



FISCAL YEAR 2018

**CORPORATE RESPONSIBILITY &  
SUSTAINABILITY REPORT**

Fiscal 2018 was another milestone year for Best Buy. We declared our Renew Blue transformation over and launched our growth strategy, Best Buy 2020: Building the New Blue. We have articulated a clear purpose, strategy and set of goals and investments in support of that strategy. Our fiscal 2018 financial performance was particularly strong, which gives us confidence that the strategy we are pursuing is resonating with customers. And, we continued to make progress in our efforts to positively impact our multiple stakeholders, including our customers, our employees, our vendors and society.

The holistic focus is a key responsibility our management and Board take seriously. Here are a number of ways we reflect this approach:

*Company Strategy.* We have anchored our strategy around a clear purpose of enriching customers' lives through technology. We also have a clear set of values, as reflected in our Code of Business Ethics. We think that having our employees focused on our purpose and a clear set of values is a key driver of both performance and sustainability.

*Employees.* We are proud of the environment in which our employees operate, and of the strong levels of employee engagement and satisfaction we are achieving. We invest in the long-term development, effectiveness and engagement of our employees by working to ensure that we have a diverse workforce and inclusive environment, robust training and development programs and a culture where our people can thrive. We received a perfect score of 100 in the Human Rights Campaign Foundation's Corporate Equality Index and are ranked tenth in the world for employee training and development by Training Magazine.

*Vendors.* We partner with our vendors to help commercialize their innovations and bring them to life for the consumer. We accomplish this through customer-focused curation of the technology we sell online and in stores; effective, targeted marketing that reaches millions of relevant consumers; in-store demonstrations offering hands-on experiences for customers; needs-based selling expertise designed to solve problems and address lifestyle needs; and services that support customers in installing, setting up and operating their technology.

*Supply Chain.* We partner with our private label suppliers to ensure they meet our expectations for safe workplaces where workers are treated fairly. We perform audits, led by either us directly or third parties to identify any gaps in factory performance and the industry standard code of conduct established by the Responsible Business Alliance. We also provide supplier training and assist in program development to support best practices in relation to Conflict Minerals, customs and trade anti-terrorism measures and factory labor conditions.

*Environment.* We are committed to managing our impact on the environment and are proud of our efforts to lower our carbon footprint, reducing it by 60 percent by 2020. We operate the most comprehensive e-waste recycling service in the U.S. and have collected more than 1.5 billion pounds of e-waste for recycling since 2009. We are also committed to providing an assortment of sustainable technology, including ENERGY STAR® certified products, and have helped customers realize \$707 million in utility savings since 2009.

*Community.* We are particularly excited about the commitment we have made to help prepare 1 million teens from underserved communities for tech-reliant jobs each year by 2020. This will be accomplished through the operation of our Best Buy Teen Tech Centers (year-round afterschool programs), which we plan to extent from 16 today to 60 by 2020; career mentoring and internship opportunities through our Career Pathways Program; hosted Geek Squad Academy events (free, interactive technology camps) across the country; more than 100,000 employee volunteer hours each year; and partnerships with other organizations.

We are proud of the progress made in fiscal 2018 and are enthusiastic about the work ahead.

Our company is a human organization. It is the energy and passion of our associates that drives our performance. The effort and dedication I witness every day across the organization is inspiring, and I want to extent my gratitude to each of my colleagues for all they have done and continue to do in support of our mission to enrich lives through technology.

Respectfully,

A handwritten signature in blue ink, appearing to read "Hubert Joly". The signature is stylized and cursive.

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

# About Best Buy

We at Best Buy work hard every day to enrich the lives of consumers through technology, whether they come to us online, visit our stores or invite us into their homes. We do this by solving technology problems and addressing key human needs across a range of areas, including productivity, communication, security and health.

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

Today, Best Buy has more than 1,000 large-format stores across North America. During fiscal year 2018, the company employed approximately 125,000 people, and generated more than \$42 billion in revenue.

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

The International segment is composed of all operations in Canada and Mexico under the brand names Best Buy, Best Buy Express, Best Buy Mobile and Geek Squad and the domain names **BestBuy.ca** and **BestBuy.com.mx**.



# Awards and recognition

- *Barron's* Most Sustainable Companies – 3rd overall
- CDP Climate A List
- *CR Magazine's* 100 Best Corporate Citizens List
- Dow Jones Sustainability Index
- ENERGY STAR® for Buildings Award
- ENERGY STAR® Retail Partner of the Year – Sustained Excellence
- FTSE4Good Global Index
- *FORTUNE* World's Most Admired Companies
- Human Rights Campaign Foundation's Best Places to Work for LGBTQ Equality – perfect score on Corporate Equality Index
- *Newsweek* Green Rankings – 6th overall
- *Training Magazine* – 10th in the world for employee training



# Best Buy 2020: Building the New Blue



In September 2017, we held an Investor Day and expanded upon what we believe is a clear and exciting purpose: *to enrich our customers' lives through technology.*

Best Buy is operating in an opportunity-rich environment driven by technology innovation and the customer's growing need for help. While there are, of course, pressures in areas like wages, supply chain and channel shift, our mindset is clear: We are playing to win. And we believe that Best Buy is uniquely well-positioned because of the combination of assets and capabilities that give us the ability to serve customers in stores, online or in their homes.

To fulfill our purpose to enrich our customers' lives through technology and grow the company, our strategy entails expanding what we sell and evolving how we sell, and building the related enablers.

## Expand what we sell

Below are three key examples of how we are expanding what we sell.

*New Technology Solutions.* We continuously work with leading tech companies to help commercialize their new technologies by leveraging our unique assets. Home theater and computing are two of our larger product categories where we have had great success in doing this and, as a result, were able to stimulate the growth of the market and hold strong share positions. Now we are doing that in the emerging smart home space. We plan to continue to grow in this space by curating a relevant and competitive assortment; demonstrating new technology solutions in a meaningful way; deploying a needs-based, solution-selling approach; and expanding in the solutions and services part of the market.

*Total Tech Support.* Our new Geek Squad service provides 24/7 support — in store, in home, by phone or online — for all a customer's technology, no matter where or when they bought it. We piloted this service in FY18 and rolled it out nationwide earlier this year.

*Health Technology Solutions.* We are entering the health space with a focus on helping the aging population stay healthy at home with assistance from technology products and services. Our Best Buy Assured Living pilot is our first entry into this space.

## **Evolve how we sell**

Below are four key examples of how we are evolving how we sell.

*Online Experience.* We are continuing to streamline the online buying process, enabling faster and more efficient delivery, and further enhancing the Store Pickup experience for our customers. In FY18, we generated our highest-ever domestic online revenue of more than \$6.0 billion, up from \$4.8 billion in FY17.

*Mobile 2020.* We are making it easier for customers to research and compare service plans, then purchase and set up their phones. Several hundred of our big-box stores now include dedicated vendor experiences in mobile, and we are adding more this year.

*In-Home Advisor.* We now provide free, in-home consultations to help customers address all their tech needs across our full range of products and services. We launched this tech-oriented “personal shopper” program last September and now have more than 350 advisors across all major markets.

## **Build key enablers**

To enable our Best Buy 2020 strategy, we are investing in capabilities and tools.

For example, we are making technology investments in enterprise customer relationship management and knowledge management tools, which will help us build a more seamless and effective experience for our customers and pave the way toward a more relationship-based approach to the customer experience.

We are also building out a new services platform to help power our Total Tech Support offering and provide the ability for customers to get easy and quick access to our Geek Squad tech experts, including a new app with video chat capability.

We are investing in our people through recruiting, training, development and compensation. We will continue to invest in specialty labor in areas such as appliances, In-Home Advisor and smart home. We are also investing in the multiyear strategic transformation of our supply chain that is designed to expand our bandwidth for growth and speed.

While we invest in our long-term strategy, we are continuing to create efficiencies that help fund investments and offset pressures. In FY18, we achieved \$285 million in annualized cost reductions and gross profit optimization for a total of \$1.6 billion since we began our Renew Blue turnaround strategy five years ago.

In the context of our improved performance and the expected savings brought about by tax reform, we are increasing the level of investment in the enablers necessary to propel our strategy. Specifically, this includes investments in specialty labor, improvements to employee benefit programs, and an increase in our FY19 capital expenditure plans to \$850 to \$900 million from the expectations we shared at Investor Day of \$750 to \$850 million. This compares with an average capital expenditure of \$640 million over the last three fiscal years.

# Impacts, risks and opportunities

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 responsible sourcing of raw materials to the reuse and proper recycling of materials after the product life has ended.

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 2018 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 negatively impact our workforce, prevent employees and customers from reaching our stores and properties, and disrupt or disable portions of our supply chain and distribution network. Because of these catastrophic events, we might endure interruption to our operations or losses of property, equipment or inventory, which would adversely affect our revenue and profitability.

Among our sustainability priorities and opportunities is 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 recycling program in the U.S. Providing these convenient options to customers creates a competitive opportunity for Best Buy. Additionally, carbon reduction is another key sustainability priority and opportunity.



# Focus on priority issues

Utilizing internal and external points of view, in FY17 and FY18 we partnered with Corporate Citizenship to conduct a sustainability 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 was identifying potential issues. Our universe of issues draws from several inputs that include: past materiality assessments, activist communication, shareholder proposals, industry trends, peer benchmarking and laws and regulations.

## Prioritization

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

We elicited feedback by interviewing our executives and surveying leaders within the organization including members of the following teams: Compliance, Consumer Insights, Exclusive Brands, Human Resources, Legal, Marketing, Merchandising, Public Affairs, Real Estate, Services, Sourcing and Supply Chain.

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, select external stakeholders were interviewed for a deeper understanding of their point of view.

