

**BED BATH &  
BEYOND**

**notice of 2021  
annual meeting of  
shareholders and  
proxy statement**

**2020 annual report**

# home, happier

BED BATH & **BEYOND**

## PURPOSE

**make it easy to  
feel at home**

## MISSION

re-establish our authority and be the preferred  
omni-channel home destination driven by teams  
consistently delivering balanced durable growth

## PRINCIPLES

customer inspired    omni-always    people powered    performance driven

## PILLARS & PROFICIENCIES

**product**



**price**



**promise**



**place**



**people**



**proficiencies**

## PERFORMANCE

sales

margin

cash flow

TSR



# message from the president and chief executive officer, and the chair of the board of directors

MAY 17, 2021

## to our shareholders:

In a year dominated by one issue above all else, we start by reflecting on how the COVID-19 pandemic shaped our Company. We took actions that we never could have imagined – closing the vast majority of our stores, placing so many of our people on furlough, and reinventing and adapting service models overnight. In our communities and amongst our own, so many families have lost loved ones, suffered ill health and had their lives turned upside down.

Throughout this time, we prioritized the health and well-being of our associate teams, customers and communities and we are so proud of how our people came together to deliver for one another and the millions of people who count on us. From introducing comprehensive new safety plans across our operations and stores, to our work to support communities in need through our Bringing Home Everywhere donation program, we came together to deliver when people needed it most. We will build on this work with a comprehensive ESG strategy that embeds action into our transformation plans in support of our People, Communities and Planet.

### **Building a strong foundation for the future**

Our homes are the epicenter of our lives and, during these unusual times, we have stayed true to our purpose – to make it easy to feel at home with Bed Bath & Beyond. We have continued our efforts to rebuild the foundations of this iconic business we call home. We established an entirely new leadership team, with world class retail and digital experience, which helped design and shape the growth strategy that will define our future. These leaders are relentlessly focused on taking measured, purposeful steps needed to transform our Company. Our board of directors was highly engaged in governance and oversight of the Company's response to COVID-19 and with the formation and progress of its transformation strategy.

2020 was a pivotal year for Bed Bath & Beyond and a year of fast-paced transformation in which we addressed the past, overcame extraordinary circumstances of the present and established a firm foundation for the Company's future.

We substantially improved our financial position through prudent cash management, financial remodeling and streamlining our portfolio — releasing capital from non-core assets and restructuring our debt. Importantly, we returned to positive comparable sales and adjusted EBITDA margin growth in the second quarter, after four years of declines. We continued this positive momentum throughout the rest of the year and are now in a significantly stronger financial position. The capital unlocked from non-core assets enabled us to invest to fuel growth and support our customers and our people.

## Investing in our omni-always strategy

Our most consequential investments were deployed in executing our new digital-first, omni-always strategy, providing our customers with safe, easy and convenient services that make it easier than ever to shop with us. New options like BOPIS, Curbside Pickup, Same Day Delivery and over a hundred meaningful improvements to our digital experience enabled us to surpass \$3 billion in digital sales. We saw more than 1 billion visits to our websites and increased our online conversion rate by 30 percent. Truly remarkable.

## Unlocking the potential of Bed Bath & Beyond

As we enter our 50<sup>th</sup> year, we will continue to be customer-inspired in everything we do, building authority in our core Home, Baby, Beauty and Wellness markets with new omni-always services, launching at least eight Owned Brands, reimaged stores and so much more. We believe our plans will unlock growth, deliver sustainable shareholder value, enable associates to contribute to their full potential, and help our customers to Home, Happier.

In light of public health considerations, this year we are again offering shareholders the opportunity to virtually attend our Annual Meeting of Shareholders. Whether or not you expect to attend, your vote is very important and we ask that you cast your vote regardless of the number of shares you hold. We look forward to discussing our plans for the Company's future at the Annual Meeting.



A handwritten signature in blue ink that reads "Mark".




**Mark J. Tritton**  
President and  
Chief Executive Officer



A handwritten signature in blue ink that reads "Harriet".

**Harriet Edelman**  
Chair of the Board of  
Directors

# notice of 2021 annual meeting of shareholders

Items of Business	Board Voting Recommendations
<p><b>PROPOSAL 1</b> To elect ten directors to serve until the Annual Meeting in 2022 and until their respective successors have been elected and qualified.</p>	 <b>FOR</b> each director nominee
<p><b>PROPOSAL 2</b> To ratify the appointment of KPMG LLP as independent auditors for fiscal 2021.</p>	 <b>FOR</b>
<p><b>PROPOSAL 3</b> To approve, by non-binding vote, the 2020 compensation paid to the Company's Named Executive Officers (NEOs) (commonly known as a "say-on-pay" proposal).</p>	 <b>FOR</b>

Such other business as may properly be brought before the Annual Meeting or any adjournment or adjournments.

