convenient and accessible recycling locations, internal and external communication efforts about the value of recycling, comprehensive and successful recycling program and using certified third-party recyclers to handle all of our collected product.



# Digital Divide

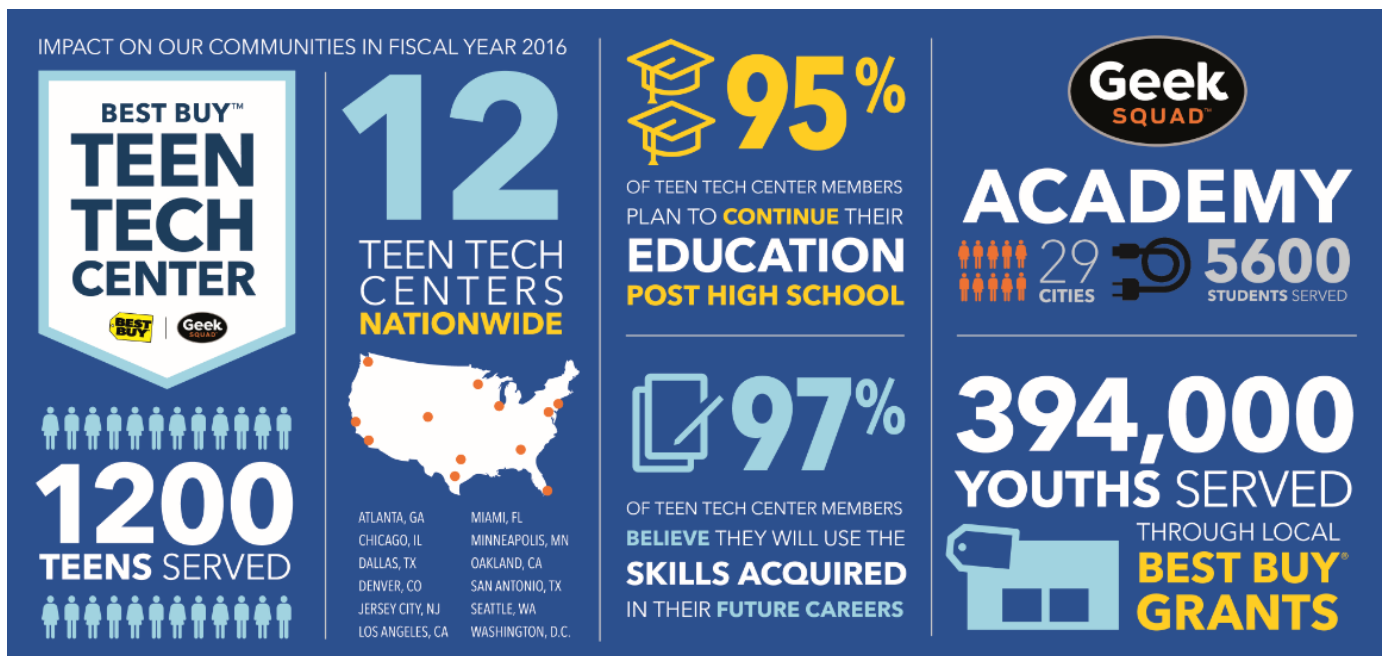
We provide underprivileged teens with access to the opportunities that technology can provide, helping build their technology skills and prepare for future careers.

## Digital Divide

Despite incredible advances in technology to help Americans connect, interact and learn, more and more young people are being left behind as the digital divide persists.

Youth from underserved communities and lower-income families often lack access to tech tools like computers and internet connections — along with training in how to use them. This creates a very real challenge for preparing the next generation of talent our country needs to compete and succeed in a global economy. At Best Buy, we believe that we have a responsibility to share our knowledge and resources to help underserved populations have access to and experience the benefits of technology. We are partnering with the federal government and national and local nonprofit organizations across the country to tackle this issue.

Specifically, Best Buy Teen Tech Center and Geek Squad Academy programs aim to narrow the digital divide by encouraging teens to explore technology through immersive training in digital music and film production, digital photography, coding, 3D design, robotics and more. We are intensifying efforts in fiscal year 2017 to confront the technology gap through expanded programs that help underserved young people develop the skills they need to be successful in school and in their future careers.