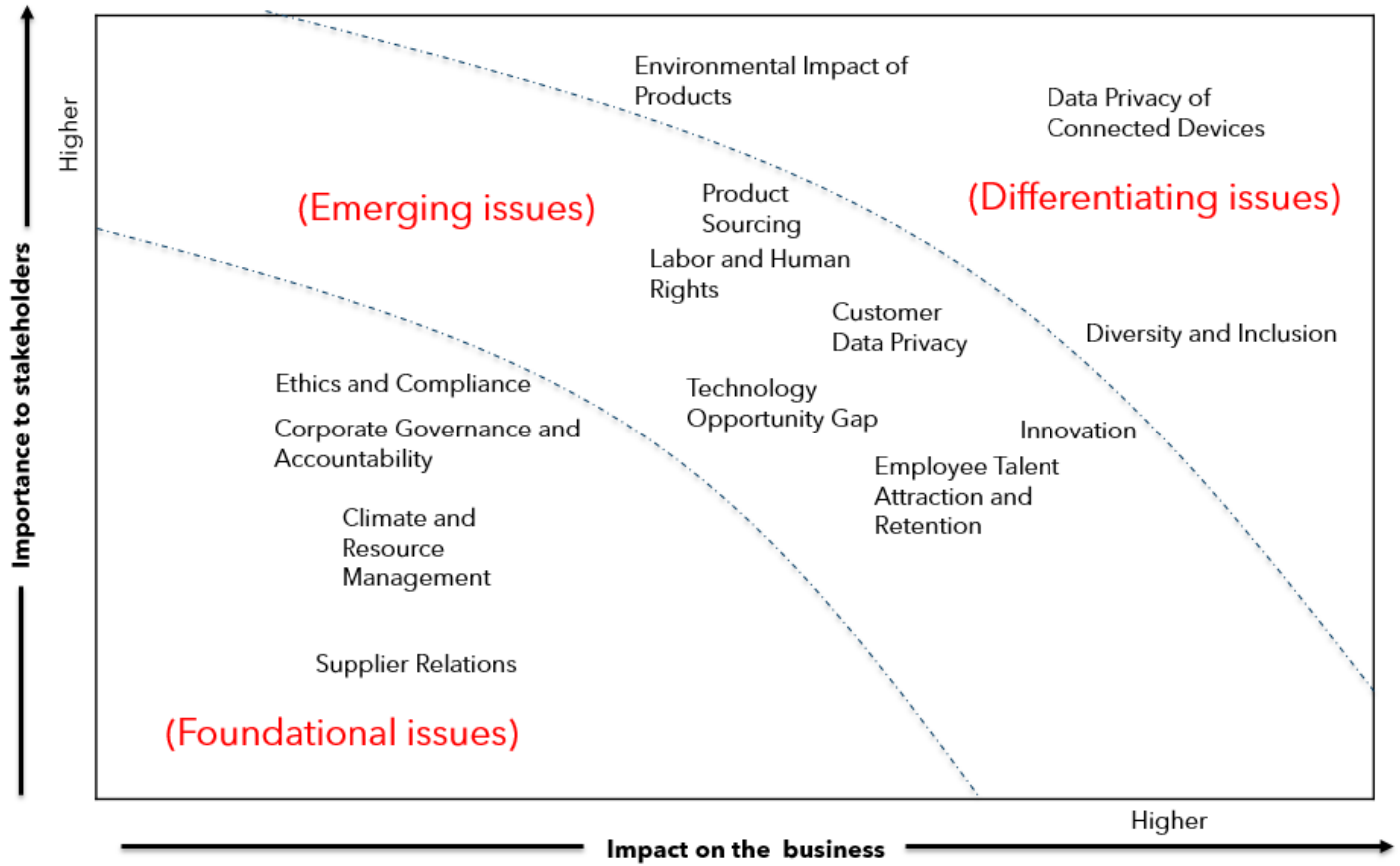
## Validation

In this step, the Corporate Responsibility & Sustainability team reviewed the results and set the priority issues.

## Review

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

# Issues matrix



Based on the surveys and interviews, the issues were plotted on a matrix based on a five-year outlook. All of the issues listed are of high importance to both external stakeholders and our business, however, the issues were categorized by the degree to which internal and external stakeholders believe we should intensify our efforts to grow our business.

# Aligning with Sustainable Development Goals

The United Nations Sustainable Development Goals have been widely accepted as collective aspirational goals. While Best Buy is not currently a member of the United Nations Global Compact, we embrace the objectives and many of our programs directly support the goals as shown below.

	Community	People	Environment
 <p>4 QUALITY EDUCATION</p>	✓		
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>			✓
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	✓	✓	
 <p>10 REDUCED INEQUALITIES</p>	✓	✓	
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>			✓
 <p>13 CLIMATE ACTION</p>			✓

# Stakeholder engagement

We form relationships with the many people and organizations that have a collective 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 three priority areas: Community, People and Environment.

- Best Buy **employees** participate in a formal engagement survey every 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 and individuals who chose to not purchase from us in order to elicit feedback relating to their overall satisfaction with Best Buy;
- We have regular interaction with **elected officials** and staff at the local, state and federal levels, government agencies and associations on issues that affect our business;
- We have ongoing contact with our **investors** through calls and meetings, stakeholder councils 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, to advance the progress in our focus areas; and
- We partner with our product **vendors** and manufacturing suppliers to innovate and bring additional business value.

# Association memberships

Aspen Institute

Business for Social Responsibility (BSR)

Business Renewables Center

Business Roundtable

Carbon Disclosure Project (CDP) Reporter Services

Ceres

Consumer Technology Association (CTA)

Council of State Retail Associations

Environmental Initiative – Minnesota Sustainable Growth Coalition

Ethics & Compliance Initiative (ECI)

Ethisphere

Future of Privacy Forum

GreenBiz Executive Network Member

Green Chemistry and Commerce Council (GC3) – Retail Leadership Council

International Association of Privacy Professionals (IAPP)

International Consumer Product Health and Safety Organization

Issues Management Council

National Association of Environmental Managers (NAEM)

National Center for Electronics Recycling

Net Impact – Corporate Advisory Council

Public Affairs Council – Board of Directors

Responsible Business Alliance – Board of Directors

Responsible Minerals Initiative – Chair, Steering Committee

Retail Industry Leaders Association (RILA) – Board of Directors and several working groups

Society of Corporate Secretaries and Governance Professionals

Sustainable Brands

World Resources Institute – Customer Consultative Group and Clean Power Council

# About this report

## **Store Development**

We had approximately 1,200 large-format stores at the end of FY18. Our stores are a vital component of our omnichannel strategy and represent an important competitive advantage. In the U.S., we can ship products to customers' homes from all our Best Buy stores. Customers may also come to our stores to pick up orders initiated online. In recent years, we have opened more vendor store-within-a-store concepts to allow closer vendor partnership and a better customer experience. In FY19 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 operations.

## **Report Timing**

Best Buy publishes a yearly Corporate Responsibility & Sustainability Report. This report covers FY18 (Jan. 29, 2017 – Feb. 3, 2018). Our previous report covering FY17 was released in June 2017.

## **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.

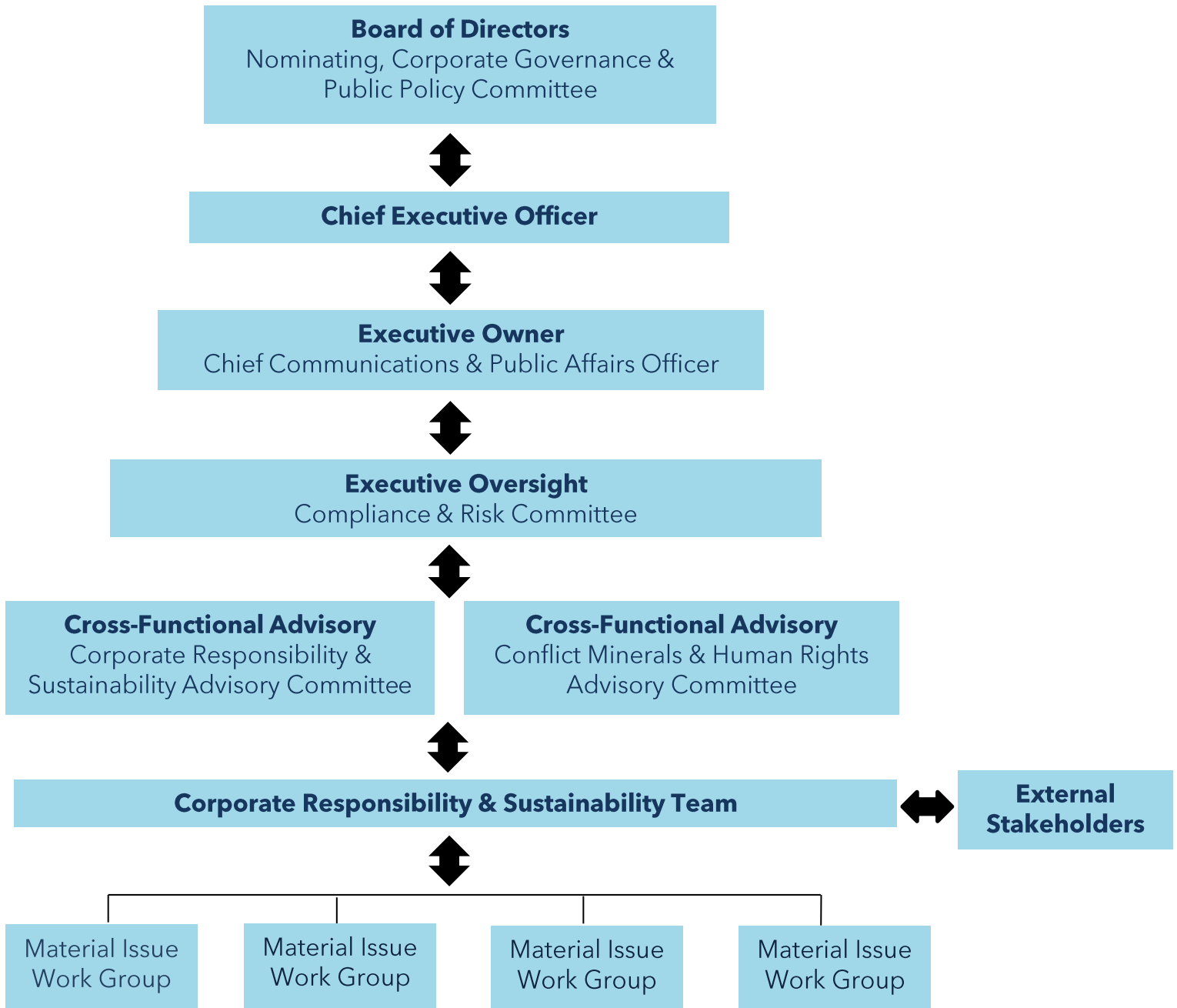
For more information and full financial disclosures, please see the Best Buy Fiscal 2018 Annual Report on Form 10-K at **Investors.BestBuy.com**.

This report has been prepared in accordance with the GRI Standards: Core option.

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

# Corporate Responsibility & Sustainability governance

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 independent Nominating, Corporate Governance & 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 any relevant strategies and risks. In addition, we have leaders from across the company who advise our CR&S programs and initiatives, support integration and assist in setting goals and measuring results.



# Ethics

Everything that Best Buy is now and strives to demonstrate through Best Buy 2020 ties back to Best Buy's core values. Our business ethics practices support our core values through validation, support and guidance in the decision-making process for our employees. Employees are expected to live our values every day in their interactions with one another, as well as with our customers, vendors, business partners and the communities in which we work and live. We cannot — and will not — emphasize performance at the expense of our values and reputation.



We provide our employees with the necessary tools to manage situations in an ethical and effective manner. We start with our guiding document for employee conduct: The Best Buy Code of Business Ethics (the Code).

The Code is available to employees, customers and all stakeholders at **BestBuyEthicsCode.com**. Annual training is required for all employees and is based on realistic examples of ethical dilemmas that our employees have or might encounter in their roles.

For new employees, ethics training is specific and intentional. The purpose is to ensure that each employee recognizes the importance of acting with integrity in all decisions relating to the company. Knowing how critical it is that officers model our core values and set the right ethical tone, we meet one-on-one with each new officer to review key ethics and compliance policies. In addition, we lead annual roundtable trainings for all officers focused on ethical leadership. Results of our Ethical Culture Survey taken in December 2017 reflect healthy awareness across the enterprise of ethical obligations and expectations, with opportunities regarding investigation process and perceptions of organizational justice.