## Best Buy Teen Tech Centers

Best Buy Teen Tech Centers provide free after-school programs year-round where teens can develop technology skills through hands-on activities such as coding, robotics, filmmaking, music production, graphic design, mobile applications and game development. We partner with the Intel Computer Clubhouse Network to assist with program development, support the centers' staff and monitor results. In fiscal year 2016, our eight Teen Tech Centers served more than 1,200 teens.

In fiscal year 2017, four new Teen Tech Centers will open their doors to serve local youth. Following an open grant submission process, Best Buy selected the Atlanta Fulton Public Library System in Atlanta; the Juanita J. Craft Recreation Center in Dallas; the P.F. Bresee Foundation in Los Angeles, and Alternatives in Action in Oakland, California, as partners. They join existing centers in Chicago; Denver; Jersey City, New Jersey; Miami; Minneapolis; San Antonio; Seattle, and Washington, D.C.

## Geek Squad Academy

Similar to the curriculum taught at Best Buy Teen Tech Centers, Geek Squad Academy (GSA) is an immersive tech training camp. Best Buy partners with local nonprofits and other organizations to expose students ages 10 to 18 to the latest technology in a fun, interactive setting through the two-day sessions. Local Geek Squad Agents and Best Buy Blue Shirts teach the interactive, hands-on curriculum at local community centers and schools. In fiscal year 2016, we held academies in 29 cities across the U.S.



In fiscal year 2017, GSA will celebrate its 10<sup>th</sup> year of providing free tech training camps to youth across America. More than 6,000 students will attend camps during GSA's 10<sup>th</sup> season. The summer series will include a total of 30 camps that will conclude in September. Since its inception in 2006, GSA has inspired more than 30,000 kids from underserved communities to become the new generation of engineers, entrepreneurs, teachers, designers and dreamers.

## ConnectHome

Best Buy continues to support ConnectHome, a public-private collaboration to help bridge the digital divide for families with school-age children living in U.S. Department of Housing & Urban Development (HUD) housing. As part of the HUD partnership, Best Buy will provide free digital literacy training and Geek Squad Academy courses to teens in public housing in more than 20 cities. Teen Tech Centers will be used as training and distribution locations for ConnectHome families receiving devices and internet services.

As part of the ConnectHome initiative, in June 2016, we will be holding a Geek Squad Academy camp in partnership with the Choctaw Indian Nation and Durant Independent School District. This will be the first GSA on a Native American reservation and we anticipate about 180 youth "Junior Agent" participants.

# Other Issues

- Community Support
- Data Privacy
- Diversity & Inclusion
- Employee Engagement
- Environmental Management
- Human Rights
- Paper Procurement
- Political Activity
- Product Safety
- Supplier Diversity
- Waste Diversion



## Community Support

Giving back to the community is core to how we do business at Best Buy. Every year through the Best Buy Foundation and our corporate giving programs, we help strengthen the communities where our employees and customers live and work. Our philanthropy aligns with our commitment to helping teens build their technology skills and prepare for college and future careers. Since 1999, we have donated more than \$325 million.

Our employees generously share their time and expertise volunteering with local organizations, and are essential to how we support our communities. We create opportunities for employees to participate in everything from leading technology workshops at schools to responding in times of disaster. Employees are encouraged to support causes that are personally rewarding and we recognize their involvement through the TagTeam Award program, which gives monetary donations to nonprofit organizations where groups of employees volunteer their time.

We want to thank our customers who participated in the St. Jude *Thanks and Giving Campaign*<sup>®</sup> at Best Buy. The campaign is an annual fundraiser where companies, celebrities and the media unite in encouraging people to support the work of St. Jude—the Tennessee-based children’s research hospital that serves pediatric patients from all 50 states and around the world. Our customers donated more than \$10 million to St. Jude in fiscal year 2016.

Our employees in Asia participate in two mentoring programs, Youth for Environmental Sustainability (YES) and Organic Garden, both of which educate students on the importance of being environmentally aware and, in turn, being responsible citizens. YES and Organic Garden are initiatives created by Shanghai Roots & Shoots, a nonprofit organization that was founded by primatologist Dr. Jane Goodall in 1991 to teach young people about environmental issues and humanitarian values through group interactions. Best Buy employees conduct “eco action” projects at local schools, where they shed a new light for students on environmental issues through drawings, poetry, music and drama.

## Data Privacy G4-PR8

Best Buy is committed to protecting the privacy of our customers’ information and we use a variety of information security measures to protect their transactions and valuable data. Whether customers are shopping online or in our stores, we use security best practices to protect the confidentiality of personal information under our control, and we appropriately limit access to it. Our websites use encryption technology, such as Secure Sockets Layer (SSL), to protect customers’ personal information including names, addresses and credit card numbers. Information provided to us via our in-store kiosk does not traverse the public internet.

We have also been awarded the TRUSTe Privacy Seal—meaning our privacy policy and practices are in compliance with TRUSTe’s program requirements. Specific details of Best Buy’s commitment is detailed in Best Buy’s Privacy Policy ([BestBuy.com/Privacy](https://www.bestbuy.com/privacy)). Best Buy employees and contractors are required to understand and comply with the policies, standards and guidelines concerning data privacy and protection, and know how they apply to each person’s work to ensure we respect and protect our customers’ privacy.

In fiscal year 2016, Best Buy did not report any significant substantiated complaints regarding breach of customer privacy and loss or customer data.



## Diversity & Inclusion G4-10, HR3, LA12

In order to lead and innovate in our fast-changing industry, we have a responsibility to encourage new ideas, reward high-quality work and empower our employees to take control of their careers. By treating each other respectfully and ethically at all times, we unleash the unique talents, skills, and perspectives that reside within every one of us.

Best Buy is not merely a company, it is a community of people. And, like any other community, we are continually energized by the uniqueness of every individual. That is why we aspire to celebrate differences and place value on diversity in everything we do. Best Buy will not discriminate based on age, sex, race, color, ethnicity, citizenship, national origin, sexual orientation, gender identity, creed, religious preference or belief, disability, marital/family status or any other characteristic protected by law. Other characteristics may be recognized and protected under specific national, provincial, state or local laws, regulations, or ordinances. Best Buy is dedicated to ensuring this policy is followed during hiring, selection for training, promotion, transfer, layoff, termination, leaves of absence, rates of pay or any other term or condition of employment. When needed, Best Buy will provide reasonable accommodations for disabled employees or those with specific religious requirements. Acting in accordance with these guidelines shows respect, humility and integrity while helping to create a positive work environment for everyone.

Best Buy promotes participation in our Employee Business Networks (EBNs), which are groups of employees who form networks based on a shared dimension of diversity, such as: age, race, ethnicity, gender, disability, sexual orientation and gender identity. These groups are led by employees and promote an inclusive environment.

Employee Diversity	FY14	FY15	FY16
Hispanic Employees (U.S.)	17%	18%	19%
African-American Employees (U.S.)	14%	15%	14%
Asian-American Employees (U.S.)	4%	4%	5%
Female Employees (Enterprise)	30%	28%	26%
Female Executives (V.P. and above), (U.S.)	31%	34%	35%

Board of Directors Diversity*	Members
Total Number of Directors	10
Hispanic Board Directors	0
African-American Board Directors	0
Asian-American Board Directors	0
Female Board Directors	3

\*As of 1/30/2016

## **Employee Engagement**

### **eVoice Survey**

Each year, we ask employees from across the organization what they think about working at Best Buy. We use a formal survey called eVoice to establish a baseline of employee engagement and identify areas to improve the employee experience. The eVoice survey collects feedback from employees across the enterprise in Canada, China, Mexico and the U.S. The survey provides insight not only into employee engagement, but 11 other dimensions of the workplace environment.

When employees can bring their whole selves to work, there are better outcomes for the individual and the organization. We know that a higher level of employee engagement correlate to better customer experience, stronger financial performance and higher levels of retention, which is why we strive for a highly engaged workforce.