In addition to the internal work we do to sustain and enhance an ethical culture, we also frequently benchmark with fellow ethics and compliance professionals to stay abreast of best practices in the industry. Consulting with professional trade groups and associations allows us to contribute and learn about the thought processes and guiding principles within the business ethics field.

Finally, we help business teams and individuals work through questions and concerns that touch on business ethics and integrity. Best Buy employees have several avenues for asking questions, reporting concerns or seeking assistance in resolving work-related issues, including:

- Speaking directly to their manager or to Human Resources;
- Contacting the Ethics Office via mail, phone, email ([ethics@BestBuy.com](mailto:ethics@BestBuy.com)), or in person; and
- Calling the anonymous and confidential Open & Honest Hotline at (800) 520-1132 or submitting a report via the web at [www.BestBuyEthics.com](http://www.BestBuyEthics.com).



# Political activity

We believe it is important to work with policymakers on issues impacting our customers, employees, businesses, shareholders and communities. We know collaboration helps bring about change that better serves the communities in which 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 2017, public policy priorities for Best Buy included:

## **Corporate tax reform**

Best Buy supported comprehensive efforts to reform the corporate tax code so that it is fair, predictable and simple.

## **E-fairness and a level playing field**

Best Buy supported passage of e-fairness legislation, which would allow retailers to compete on a level playing field with regard to sales tax application while serving customers across all selling channels.

## **Financial services**

Best Buy supported uniform policies that allow us to continue to provide important credit card offerings to our customers, while supporting efforts to reduce credit and debit card interchange fees.

## **Competitive workplace**

Best Buy supported uniform policies that provide employers the flexibility to attract and retain the best talent by offering competitive wages and benefits and flexible scheduling.

## **Supply chain**

Best Buy supported policies that improve and maintain the nation's multimodal infrastructure to help advance the free flow of commerce while promoting a safe and secure supply chain.

## **Cybersecurity and data privacy**

Customer and employee privacy and data security are essential to our customers, employees and the growth of our business. Best Buy works hard to safeguard customer data and ensure a relationship with our customers that better understands and serves their needs and interests.

## **Environment and sustainability**

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

## **Emerging technologies**

Best Buy supported policies that allow for the emergence of new, innovative technologies and products that improve consumers' lives.

## Political contributions

Best Buy did not make any political contributions directly to candidates in 2017.

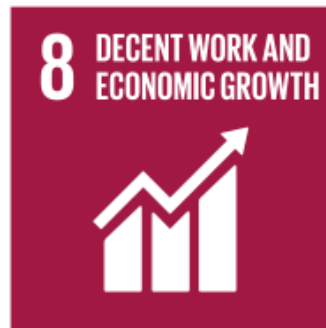
The organizations below received funding totaling \$180,000. All contributions of more than \$5,000 are reviewed and approved by the Best Buy Contributions Steering Committee.

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

Best Buy maintains an employee-funded political action committee (“Best Buy Employee Political Forum”), and its activity can be viewed at [www.fec.gov](http://www.fec.gov). Please see the Best Buy Political Activity & Government Affairs Policy and the Best Buy 2017 Political Activity Report on [Corporate.BestBuy.com/Advocacy](http://Corporate.BestBuy.com/Advocacy) for additional information.

# COMMUNITY

We are uniquely positioned to prepare teens from underserved communities for the tech-reliant jobs of the future, while building a diverse talent pipeline for Best Buy and our partner companies.



## Challenge: tech education gap

Technology know-how is crucial for young people preparing to enter the job market. However, in 2016, the U.S. had 3 million more STEM jobs available than it had skilled workers to fill them.<sup>1</sup> By 2020, 77 percent of all jobs will require some degree of technology skills.<sup>2</sup> At the same time, there are 5.5 million 16- to 24-year-olds who are neither working nor enrolled in school.<sup>3</sup> These “opportunity youth” are disconnected from the individuals, institutions and experiences they need to be successful in the future.

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, as well as build their skills to prepare for future careers. We partner with national and local nonprofit organizations, as well as many of our vendor partners to address this important issue.

### 2020 Goal:

Prepare 1 million teens from underserved communities for tech-reliant jobs each year.

## Our signature program pathway

To address the tech education gap, we set a goal to prepare 1 million teens from underserved communities each year for the tech-reliant jobs of the future by 2020. We will reach this goal in part through our continuum of programs, from two-day tech camps that spark an interest in technology to multi-year career readiness and internship programs.



## Geek Squad Academy

Geek Squad Academy (GSA) is an immersive education experience that provides students an opportunity to explore the latest technology in a fun, interactive setting. Best Buy partners with local nonprofits and other organizations to provide these experiences to students ages 12 to 14 through two-day camps and one-day experiences.

New in FY18, a BB-8 Robot class helped kids work together to learn programming, complete challenges and solve puzzles. A new pixel art class taught kids to create original pixel art and animation, beginning with the design of a character.

All our GSA classes are taught by the true tech experts — our local Blue Shirts and Geek Squad Agents. A total of 1,250 employees engaged with GSA this year. It's their passion and energy that makes GSA such a unique experience.

Since its inception in 2007, GSA has inspired more than 34,000 kids from underserved communities to become the new generation of engineers, entrepreneurs, teachers and designers. In FY18, we held 58 GSA events in cities across the U.S.



## Best Buy Teen Tech Centers

Teen Tech Centers are free after-school programs that provide a creative learning environment where teens can explore, build confidence and gain employable skills through access to state-of-the-art technology, such as 3D printers, digital media, robotics and coding.

Each location is its own community, a support system and a safe place for its teen members. We partner with The Clubhouse Network to assist with program development, support staff and monitor results. According to research by The Clubhouse Network (assessing all of their Best Buy and non-Best Buy locations), most teens go to their Clubhouse at least once a week, and half attend almost every day. Each time they visit, 30 percent of teens stay for two to three hours, and 38 percent stay for more than three hours. This shows the consistency and depth of technology exposure the teens receive.

As part of our goal to prepare 1 million teens for tech-reliant jobs of the future, we will be embarking on a rapid expansion to more than 60 Teen Tech Centers by 2020. We are thrilled that this expansion will include communities that have been hit hardest by natural disasters, including Puerto Rico and Houston.



## Fiscal 2018 Best Buy Teen Tech Center locations:

### **CALIFORNIA**

P.F. Bresee Foundation – Los Angeles  
Alternatives In Action – Oakland  
Boys & Girls Clubs – San Marcos

### **COLORADO**

Gold Crown Enrichment – Lakewood

### **ILLINOIS**

Little Black Pearl – Chicago

### **MINNESOTA**

Brian Coyle Center – Minneapolis  
Hennepin County Library – Minneapolis  
Hope Community – Minneapolis  
Keystone Community – St. Paul

### **NEVADA**

Clark County Library – Las Vegas

### **NEW JERSEY**

Boys & Girls Clubs of Hudson County – Jersey City

### **TEXAS**

Juanita J. Craft Recreation Center – Dallas  
Family Services Association – The Neighborhood Place – San Antonio

### **WASHINGTON**

Boys & Girls Clubs – Bellevue

### **WASHINGTON, D.C.**

FBR Club @THEARC – Boys & Girls Clubs of Greater Washington



## Career Pathways

Within Best Buy Teen Tech Centers, we are not only bridging a tech education gap, but also helping build a talent pipeline for Best Buy and other partner organizations. Our newest signature pilot program, Career Pathways, is designed to facilitate technology training and skills development for teens in underserved communities in high-demand fields such as cyber security, coding and IT support. The program starts with a structured training curriculum and culminates in an internship or workplace engagement at a local company for real-world experience. We partner with businesses to design curriculum and create meaningful placements so teens are prepared for successful careers.

We have piloted this program in seven Teen Tech Centers and intend to roll it out to all locations by 2020.





## Defining success

Measuring results is key to ensuring we are making a difference. After participating in our programs, teens will achieve a degree or credential with real value in the current labor market, achieve employment with self-supporting wages, and/or have opportunities for further education and career advancement. We are already seeing success with our Teen Tech Centers: 95 percent of teens in the program plan to continue their education beyond high school, and 80 percent plan to study STEM fields and attend a four-year college.

We are partnering with Wilder Research to measure the impact of our programs. We will specifically track the youth who have participated in our programs — first to measure their interest and tech skills, as well as their future education choices and career successes.

## Partnering with nonprofits

Our philanthropy aligns with our commitment to help teens build their tech skills and prepare for college and future careers. Since 1999, Best Buy and the Best Buy Foundation have donated more than \$348 million to our communities. The Best Buy Foundation is governed by a Board of Directors consisting of leaders from across the company who make all funding decisions.

In FY18, Best Buy contributed a one-time additional \$20 million to our foundation made possible by the recently passed corporate tax cuts. The investment will be used to increase support of our Teen Tech Centers, launch a gender diversity employee volunteer program and establish a giving fund for our Technology Center in Seattle.

### **National Grants**

Our National Grants program provides funds to national nonprofit partners that provide underserved youth with access to tech education. We collaborate with organizations specializing in digital learning that strengthen our signature programs through curriculum and programming. Starting in FY19, our National Grant recipients will focus on our Career Pathways program.

Our partnership does not stop at funding, however. We have built a coalition of experts by convening our National Grant partners quarterly. We have seen our partners collaborate through this network to have greater impact collectively.

In FY18, we awarded our National Grant recipients a total of nearly \$2 million. Our FY18 National Partner Grantees included:

- [Collective Shift/LRNG](#)
- [Common Sense Media](#)
- [Cyber Seniors](#)
- [DePaul University/Digital Youth Network](#)
- [EveryoneOn](#)
- [Girls Who Code](#)

- [GRAMMY Foundation](#)
- [Hispanic Heritage Foundation](#)
- [Mouse](#)
- [The Clubhouse Network Career Program](#)
- [Youth Radio](#)

### **Community Grants**

Our National Grants program is complemented by our Community Grants program, which supports local organizations that also focus on teens and technology. Our Community Grants program is unique because our store employees review the applications from their communities and choose awards based on their local knowledge.

As we serve customers in more than 1,000 large-format locations across North America, it's important that we play a key role in helping these communities thrive. In FY18, the average Community Grant amount was \$5,000, with a total of more than \$2 million awarded.

### **Twin Cities Fund**

Because we are headquartered in Minnesota, the Best Buy Foundation funds nonprofit organizations in the Twin Cities metro area that add to the vibrancy and increase the vitality of our community. The Twin Cities Fund provides support for teens and technology, arts and culture, and career pathway programs, in addition to capital grants.

## Best Buy customers and employees raised more than \$20 million for St. Jude

Thanks to our generous customers, Best Buy is proud to have presented more than \$20 million to St. Jude Children's Research Hospital® in 2018, and we finished as the largest St. Jude *Thanks and Giving*® campaign donor for the second-consecutive holiday season. To date, Best Buy has raised nearly \$60 million for St. Jude, becoming one of the largest sponsors in the hospital's history.

The \$20 million collected can be used to benefit St. Jude patients in any number of ways, including covering the full treatment for 68 patients with acute lymphoblastic leukemia (the most common form of childhood cancer); or nearly 13,000 days of chemotherapy; or 2,000 CT scans; or 3,000 days in the ICU. Best Buy has participated in the *Thanks and Giving* campaign since 2013. The funds donated support the life-saving work of St. Jude, which freely shares breakthroughs and treatments with doctors around the world.