Through our eVoice survey in fiscal year 2016, we saw the number of engaged employees grow to 86 percent. We increased an average of 160 basis points on all dimensions of the survey. We also experienced a historically high number of survey responses in fiscal year 2016.

All leaders are expected to use survey results to build action plans with their teams to improve engagement levels. Using feedback from the fiscal year 2016 survey, leaders committed to further improving the employee experience and action planning at enterprise and functional levels. There will be continued focus on improving Best Buy's overall leadership capability through:

- Introduction of a leadership development program
- Ongoing 360 feedback and annual talent reviews
- Training to support more frequent and specific performance feedback to each employee

To streamline the action planning process, we launched an online tool for employees, and look forward to tracking the adoption rate in fiscal year 2017.

### **Leadership Expectations**

In fiscal year 2016, Best Buy continued to operate a program called Leadership Expectations, an effort to be explicit and transparent in the behaviors people managers need to model and reinforce.

A leader at Best Buy is expected to:

- Live the values – Exhibit behaviors foundational to and characteristic of the best of Best Buy
- Lead people – Recognizes diverse talent and develop self, individuals and the team
- Set direction – See through complexity, consider alternatives and find the best possible path
- Drive results – Set expectations, drive accountability and move the team/organization to achieve goals

### **Net Impact Corporate Chapter**

Best Buy engages employees around sustainability issues through a chapter of the global nonprofit, Net Impact. Net Impact's 100,000 members use the power of business to make a positive social and environmental impact. At Best Buy, the chapter focuses on educational events, networking, campus "greening" projects and community service.

## Environmental Management G4-EN29

To help manage progress toward our environmental goals and ensure compliance, we use an ISO 14001-certified Environmental Management System (EMS). The certification, awarded in June 2012, covers all U.S. operations and made us the first U.S. large-format retailer to earn this certification.

As part of our Environmental Statement ([Corporate.BestBuy.com/Sustainability](http://Corporate.BestBuy.com/Sustainability)) Best Buy commits to:

- Systematically manage and continuously improve the environmental performance of our operations and supply chain
- Provide customers with a variety of product options and the best information available so they can make sustainable choices
- Continue to develop appropriate waste minimization, pollution prevention and accessible recycling programs
- Comply with all applicable environmental laws and regulations

We are pleased to report no significant fines or non-monetary sanctions implemented against Best Buy for environmental non-compliance in fiscal year 2016. After a successful audit in fiscal year 2016, Best Buy has been recommended for re-certification for fiscal year 2017.

## Human Rights G4-15

Doing business the right way means we understand how our operations, our products and services and even our business relationships could affect employees, our customers and people in the communities where we operate. We are committed to addressing any adverse impacts we may encounter. To that end, we have taken steps to align with the *United Nation's Guiding Principles on Business and Human Rights* (UNGPR), which is widely accepted as the global standard for how businesses should respect human rights.

This past year, in partnership with Business for Social Responsibility (BSR), we completed a Human Rights Impact Assessment to identify actual and potential risks and to better understand which rights are most relevant to our business. Results of the Impact Assessment concluded that Best Buy operates in a relatively low-risk industry and that we have effective management systems in place. Of course, there are always opportunities to strengthen practices and we are actively working to make improvements on the minor findings that were identified. One example includes reviewing human rights-related employee policies, such as dress code and social media, from Best Buy operations outside the U.S. to ensure they include the same protections that are embedded in the U.S. employee policies.

In fiscal year 2016, we also released an updated Human Rights Policy, in which we focus on the following stakeholders:

- Respecting the rights of **workers** by improving labor conditions and environmental practices at facilities that manufacture or recycle electronics for Best Buy.
- Respecting the rights of **Best Buy employees** and striving for a diverse, inclusive and respectful workplace free of harassment and discrimination.
- Respecting the rights of our **customers**, including their right to privacy.
- Seeking to advance the right to education in the **communities** where we operate by sharing our knowledge of technology.