## Employees spent 100,000 hours volunteering

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. It awards monetary donations to nonprofit organizations where groups of employees volunteer their time.



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.



## Disaster response

Several devastating natural disasters struck in FY18, including hurricanes in Puerto Rico and Houston. Best Buy employs thousands of people in those areas, and our first concern was the safety of our employees. Emergency aid was distributed to employees and their families through the Richard M. Schulze Family Foundation Employee Disaster Relief Fund. We also partnered with nonprofits, such as The Salvation Army, to distribute phone chargers and batteries, as well as set up internet cafes and entertainment rooms in temporary shelters.

In Puerto Rico, where the needs were heightened, we hired private jets to send employees much-needed supplies. We then filled those airplanes with employees and family members who needed relief and brought them to the mainland U.S. Those employees who stayed on the island were paid by Best Buy for volunteering with organizations that helped the community get back on its feet.

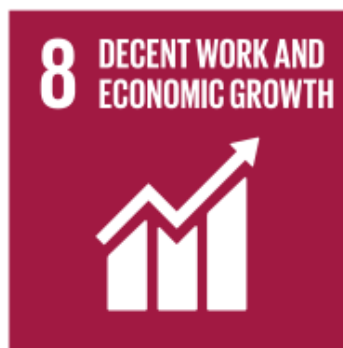
While we addressed our employees' immediate needs, we also knew the path to full recovery for them and their communities would be a long one.

In Houston, for example, we have made a \$580,000 commitment to help put technology and tech education programs into Houston schools and local community organizations that serve youth. This includes bringing two Geek Squad Academy events to the Houston area in the summer of 2018 and opening a Teen Tech Center.



# PEOPLE

Best Buy aims to treat people with respect — whether they are our employees, customers or workers in factories that produce our Exclusive Brands products.



# Employee engagement

## Maintaining a highly engaged workforce

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 survey provides insight not only into employee engagement, but also 11 other dimensions of the workplace environment.

We know that a higher level of employee engagement correlates to better customer experience, stronger financial performance and higher levels of retention, which is why we strive for a highly engaged workforce.

In our FY18 eVoice survey, we saw our most favorable results across all dimensions since the survey's inception, with an overall engagement score of 87 percent. We increased an average of 100 basis points on all dimensions of the survey. We also experienced a participation rate of 86 percent in FY18, up from 84 percent in FY17.

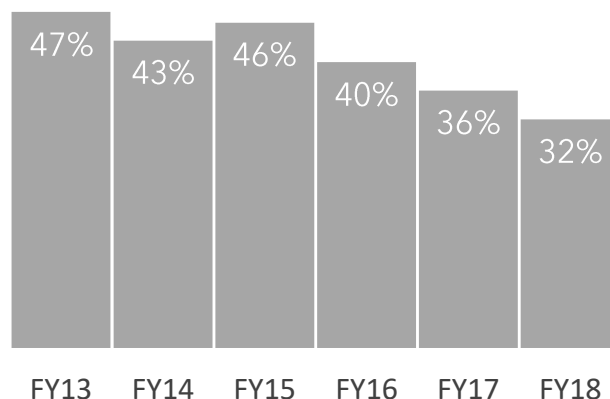
All leaders are expected to use survey results to strengthen broader engagement. They do this by building action plans with their teams. Using feedback from the FY17 survey, leaders committed to further improving the employee experience and action planning at enterprise and functional levels.

Recognition is an important component leading to an engaged workforce. We recently rolled out a new recognition program called True Blue, which recognizes employees who put their heart and soul into their work every day.

## Turnover number improves

As a measure of a highly engaged workforce, we are pleased to report a lower turnover rate for the second year in a row. We have reduced our turnover from 40 percent in FY16 to 32 percent in FY18.

Employee Turnover



# Training & Development

## **Continued excellence in training programs**

In the U.S., we deliver product and service training to our employees through a digital platform called The Learning Network. The site provides training content in the form of eLearnings, videos, virtual environments and documents. In addition, our employees use The Learning Network to register for instructor-led training. Instructors deliver skills and training in physical and virtual classrooms.

Our employees completed more than 15 million training courses in FY18. That demonstrates our commitment to a highly trained workforce, which creates exceptional customer experiences.

Not only do our store employees learn via online trainings, but they receive daily mentoring and coaching from store managers.

In FY18, *Training* magazine ranked Best Buy No. 10 in the world for employee training, learning and development.



# Diversity and Inclusion

We believe diversity and inclusion play a critical role in building a workforce that is high performing, fully engaged and equipped to bring exceptional experiences to our customers. Diverse representation is not enough. It's critical that we build a culture that encourages all employees to show up authentically and we will invest in our talent to ensure success at Best Buy is never limited by one's identity.

## What is Diversity?

We define diversity as diversity of backgrounds, experiences and skills that includes race, ethnicity, gender, gender identity, sexual orientation, age, ability or attributes. Because we recognize that identity is not always visible, our view of diversity also includes religious or ethical value systems, national origin, political beliefs, and thinking or leadership styles.

## What is Inclusion?

We view inclusive cultures as those that encourage individuals to bring their authentic selves to work. This includes creating conditions for our employees to leverage their distinct traits while still experiencing belonging, ownership, empowerment and growth within the organization.

To align our diversity and inclusion efforts across the organization, we have established goals to ensure the success of our business and people strategies.

## Goals:

- Achieve a skilled, high-performance workforce at every level that is reflective of the diverse marketplace; and
- Foster an inclusive culture that embraces our differences and drives innovation to accelerate our growth.

We have made progress toward building a more diverse and inclusive environment. Our FY18 accomplishments include:

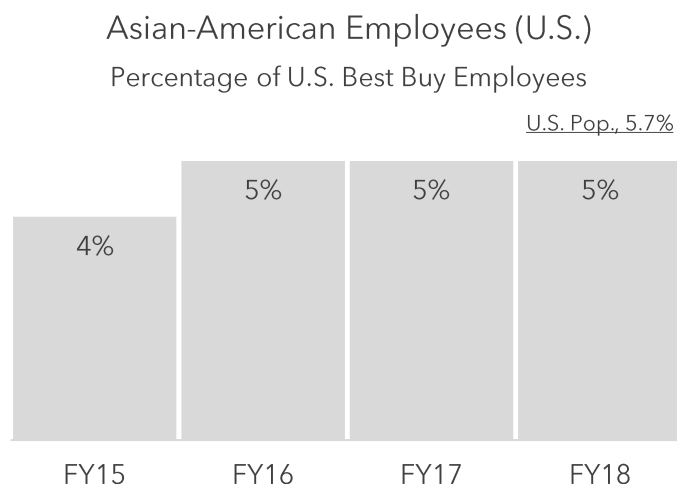
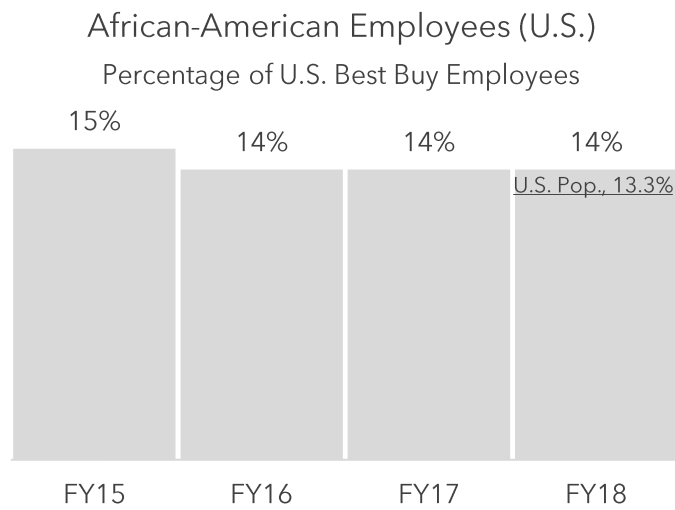
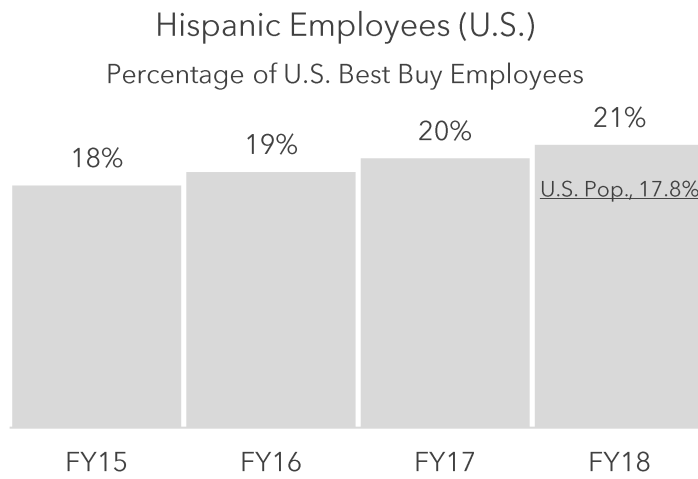
- Naming a Chief Diversity and Inclusion Officer for the first time in the company's history;
- Expanding our Diversity and Inclusion Steering Committees to include retail, services and supply chain employees in the field;
- Signing the CEO Action for Diversity & Inclusion Pledge™;
- Signing the ParityPledge™ in which companies promise to interview at least one qualified female candidate for every open position, of vice president and above;
- Achieving a perfect rating of 100 on the Human Rights Campaign Corporate Equality Index, earning the designation as a “Best Place to Work for LGBTQ Equality” for the 13th year;
- Maintaining a 40 percent female gender ratio among our CEO's direct reports; and
- Increasing our Board of Directors gender ratio to 50 percent.

While we have made progress, we still have a long way to go. We have identified four pillars where we will focus to align our diversity and inclusion efforts across Best Buy:

- Workforce – Achieve a skilled, high-performance workforce at every level; one that is reflective of the diverse marketplace
- Workplace – Foster an inclusive culture that embraces our differences and drives innovation to accelerate our growth
- Marketplace – Hold high expectations of business partners to support the need for diversity and inclusion as a competitive advantage
- Community – Cultivate external relationships with professional, nonprofit and civic groups to support business and CR&S priorities

Additionally, Best Buy promotes participation in our Employee Resource Groups (ERGs) and Diversity & Inclusion Steering Committees (DISCs), which are groups of employees who share a dimension of diversity, such as age, race, ethnicity, gender, disability, military status, sexual orientation or gender identity, or an interest in the development and growth of the various aspects of diversity. ERGs and DISCs are inclusive and open to all employees. They support organizational goals such as recruitment, retention, engagement and inclusion.

## Employee diversity



We now track American Indian or Alaskan Native (1%), Native Hawaiian or Other Pacific (.2) and Two or More Races (4%). We will report trending figures in the future.

## Employee diversity

Gender Diversity	FY15	FY16	FY17	FY18
Female Employees (Enterprise)	28%	26%	27%	26%

Board of Directors Diversity	Members
Total Number of Directors	10
Hispanic Board Directors	0
African-American Board Directors	1
Asian-American Board Directors	1
Female Board Directors	5

Best Buy does 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.