Looking forward, we are working on a human rights training for our employees. We have taken steps to develop a management system for human rights, based on our ISO14001 certified Environmental Management System, and we plan to further expand it in fiscal year 2017.

## Paper Procurement

As part of our environmental stewardship, we are committed to the protection and efficient use of the world's resources, including the forests used for the paper we procure. Working closely with external stakeholders, in fiscal year 2016, we released a new paper procurement corporate statement found at [Corporate.BestBuy.com/Sustainability](http://Corporate.BestBuy.com/Sustainability).

In the statement, we have committed to setting clear paper procurement requirements including:

- Requiring 100 percent of paper procured to be certified to an internationally-recognized forestry standard:
  - Preference will be given to Forest Stewardship Council (FSC)-certified paper when commercially viable
  - Other recognized certifications include Sustainable Forestry Initiative (SFI), Programme for the Endorsement of Forest Certification (PEFC) and Canadian Standards Association (CSA)
- Acquiring chain of custody statements for all insert paper
- Maintaining at least 30-percent recycled content in our office paper
- Expecting suppliers to demonstrate commitment to sustainably managed forests and require:
  - Adherence to all laws and regulations, ensuring fiber sources are known and legal
  - Use of an Environmental Management System (EMS) to evaluate environmental risks in a systematic manner and support continual process improvement
  - The rights of workers to be respected, as detailed in the Best Buy Supplier Code of Conduct
- Evaluating supplier performance annually; a loss of contract could occur due to a supplier's inability to demonstrate adherence to this policy
- Continuously improving the sustainability of paper sourcing through reduction of use, improved forest management practices and/or increased recycled content

## **Political Activity G4-SO6**

We believe it is important to work with policymakers on issues impacting our customers, employees, businesses, shareholders and communities. We know that collaboration helps bring about change that better serves the communities where we live and work. Our public policy work directly aligns with our business strategy, as well as our aspiration to be environmentally and socially accountable for our brands and business operations worldwide.

In 2015, public policy priorities for Best Buy included:

**E-fairness** – Best Buy supports passage of e-fairness legislation, which would allow all retailers to compete on a level playing field while serving customers across all selling channels.

**Financial Services** – Access for consumers to affordable credit is critical to our customers and the growth of our business. Best Buy supports policies aimed at protecting critical credit offerings for consumers and reducing credit and debit card interchange fees.

**Cybersecurity and Data Privacy** – Privacy and data security are essential to our customers, employees and the growth of our business. Best Buy is committed to safeguarding customer data and ensuring a relationship with our customers that better understands and serves their needs and interests.

**Competitive Workplace** – Best Buy supports policies that enable the company to attract and retain the best talent by offering competitive wages and benefits.

**Supply Chain** – Best Buy supports policies that improve and maintain the nation’s multi-modal infrastructure to help advance the free flow of trade while promoting a safe and secure supply chain.

**Energy & Environment** – Best Buy supports policies that promote the responsible recycling of electronic waste, address growing concerns related to climate change, and encourage energy efficiency in design and sale of products.

**Emerging Technologies** – Best Buy supports policies that allow for the emergence of new technologies that improve customers’ lives.

### **Political Contributions**

Best Buy did not make any political contributions directly to candidates in 2015. The organizations below received funding totaling \$220,000. All contributions of more than \$5,000 are reviewed and approved by the Best Buy Contributions Steering Committee.

- Democratic Governors Association
- Republican Governors Association
- Democratic Legislative Campaign Committee
- Republican Legislative Campaign Committee
- Democratic Attorneys General Association
- Republican Attorneys General Association

Please see the Best Buy Political Activity & Government Affairs Policy and the Best Buy 2015 Political Activity Report on [Corpote.BestBuy.com/Advocacy](http://Corpote.BestBuy.com/Advocacy) for additional information.

## Product Safety G4-PR1

It is essential, as a responsible retailer, to ensure the products we sell are safe for customers. To stay apprised of regulatory issues and trends that impact our product safety program, we hold memberships in the Retail Industry Leaders Association (RILA) Product Safety Committee, the Consumer Technology Association (CTA) Product Safety Working Group and the International Consumer Product Health and Safety Organization (ICPHSO). We also actively participate in Underwriters Laboratories (UL) standards and technical panels for standards relating to consumer electronics to provide our voice in protecting our customers.