## Supplier diversity

Our 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 FY18, our focus was to:

- Continue to utilize our current diverse suppliers and increase our supply base of diverse suppliers in our bidding process;
- Increase spend with certified diverse suppliers in GNFR;
- Positively affect the economic vitality in the communities where we live and work; and
- Create a supplier network that mirrors the diversity of our customers by implementing an online supplier portal, giving suppliers the opportunity to register their capabilities and certifications.

# Human rights

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 might encounter. To that end, we have taken steps to align with the *United Nation's Guiding Principles on Business and Human Rights* (UNGP), which is widely accepted as the global standard for how businesses should respect human rights.

In FY16, 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 salient for our business. The results of the assessment concluded that Best Buy operates in a relatively low-risk industry regarding human rights 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 findings that were identified.

In FY18, we completed several projects that strengthened our ability to identify potential human rights risks and set the foundation for further improvements in our risk assessment and due diligence procedures. As detailed in our FY17 Corporate Responsibility & Sustainability report, we assessed Best Buy grievance mechanisms against the UNGP's Effectiveness Criteria. Through this assessment, we identified opportunities to improve our grievance mechanisms and the experience of reporters who use these channels to raise concerns. We also completed a draft Responsible Sourcing Roadmap, which provides a path to a responsible sourcing program that will, eventually, broadly cover Best Buy procurement. Finally, privacy continues to be a critical element of our human rights program, and there are various efforts across Best Buy that seek to mitigate privacy risks.

Best Buy's commitment to human rights was deepened even further when we were the first Minnesota-based company to publicly commit to align with the recently released UN Standards of Conduct for Business: Tackling Discrimination against Lesbian, Gay, Bi, Trans and Intersex People (UN LGBTI Standards).

Our Human Rights Policy is the basis of our management system and focuses on the following stakeholders:

- Respecting the rights of **workers** by improving labor conditions and environmental practices at facilities that manufacture private-label products 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; and
- Seeking to advance the right to education in the **communities** where we operate by sharing our knowledge of technology with underserved teens.

We plan to expand our work on human rights in FY19 in the following ways:

- Conduct a gap analysis between the UN's LGBTI Standards and Best Buy's practices;
- Maintain a Privacy Task Force supporting the Internet of Things project team; and
- Develop and implement an expansion of our responsible sourcing program to further imbed sustainability into the procurement of GNFR and promotional items.

# Product safety

As a responsible retailer, it is essential 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 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 products to provide our voice in protecting our customers.

For our direct import and private-label products, we focus our product safety in four areas:

- General product safety compliance with various voluntary and mandatory standards;
- Hazardous substances (such as ROHS, TSCA and others) through our Chemicals Management Program based on the IECQC 080000 standards;
- Energy efficiency programs; and
- 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, 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.

For each of the past three years, we have participated in CTA and Safe Kids Worldwide's National TV Safety Day campaign. Each year, we released a blog post on our corporate news site, **Corporate.BestBuy.com**, outlining TV safety tips with tweets to support the content.

Concurrently, we have committed to the Consumer Product Safety Commission to work on providing consumers with more knowledge about 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 the likelihood of consumer readership.

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 FY18 there were no safety recalls on our private-label products.

# Data privacy

We are committed to protecting the privacy of our customers' information by using a variety of information security measures to protect their transactions and valuable data. Whether customers are shopping online, on our app, in their home or in our stores, we use security best practices to work to protect the confidentiality of personal information under our control, and we appropriately limit access to it. Our digital properties use encryption technology to protect customers' personal information including names, addresses and credit card numbers.

## Industry partnership

Best Buy is a corporate member of the International Association of Privacy Professionals, the world's largest privacy community. Best Buy is also a corporate member of the Association of Corporate Counsel (ACC), a global association of more than 40,000 in-house attorneys, and an active participant in ACC's Information Technology, Privacy and eCommerce Committee. In addition, we participate in the RILA Privacy Leaders Council. These memberships help us understand industry shifts, benchmark our peers to help maintain appropriate privacy and security standards, and provide input as a retail industry on privacy legislation or other regulatory requirements that will impact our business. As of 2018, Best Buy joined the Future of Privacy Forum (FPF) Advisory Board. The mission of FPF is to advance principled data practices in support of emerging technologies by bringing together industry, academics, consumer advocates, and other thought leaders to develop privacy protections, ethical norms, and workable business practices.

## Policy and process

Our employees, including Blue Shirts and Geek Squad Agents, as well as third-parties who provide services on Best Buy's behalf, are required by policy and process, as well as by contract, if applicable, to treat customer information with care. We have administrative, technical and physical safeguards that reflect this obligation. We regularly work to review and enhance Standard Operating Procedures (SOP), policies and standards. To assess and evaluate our adherence to our operational standards, we have enlisted a third party to assess our data privacy controls and provide industry best practice recommendations. Additionally, we have expanded our information security and privacy processes in reviewing third-party vendors in order to reduce the occurrence and degree of third-party data privacy incidents.

Best Buy processes are designed to preclude unnecessary access to confidential information. Our Geek Squad Agents are trained to never access data on a customer's device except in limited circumstances, and only to the extent necessary to perform the service, such as when a customer asks us to recover data. When information is still on a device that a customer trades in or gives to Best Buy for recycling, the device is protected until it is sent to the appropriate location for data wipe or disposal.

In FY18, Best Buy reported one incident regarding a breach of customer privacy, due to malfeasance by vendor representatives. Best Buy worked with the vendor to investigate and appropriately remediate the issues, and Best Buy provided credit monitoring services to the affected customers.

## **Internet of Things (IoT)**

As smart home growth continues to expand in the products and services that we offer to new and existing customers, we strive to address privacy concerns directly and give consumers control over their personal data. We are achieving this through partnering with industry work groups to help explore standards in the IoT space. We are working to establish a customer baseline of expectations in the area of security and privacy with respect to IoT devices. Numerous public and private entities are developing testable standards in this space that we believe could be adapted for scalable deployment. This will enable us to make credible assortment decisions and to enable manufacturers, retailers, and service providers to make consistent representations to customers regarding the security and privacy attributes of the IoT devices they offer.

## **Health Insurance Portability and Accountability Act (HIPAA)**

As Best Buy looks towards the health and wellness needs of consumers, we seek to expand what we sell and evolve how we sell. With a focus on consumers taking charge of their health and those they care for, Best Buy's Assured Living provides a non-intrusive, sensor-based notification service that allows an aging parent or loved one the freedom to live independently in their home. By enabling aging customers to stay at home longer and thrive in their independence, we recognize partnerships with health care providers may allow us to provide that experience for our customers and peace of mind for their loved ones. This means Best Buy is exploring what it means to be HIPAA compliant on a large scale. HIPAA provides us guidance for appropriately handling protected health information and helps us to prevent wrongful access to and disclosure of that information. Best Buy takes the privacy, confidentiality and security of Protected Health Information (PHI) seriously. We require all persons who access, use, or disclose protected health information to be properly trained about HIPAA in order to comply with all state and federal laws for safeguarding individually identifiable health information.

## **Training and awareness**

Best Buy has a privacy, security, and confidentiality training and awareness program called Valuable Information Protection (VIP). VIP serves to shape employees' perceptions about information protection to help create a responsible, compliance-minded workforce that is knowledgeable about privacy and information security policies, SOPs and best practices to keep Best Buy's information safe, as well as our customers'. The VIP program uses a variety of training tools and communication approaches to create effective and engaging privacy and security awareness learning opportunities, with an emphasis on making security and privacy training simple to understand and relevant to employees' job functions. Customers are able to read about our privacy practices and learn how they can control and protect their personal information online.



# Supply Chain Sustainability Program

Best Buy partners with approximately 180 factories, mainly in China, to produce our private-label (or Exclusive Brands) products. We work with these suppliers on the design, production and testing of these products, and we also partner with them to ensure they meet our expectations for safe workplaces where workers are treated fairly and safely.

Through our Supply Chain Sustainability (SCS) program, we seek to mitigate risk, enhance the partnership with our suppliers by helping build their capacity for responsible business practices and create value for all stakeholders. We hold a full membership (the highest membership level) in the Responsible Business Alliance (RBA, formerly Electronic Industry Citizenship Coalition). Further, we hold a leadership role in RBA by participating on its Board of Directors, which allows us to partner with many of the 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 private-label suppliers, we provide an in-depth training on our code and program. We also conduct a third-party audit of their facilities, which includes environmental and human rights screening criteria. In FY18, we screened 100 percent of our new factories using environmental and human rights criteria and provided these suppliers with on-site training focused on the RBA code (version 6.0). When conducting pre-contract screenings, we identify non-conformance and require the supplier to take corrective action. If there is a priority non-conformance, it must be addressed immediately. Suppliers that are unwilling or unable to address priority violations are rejected. In the past fiscal year, we rejected more than 30 percent of potential new factories based on our initial screenings.

## Part 2 – Self-reporting

Existing suppliers assess their performance against the RBA 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 FY18, we achieved a 99 percent completion rate for SAQs and an 88 percent completion rate for KPIs. Any supplier that does not provide either an SAQ or 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 RBA code, which guides how we monitor their performance and build their capacity. Our evaluation, using a recently optimized risk assessment tool, 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 assessments, 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.

#### 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 to identify any gaps between the suppliers’ performance and the RBA 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 RBA code compliance, which is known as “**management compliance**.”

FY18 Audits	Amount
Factory Count (non-U.S.)	180
Number of Third Party-led Audits	110
Number of Best Buy-led Audits	28
Total Number of Audits	138

When non-conformance is discovered, we classify it 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 that represent: 1) a serious non-conformance of the RBA 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.

In FY18, we raised eight non-conformance violations categories from Major to High Risk Major. We believe the stronger potential consequences will better protect the workers and mitigate risk.

## Part 5 – Capacity building

We build our suppliers' knowledge so they can close any gap between their performance and the RBA code. We conduct annual trainings on the RBA code to ensure our suppliers have the tools to meet the code and fully understand our expectations. We held a two-day RBA training for our suppliers in FY18.

## Part 6 – Reporting

Each year we publicly disclose our suppliers' rates of compliance against the RBA code. The below chart aggregates the performance of all suppliers across numerous check points within the categories listed.

FY18 Audit Category	Practices Compliance	Management Compliance
Labor	67%	79%
Health and Safety	61%	94%
Environment	77%	87%
Ethics	100%	84%
Management System	100%	78%

In FY18, we did not find child labor or freedom of association violations in the factories we audited. If such a violation were to be found, it would be considered a priority 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.

### Addressing key issues: chemicals

Chemicals have become a topic of concern in many industry supply chains, including electronics. We are working with several multi-stakeholder organizations on this issue. In FY18, we released a Chemicals Management Statement ([Corporate.BestBuy.com/Sustainability](https://www.bestbuy.com/sustainability)), which includes a Restricted Substance List for our products and for the use of chemicals in the manufacturing process.

To pilot our Chemicals Management Program, in FY18, we administered a survey and training to 22 private-label suppliers in various product categories. As a result, we moved forward with launching the program with all nine of our TV suppliers. We found that each supplier has a basic chemicals system and that all chemicals reported are within the limit of the restricted substances list. In FY19, we look forward to expanding this program to other product categories and continue to provide support to our suppliers on their chemicals management.

### Addressing key issues: Taiwan foreign migrant workers

In Taiwan, the law allows a labor broker or a third-party recruiter to charge a migrant worker one month's salary for securing them a job. However, recruitment or service fees are not allowed to be paid, according to the RBA code. In FY18, we found three factories in Taiwan were allowing this practice, which is a Priority Non-Conformance. We worked with the suppliers to put in place a Corrective Action Plan including reimbursement of the hiring fee. The issue has been resolved with all of the factories identified.

We partnered with Verite, a labor-focused global nonprofit, to train our suppliers in Taiwan on addressing issues on recruitment and management of Foreign Workers, as well as meet RBA standards and requirements on Freely Chosen Employment and Anti-Forced Labor and Trafficking Protocols.

### **Looking for opportunities to enhance worker morale and factory conditions**

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 its ability to be a reliable supplier to Best Buy. In the past few years, leading brands have addressed these challenges by conducting worker surveys to drive improvements in factory conditions. Worker surveys not only allow companies to assess labor conditions at a factory, but also gain invaluable insights that can help factory management better engage workers and strengthen overall business performance through higher retention rates. Through a worker survey program, we are moving beyond audits 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.

In FY16, Best Buy piloted a worker survey program with three factories. In FY17, we partnered with ELEVATE, a supply chain consultant, to implement the program with six factories. Factories were carefully chosen based on several criteria, including importance to the business and willingness to participate.

### **Methodology**

#### **Phase 1: Baseline survey**

To establish a baseline, the first step of the worker survey program consisted of an anonymous questionnaire – for both workers and supervisors – focusing on 12 key areas, including compensation, working hours, productivity and living conditions. Following the survey, results were shared with each factory’s management team. In total, more than 1,200 workers and 300 supervisors participated.

#### **Phase 2: Training and improvement plan**

Results of the survey were analyzed using not only the six factories, but comparative data from ELEVATE. The team then conducted a half-day interactive training for factory management at Best Buy’s Shenzhen offices focusing on the opportunity areas identified. We then held one-on-one meetings with each factory and conducted an on-site visit. Using these inputs, an improvement plan was put in place with specific key performance indicators.

#### **Phase 3: Impact measurement**

In FY18, the team conducted a follow-up survey and visited each supplier to seek the results of the improvement plans. ELEVATE’s final report indicated the following results:

- Nearly all supervisors indicated that they saw the factory make progress in the previous 12 months; the majority of workers (59%) agreed that they saw progress.
- Overall, the scores improved on the main topics including: fair wages, supervisor responsiveness, feedback receptiveness and the need for re-work.
- Each factory’s specific improvement plan was also measured. Of the six factories, the results were varied — three showed progress, one was unchanged and two showed a decline in progress.
- We are encouraged by these findings and hope to see improved retention rates over the long term.

# Conflict minerals

The Democratic Republic of the Congo (DRC) and its neighboring 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, it is a significant challenge to identify, with certainty, the smelters, refiners and recyclers and the source of the materials they process. 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 through third-party audits 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 Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (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 Responsible Mining Initiative’s (RMI) Responsible Minerals Assurance Process (RMAP), or an equivalent program, including the London Bullion Market Association’s (LBMA) Good Delivery program and the Responsible Jewellery Council’s (RJC) Chain of Custody program.

We have a Conflict Minerals Policy that establishes our Exclusive Brands’ commitment 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 specifically requires our suppliers to utilize smelters and refiners who have successfully completed a third-party audit of their due diligence practices. Our policy can be found at [Corporate.BestBuy.com/Sustainability](https://www.bestbuy.com/sustainability).

FY18 Conflict Mineral Program Key Performance Indicator	Percentage
Exclusive Brands factories that attended training	89%
3TG products that have had their supply chains surveyed	100%
Exclusive Brands factories that 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 processed the 3TG used in our products.

Because 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 RMI, which administers smelter audits.

The RMI coordinates independent, third-party audits to validate that smelters source conflict-free materials. We support many RMI activities, including serving on the RMI Steering Committee and as the Chair of the Smelter Engagement Team, which conducts coordinated outreach to known smelters to encourage them to be audited.

To date, nearly 96 percent of the processing facilities reported by relevant suppliers have been found conformant to the RMI, LBMA or RJC standard 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 DRC groups directly or indirectly benefitted. This is primarily because of 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 Exclusive Brands products, these results are not unexpected, especially given our downstream position as a retailer and manufacturer of Exclusive Brands products.

Of the smelters and refiners provided by our suppliers, we identified 21 instances for which we had reason to believe that at least a portion of the 3TG they processed may have originated in the DRC or a neighboring country and may not have been from recycled or scrap sources. All 21 of these processing facilities have been found conformant through RMAP or another 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 a neighboring country and — directly or indirectly — benefitting armed groups.

# ENVIRONMENT

Best Buy aims to be a good steward of the environment through our operations, services and products.





# Managing environmental impacts

Best Buy works hard to be a good steward of the environment. We focus on reducing our environmental impacts, and we aim to help our customers live more sustainably.

The backbone of our environmental programs is our ISO 14001-certified Environmental Management System (EMS). Our EMS helps us systematically manage progress toward our environmental goals and commitments and ensure that we are in compliance with all applicable laws and regulations. Our ISO 14001 certification was initially awarded in June 2012 and covers all U.S. operations. We were the first U.S. large-format retailer to earn this certification.

As part of our Environmental Statement (**[Corporate.BestBuy.com/Sustainability](https://www.bestbuy.com/sustainability)**), Best Buy is committed to protecting the environment, conserving natural resources and preventing pollution by systematically managing and continually improving our environmental performance. We positively impact the world through these actions:

- Addressing climate change by reducing carbon emissions and sourcing renewable energy;
- Helping customers live more sustainably by providing an assortment of sustainable products and information to make informed decisions;
- Extending the life of technology, giving products a second life and recycling responsibly; and
- Complying with all applicable environmental legal requirements.

We are pleased to report there were no significant fines or non-monetary sanctions implemented against Best Buy for environmental non-compliance in FY18.



# Addressing climate change in our operations

While the issue of climate change is worldwide, the impact is felt by people in the communities where we live and work in the form of severe weather, rising temperatures, flooding and water shortages, all of which affect our employees, communities and human health. In FY18, more than half of our large format-stores were affected by extreme weather events. Best Buy especially felt the devastating effects of severe weather in Puerto Rico and Houston.

We are committed to addressing climate change by finding cost-effective solutions to save energy and directly reduce carbon emissions through operational improvements and sourcing renewable energy. Carbon reduction is not only the right thing for the planet, but it makes good business sense, driving efficiencies and cost savings.

Carbon reduction has been a priority for Best Buy for nearly a decade and in FY18, we announced a new goal to reduce carbon emissions 60 percent by 2020. In FY17, we exceeded our goal to reduce carbon emissions by 45 percent (over a 2009 baseline). Moving from 45 to 60 percent is equivalent to removing 32,000 cars from the road for an entire year.<sup>1</sup> Our new goal will see emissions reduced through accelerated progress on two sustainable practices: energy efficient operations and sourcing renewable energy. We are thrilled to have reached a 51 percent reduction to date.

## 2020 Goal:

Reduce carbon emissions 60% (over 2009 baseline);  
carbon neutral by 2050

<sup>1</sup>Per the U.S. Environmental Protection Agency's Greenhouse Gas Equivalencies Calculator

## Energy-efficient operations

We will continue to embrace technology and process improvements to drive energy-efficient operations.

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. Technologies such as LED lighting and updated heating and cooling systems are expected to further reduce carbon emissions in our stores and distribution centers.

We also closely manage the carbon emissions of our fleet of more than 5,000 Geek Squad vehicles. We aim to use smaller vehicles as often as possible and map the most efficient routes to our destinations. In FY17, we introduced a new Geekmobile fleet comprised of more than 1,200 Toyota Prius c hybrids. Geek Squad selected the Toyota Prius c because of its innovative engineering, low cost to maintain and environmental advantages. Adding the Prius c hybrid has brought an overall 6 percent improvement in our fleet's miles per gallon. We recently added another 300 vehicles to the Prius c lineup for our team of In-Home Advisors, and will pursue even more efficient vehicle options as they become available.

Best Buy continues to build efficiency by using telematics that we deployed to our fleet in FY15. Telematics technology allows the tracking of key vehicle performance metrics that can be used to monitor, locate and service vehicles within our fleet.

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.

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.

We require our dedicated fleet transportation partners follow these requirements:

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

## Renewable energy

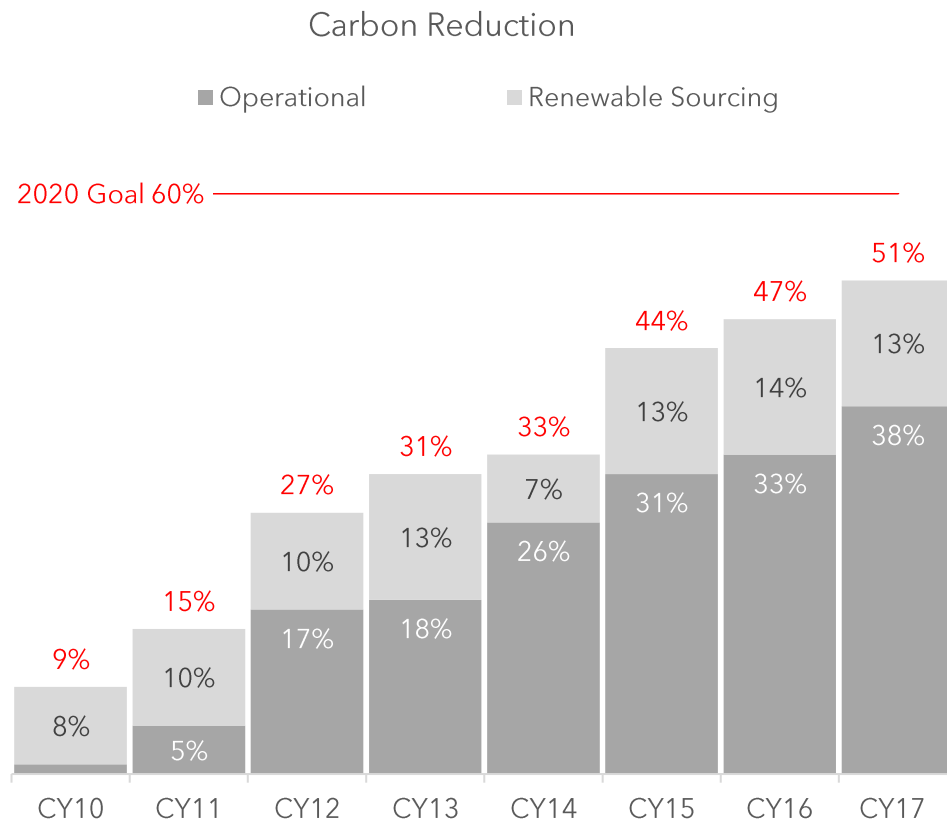
We are placing increased focus on securing offsite renewable energy sources and purchasing Renewable Energy Credits (RECs). Our offset target is equal to 20 percent of our 2009 baseline carbon emissions. In calendar year 2017, we offset approximately 35 percent of our U.S. electricity through RECs. Historically, our primary renewable sourcing method has been RECs. As we look forward, we continue to investigate and perhaps deploy onsite and offsite renewables and to opt in to green tariffs from our utility partners.