Within product safety, we focus on four areas:

- General product safety compliance with various voluntary and mandatory standards
- Hazardous substances (such as ROHS, TSCA and others)
- Energy efficiency programs
- Radio-frequency interference compliances (FCC rules for radio noise and communications)

One of the safety issues we are actively working on involves TV tip-over incidents. In addition to the dedicated TV safety page on BestBuy.com, in fiscal year 2016, we produced a Geek Squad Tech Tip video on the topic of TV tip-over prevention. This educational video was shared via our social media channels and our corporate news site, **Corporate.BestBuy.com**. Consumers can easily find the video on the Home Theater services page of BestBuy.com.

Also in fiscal year 2016, we were proud to participate in CTA and Safe Kids Worldwide's National TV Safety Day campaign. We released a blog post on our corporate news site outlining TV safety tips with posts on Twitter and Facebook to support the content.

Concurrently, we have committed to the Consumer Product Safety Commission to work on providing consumers with more knowledge on placing TVs in safe locations within a residence. One step we've taken is including CTA-based television safety instructions directly on top of the TV within Insignia TV packaging (not just in the manual) to increase likelihood of consumer readership.

At Best Buy, we use social media to track customer complaints and immediately share product recall information via our @BestBuySupport Twitter handle (in addition to our traditional safety recall communications measures). We assess our product categories for safety improvements on an ongoing basis and we are pleased to report that in fiscal year 2016, there were no safety recalls on our private label products.

## Supplier Diversity

Best Buy's commitment to diversity and inclusion extends to the suppliers we partner with. Supplier Diversity is both an expectation of our stakeholders and good for our business. Our Supplier Diversity program within our Goods Not For Resale (GNFR) business promotes strength in our supply chain, economic enablement in our communities and is a reflection of the markets and customers we serve.

In fiscal year 2017, we aim to:

- Continue to increase spend with certified diverse suppliers in GNFR
- Positively affect the economic vitality in the communities where we live and work
- Create a supplier network that mirrors the diversity of our customers

## Waste Diversion G4-EN23

We are working with our waste management partners to increase our landfill diversion rate for U.S. operations. We are seeking to achieve an 85 percent diversion rate for all U.S. operations by the end of fiscal year 2020. In fiscal year 2016, we have taken steps to incorporate Canada into the enterprise waste diversion strategy.

These are the initiatives driving our progress:

- **Developing solutions to convert a retail waste stream into a sellable commodity.** We are looking to invest in cardboard balers for approximately 100 stores that currently do not house the equipment. The ability to bale cardboard brings an environmental benefit as well as a financial win for the company.
- **Investing in new recycling equipment for distribution centers.** We implemented foam densifiers in our distribution centers to combat the increased usage of expanded polystyrene used in shipping products to us from vendors. These machines helped us divert a greater amount of expanded polystyrene from landfills, reduce labor and create transportation efficiencies.
- **Collaborating with our vendor partners to further expand capabilities of recyclable materials.** In fiscal year 2017, we will focus on building our capabilities for wood pallet recycling.

Waste Type	Pounds
Hazardous waste volume	23K lbs
Universal waste (lamps, batteries) volume	34K lbs
Non-hazardous waste recycled	
-Paper/cardboard	86 million lbs
-Plastic	4.6 million lbs
-Metal	1.9 million lbs
Non-hazardous waste landfilled	67 million lbs
Non-hazardous waste composted	180K lbs

In its disposal of hazardous materials, Best Buy utilizes authorized methods, including recycling, incineration and use of authorized landfills. Best Buy's service providers determine which disposal method to use by referring to hazardous waste management methods conversion tables. The Conversion tables outline approved disposal methods by specific hazardous waste code.

## Water Reduction G4-EN8

In calendar year 2015, we used about 1.4 million cubic meters of water in our U.S. operations. As with other environmental resources, we seek to minimize our impact through building design, operational monitoring and usage reduction programs.

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