## Carbon reporting

Since 2008, we have disclosed carbon emissions data to CDP (formerly known as the Carbon Disclosure Project). In FY18, we were recognized as a global leader in addressing climate change by earning a spot on the CDP Climate A List for the second time. This puts Best Buy among the top 5 percent of all companies participating in CDP's climate change program. We are the only U.S. big-box retailer named to this year's A List of 120 companies.

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; and
- The Climate Registry: General Reporting Protocol.



Key Performance Indicator	DATA
Energy consumption within the organization	Fuel consumption: 2,867,576,400,000,000 joules Electricity consumption: 1,003,506 MWh Total scope 1 and 2: 1,800,055 MWh
Energy intensity	.0402 MWh/Sq Ft
Reduction of energy consumption	(4,421) MWh or -0.2% reduction year-over-year
Direct GHG emissions (Scope 1)	219,636 MT CO <sub>2</sub> e
Energy indirect GHG emissions (Scope 2)	281,716 MT CO <sub>2</sub> e
Other indirect GHG emissions (Scope 3)	2,458,570 MT CO <sub>2</sub> e
GHG emissions intensity*	.014 MT CO <sub>2</sub> e/Sq Ft
Reduction of GHG emissions	47,507 MT CO <sub>2</sub> e, or 8.7% reduction year-over-year

\*not including RECs

# Helping our customers live sustainably

Best Buy is committed to providing customers with a wide assortment of sustainable products. This includes offering a large selection of energy-efficient and smart home products.

## Promoting eco-labels

Best Buy offers a large selection of ENERGY STAR® 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 22 million ENERGY STAR certified products in FY18 and realized utility bill savings of more than \$45 million<sup>1</sup>. This energy savings equates to more than 580 million pounds of CO<sub>2</sub> emissions avoidance<sup>2</sup>, or the equivalent of removing nearly 55,000 cars from the road for a year<sup>3</sup>. Learn more about U.S. ENERGY STAR certified products at [BestBuy.com/ENERGYSTAR](https://www.bestbuy.com/ENERGYSTAR).

In 2017, the EPA named Best Buy an ENERGY STAR Retail Partner of the Year for the fifth consecutive year. This award is based on our outstanding marketing and customer education of the benefits of ENERGY STAR certified products. We trained more than 155,000 Blue Shirts over the past nine years on the benefits of ENERGY STAR certified products. We also educated customers about ENERGY STAR in stores and online. The ENERGY STAR logo is featured on all applicable fact tags in stores and our Best Buy ENERGY STAR video plays on in-store televisions throughout the year.



In addition to ENERGY STAR, which focuses on the customer-use phase, we identify, mark and promote EPEAT® 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. In calendar year 2017, Best Buy customers purchased more than 6.4 million EPEAT-registered products, which collectively helped avoid the disposal of nearly 6,000 metric tons of hazardous waste, equivalent to the weight of more than 48,000 refrigerators.<sup>4</sup>

1. Savings based on Best Buy's FY18 sales and the difference in U.S. EPA's ENERGY STAR Program data regarding annual unit energy consumption between non-ENERGY STAR certified products and ENERGY STAR certified products. Electricity rate is \$0.122/kWh.

2. Savings based on Best Buy's FY18 sales and the difference in U.S. EPA's ENERGY STAR Program data regarding annual unit energy consumption between non-ENERGY STAR certified products and ENERGY STAR certified products. Emissions factors are 1.54 pounds CO<sub>2</sub>/kWh.

3. Savings based on Best Buy's FY18 sales and the difference in U.S. EPA's ENERGY STAR Program data regarding annual unit energy consumption between non-ENERGY STAR certified products and ENERGY STAR certified products. Emissions factors are 1.54 pounds CO<sub>2</sub>/kWh and 10,428 pounds CO<sub>2</sub>/car/year.

4. Savings based on Best Buy's calendar year 2017 sales of EPEAT registered desktop computers, computer displays, notebook computers, printers, and televisions, compared to non-EPEAT registered equipment, calculated using the U.S. EPA Electronics Environmental Benefits Calculators for Computers (v4), for Imaging Equipment (v1), and for Televisions (v1). 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.

## Sustainable tech

A growing category for Best Buy, called smart home, features smart or connected 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, making a smart home a more sustainable home. Examples include:

### **Smart thermostats**

They save money and energy while improving the comfort of customers' homes. These devices are "smart" because they can 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. The Nest thermostat, for example, can save 12 percent on heating and 15 percent on cooling.

### **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 and control**

Another energy-saving product that can be found at Best Buy stores is a home energy meter and smart plug, which helps customers monitor electricity consumption real-time from a smartphone. These products can help identify the products in a home that are using an excessive amount of energy and operate the electronics remotely, saving energy.



## Chemicals in products

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

In FY18, we released a Chemicals Management Statement, located at

**Corporate.BestBuy.com/Sustainability**, which outlines how we seek to reduce the use of chemicals, phase out chemicals of concern and improve the general management of chemicals.

Our efforts focus on where we can make the greatest impact:

- Within our corporate, retail, service and distribution operations, we actively look for opportunities to reduce the use of chemicals. Whenever possible, we work to transition to safer alternatives, with a preference for EPA Safer Choice chemicals.
- For our private-label and direct import products, we outline supplier requirements regarding the use of chemicals in products as well as those used in the manufacturing process. Best Buy maintains a detailed Restricted Substance List (RSL), which specifies chemicals restricted based upon regulations or known hazards, and chemicals suppliers are required to report usage to us.
  - Each of our product specification documents include chemical requirements, and increasingly rigorous assurances and testing of products are required based upon the level of risk. Further, we partner with suppliers to identify opportunities to transition to preferred chemicals.
  - As part of our regular audit program, we monitor factories to assure adherence to our RSL as well as our Supplier Code of Conduct, which specifies safe chemical procedures, and we require improvements when we find gaps. Best Buy provides training to help factories improve their chemical management processes, including understanding of risks and the importance of taking proper precautions.
  - We also ensure 100 percent of our suppliers are audited to the International Electrotechnical Commission Quality Assessment (IECQ) 080000, which is the standard for assessing hazardous substances in electronics.
- We provide our vendor partners easy access to our chemical management documents and tools via our vendor website, **ExtendingTheReach.com**. We recognize the interdependence of the electronics supply chain and by sharing these resources, we hope to support greater awareness and alignment within the industry on voluntary actions to manage chemicals.
- Through our recycling program, we partner with the most qualified electronics and appliance recyclers and hold them to the highest industry standards to ensure products and components are reused, recycled, or disposed of properly at end of life and that chemical risks are managed properly. Our recycling standards are publicly available on our corporate website.

Collaboration among stakeholders is critical to improving the complex issue of managing chemicals in the electronics industry. To this end, we will continue to participate in chemical management work groups with organizations such as the Responsible Business Alliance and the Green Chemistry and Commerce Council.



## Circular economy – reduce, repair, reuse, recycle

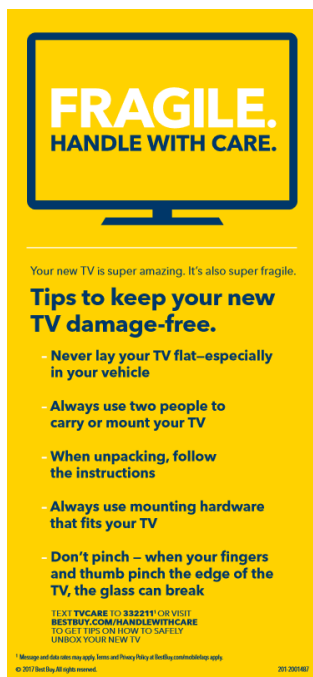
At Best Buy, we aspire to drive forward the circular economy — in which we keep resources (or products) in use for as long as possible, extract the maximum value from the products while in use, then recover and regenerate products and materials at the end of life.

### Damage reduction

Reducing damage that occurs before it gets to our customers is the first step for us in this cycle. We have been working on initiatives to reduce damage for more than a decade, keeping products in the “use” phase longer. Key initiatives driving our damage reduction work include:

- Investing in equipment to move TVs and appliances;
- Training our employees extensively on correct product handling to avoid damage;
- Placing additional safe-handling tips on all TVs 46” and larger to help employees educate customers;
- Providing a dedicated website for customers detailing safe unboxing instructions (**BestBuy.com/HandleWithCare**);
- Creating customer-facing videos with step-by-step instructions on correct unboxing to avoid damage; and
- Designing re-usable packing equipment for large items such as flat-screen TVs and appliances when they are out of box.

Going one step further, we have taken a leadership role in creating standardized on- and in-box instructions for correctly unboxing and handling TVs. We worked with our vendor partners to design these TV package labels, which have been implemented across brands to drive consistent safe handling practices across all brands and visible to employees and customers.



## 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 FY18, Best Buy repaired nearly 5 million devices, keeping electronics in the “use” phase.

Every large-format Best Buy store houses a Geek Squad Precinct, where products — from computers to mobile phones to digital cameras — are repaired. Our repair technicians fix larger items like TVs and appliances in customers’ homes. We also operate repair facilities within our distribution centers including Geek Squad City, a facility in Louisville, Kentucky, that encompasses nearly 4 acres and houses the largest concentration of Agents anywhere.

## Best Buy Trade-In Program

The Best Buy Trade-In Program is the core of our “reuse” phase of the product life cycle. We offer customers a convenient way to get value for products that are still in good, working condition in nearly all our stores. These products are typically re-sold in secondary markets, bringing a useful second life for products that might otherwise sit idle in someone’s home, end up recycled or in a landfill. Not only does the Best Buy Trade-In Program enable customers to upgrade sooner, it gives an opportunity to those who might not be able to afford brand-new technology.

Many companies offer phone trade-in options, but Best Buy goes beyond phones and includes laptops, tablets and cameras. Between FY17 and FY18, our average gift card amount has increased by 15 percent in non-mobile categories. We are constantly evaluating categories where we can offer consumers value for electronics they no longer use.

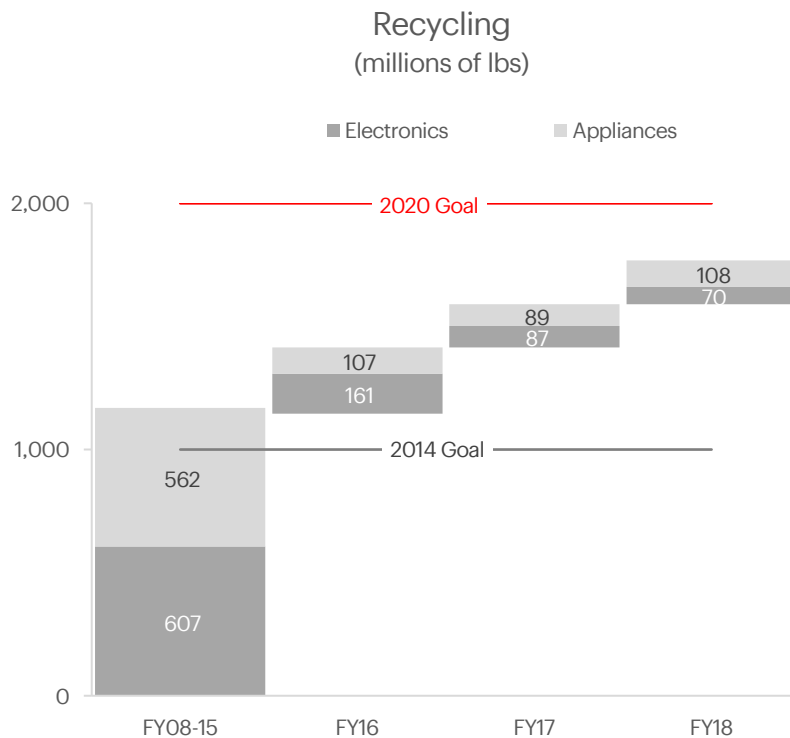


## Electronics recycling

To address the global issue of electronic waste, we established our recycling program in 2009. We continue to operate the most comprehensive consumer electronics takeback program in the U.S. And, with 70 percent of the U.S. population living within 15 minutes of a Best Buy store, we are also the most convenient place for recycling.

When Best Buy started the program, 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 2014, we met that goal, and 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. Because of changing market dynamics, we amended our goal from an additional 2 billion to a total of 2 billion pounds. In FY18 alone, we collected more than 70 million pounds of consumer electronics and 108 million pounds of appliances, bringing our current total to 1.7 billion pounds.

In FY18, the EPA awarded Best Buy a Sustainable Materials Management (SMM) Electronics Award for the fourth straight year. The award commends superior corporate efforts to divert electronics from landfills by working with third-party certified recyclers, as well as being transparent about recycling data and performance.



## Our recycling standards

We promote environmental stewardship by requiring all our recycling service providers to adhere to Best Buy standards and contractual obligations. Recyclers must pass a thorough environmental, safety and downstream audit process before contracting with Best Buy, and they are subject to recurring onsite, desktop and downstream assessments. In addition to our own standards, we require all electronics recycling partners to maintain ISO 14001 certification, an OHSAS 18001 safety certification or industry equivalent and be certified to eStewards® or R2® industry certifications.

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

- Responsible Business Alliance – E-Waste Taskforce; and
- R2 Technical Advisory Committee.

### **Customer data privacy and recycling**

Another priority for Best Buy, when recycling electronics, is ensuring that any customer data left stored on such products is handled appropriately. To ensure that 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](https://www.bestbuy.com/Recycling) for more information about how to recycle electronics at Best Buy stores. (See page 32 for further discussion on customer data privacy.)

### **Case Study: HP closed-loop printer**

The key to a circular economy is being able to extract the highest value of a commodity after recycling. A great example of this is now on shelves at Best Buy. The new HP ENVY Photo 6200, 7100 and 7800 are the world's first in-class printers made with recycled plastic from the closed-loop process — more than 20 percent by weight.<sup>1</sup> Plastic from printers that our customers recycle at Best Buy is shredded, melted and put directly back into the manufacturing of these new printers.

The more we recycle, the more we keep out of landfills. By making the recycling process closed loop, we further reduce the environmental impact of the product by using less virgin material. The HP ENVY Photo 6200, 7100 and 7800 printers prove that recycled plastic is not just for buckets and benches, but can be used in high-quality electronics.

We also incentivize customers to recycle by offering 15 percent off a new HP inkjet printer when they bring one in for recycling.



<sup>1</sup> Compared to of majority in-class color desktop inkjet all-in-ones ≤\$199 USD. HP internal research survey of printer manufacturers' published specifications, sustainability reports and press releases as of 8/1/2017 and Buyers Laboratory Inc. 2017 study commissioned by HP; [keypointintelligence.com/products/samples/hp-envy/](https://www.keypointintelligence.com/products/samples/hp-envy/). Market share as reported by IDC CYQ1 2017 Hardcopy Peripherals Tracker. The HP ENVY 6200, 7100 and 7800 all-in-one printers contain more than 20% closed-loop plastic from recycled printers and other electronics plastic by weight of the plastic.



### Case Study: “I Want to Be Recycled”

Best Buy continues to partner with Keep America Beautiful and the Ad Council to encourage consumers to recycle their shipping boxes in partnership with the “I Want To Be Recycled” campaign. Best Buy ships products in these boxes from eight distribution centers and more than 1,000 store locations.

Already, our efforts to make boxes more appropriately sized have reduced material waste. We also ensure that the cardboard we use is FSC-certified, meaning it comes from responsibly managed forests.



### Sustainable packaging

Best Buy aims to continuously improve the packaging of our private-label products. We are committed to providing quality packaging with more sustainable attributes.

Our recent efforts include:

- Select Modal cellphone case packages use bioplastics, a plant-based biodegradable material;
- Insignia paperboard packages contain at least 30 percent recycled material (when not corrugate or cardboard); and
- Insignia packages use water-based coatings, which ensure the packages can be easily handled by a recycling facility.

# Protecting natural resources

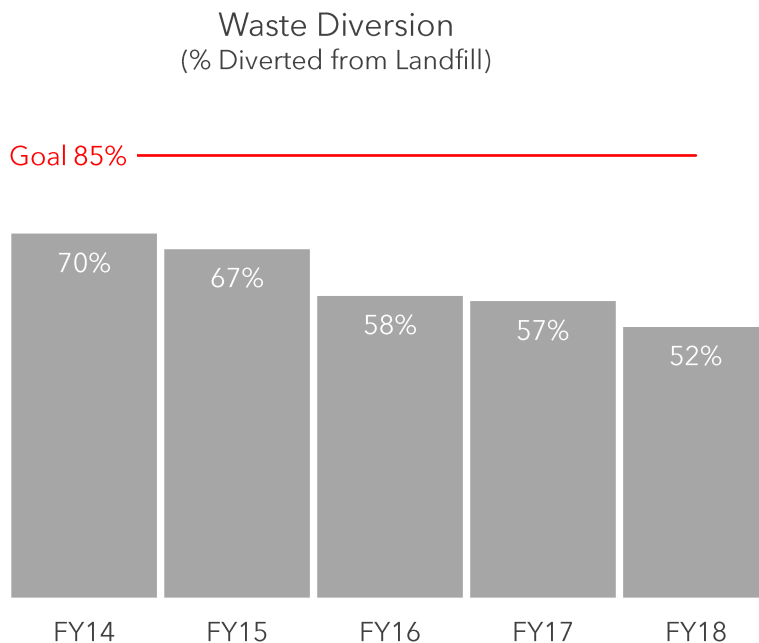
## Waste diversion

As part of our commitment to lessening our environmental impacts, we are seeking to achieve an 85 percent diversion rate for all U.S. operations by the end of FY20. We have faced several challenges in FY18 that have affected our waste diversion rate, including:

- Fewer material recovery facilities;
- Regulations limiting waste sent to China; and
- Lower value of cardboard and other commodities.

Toward the end of FY18, we made the decision to change waste providers, to those who are incentivized to help us recycle and compost more. By changing waste providers during the busiest time in our stores, we experienced some delays in service, and our diversion rate fell to 52 percent. Our new provider is tasked with increasing our waste diversion rate by 30 percent in one year, and we are already seeing our diversion rate increase back to 57 percent at the end of the first quarter of FY19.

In our distribution centers, we have seen a steady waste diversion rate above 80 percent. We attribute this success to a lower employee turnover rate, dedicated labor and additional equipment installed, such as polystyrene densifiers.



### Waste Figures (FY18)

Waste Type	Pounds
Hazardous waste volume	32,860 lbs.
Universal waste (lamps, batteries) volume	105,977 lbs.
Non-hazardous waste recycled	
-Paper/cardboard	92 million lbs.
-Plastic	8.7 million lbs.
-Metal	4.3 million lbs.
Non-hazardous waste landfilled	98 million lbs.
Non-hazardous waste composted	326,000 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

In calendar year 2017, we used about 1.2 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.

Calendar Year	Water Use
2014	1.5 million cubic meters
2015	1.4 million cubic meters
2016	1.4 million cubic meters
2017	1.2 million cubic meters



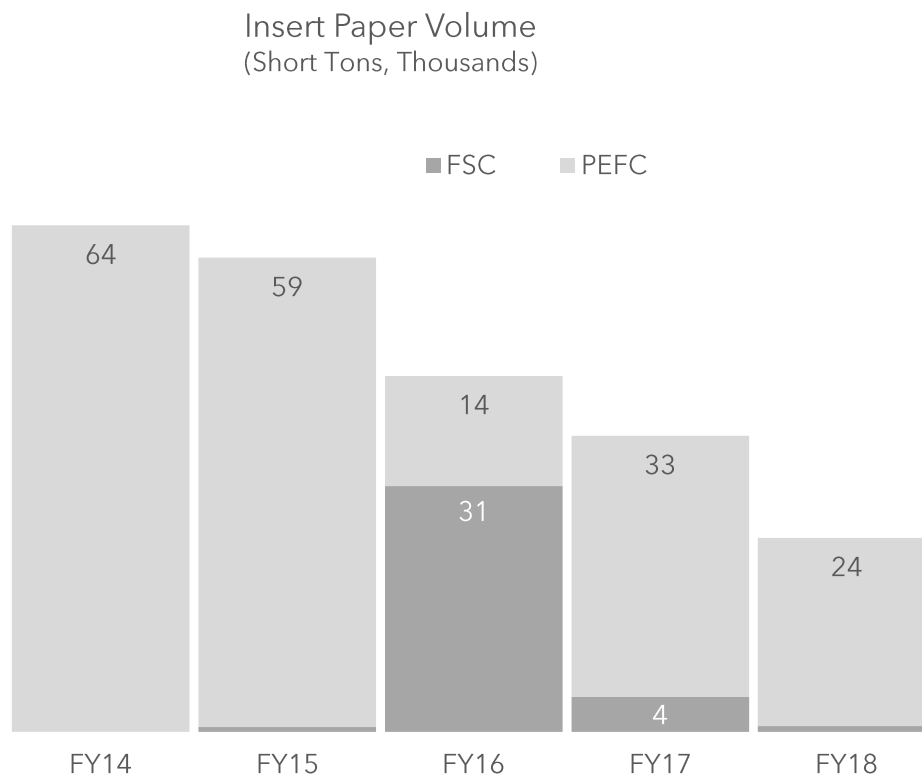
## Paper procurement

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.

As part of our procurement requirements, we:

- Require 100 percent of paper procured to be certified to an internationally-recognized forestry standard;
- Acquire chain of custody statements for all insert paper; and
- Maintain at least 30 percent recycled content in our office paper.

Since FY14, we have reduced our insert paper volume by 62 percent. Our full Paper Procurement Corporate Statement can be found at [Corporate.BestBuy.com/Sustainability](https://www.bestbuy.com/sustainability).



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