## proxy voting

It is important that your shares be represented and voted at the Annual Meeting of Shareholders (the "Annual Meeting") of Bed Bath & Beyond Inc. (the "Company," "we," or "us"), a New York corporation. Whether or not you plan to attend the Annual Meeting, we urge you to vote online, via telephone or to fill out the enclosed proxy card and return it to us in the envelope provided prior to the date of the Annual Meeting. No postage is required. Proxies are being solicited by the Board to be used at the Annual Meeting and the approximate date on which this Proxy Statement and accompanying Form of Proxy will be mailed to shareholders is on or about May 17, 2021.

Due to continuing concerns regarding the COVID-19 pandemic and to assist in protecting the health and well-being of our shareholders and our associates, this year's Annual Meeting will be in a virtual-only meeting format. Shareholders will be able to listen, vote and submit questions via the internet by visiting [www.virtualshareholdermeeting.com/BBBY2021](http://www.virtualshareholdermeeting.com/BBBY2021). Please retain the 16-digit control number included on your proxy card or in the voting instructions that accompanied your proxy materials as you will need this number to attend the meeting virtually, vote at the meeting or to submit a question to management at the meeting. We have designed the virtual meeting to offer the same participation opportunities as an in-person meeting.

Although we intend to hold our Annual Meeting virtually, in the event that New York State law does not allow virtual-only meetings at the time of our Annual Meeting, we will also hold an in-person meeting at the same date and time at our principal executive office at 650 Liberty Avenue, Union, NJ 07083 in addition to the virtual meeting. In such case, we will announce the decision to do so at least one week in advance of the Annual Meeting, by press release and in a filing with the U.S. Securities and Exchange Commission (the "SEC"), as well as in materials made available at [www.bedbathandbeyond.com/annualmeeting2021](http://www.bedbathandbeyond.com/annualmeeting2021), and we strongly encourage you to check this website prior to the Annual Meeting. Note that the decision to proceed with a virtual-only meeting this year does not necessarily mean that we will utilize a virtual-only format or any means of remote communication for future annual meetings.

### Important Notice Regarding the Availability of Proxy Material for the Annual Meeting of Shareholders to be held on June 17, 2021:

This Notice of the 2021 Annual Meeting of Shareholders, Proxy Statement and the Company's 2020 Annual Report are available at [www.bedbathandbeyond.com/annualmeeting2021](http://www.bedbathandbeyond.com/annualmeeting2021).



#### DATE AND TIME

Thursday, June 17, 2021  
10:00 A.M.  
Eastern Daylight Time



#### VIRTUAL MEETING LOCATION

[www.virtualshareholdermeeting.com/BBBY2021](http://www.virtualshareholdermeeting.com/BBBY2021)



#### WHO CAN VOTE

You can vote if you were a shareholder of record as of the close of business on May 3, 2021.

#### PRINCIPAL EXECUTIVE OFFICE

650 Liberty Avenue,  
Union, NJ 07083

# table of contents

---

## 3 message from the president and chief executive officer, and the chair of the board of directors

---

## 5 notice of 2021 annual meeting of shareholders

---


## 7 fiscal 2020 highlights

---

## 10 voting roadmap


---

## 13 our board of directors and corporate governance

13	<b>PROPOSAL 1—election of directors</b> 	34	how we are paid
20	how we are selected and evaluated	36	how we engage with and listen to our shareholders; how to communicate with us
22	how we are governed and govern		
32	environmental, social and governance (ESG)		

---

## 37 audit matters


37	<b>PROPOSAL 2—ratification of the appointment of auditors for fiscal 2021</b> 	38	pre-approval policies and procedures
37	appointment of KPMG LLP	38	audit committee report for the fiscal year ended february 27, 2021
37	fees paid to KPMG LLP for services and products		

---

## 39 information about our executive officers

---

## 40 executive compensation

40	<b>PROPOSAL 3—approval, by non-binding vote, of the 2020 compensation paid to the Company's NEOs</b> 	65	compensation tables
41	message from the chair of our compensation committee	65	summary compensation table for fiscal 2020, fiscal 2019 and fiscal 2018
43	compensation discussion & analysis (CD&A)	67	grants of plan based awards
43	CD&A summary	68	outstanding equity awards at fiscal year-end
48	how we design our executive compensation program	69	option exercises and stock vested
50	how we consider shareholder feedback	70	employment agreements and potential payments upon termination or change in control
51	how our NEOs were paid in 2020	78	CEO pay ratio
56	fiscal 2020 NEO compensation decisions	79	our shareholders
61	our compensation decision-making process	79	security ownership of certain beneficial owners and management
62	additional compensation information		

---

## 81 other matters

81	frequently asked questions	85	next year's annual meeting
85	householding	86	cautionary note regarding forward-looking statements

---

## 87 appendix A

87	non-GAAP financial measures		
----	-----------------------------	--	--

---

## 89 2020 annual report

# fiscal 2020 highlights

## fiscal 2020: a year of fast-paced transformation enhances strategic position for sustained success

### strengthened our financial foundation

During a year of significant challenges, we addressed the past, overcame the extraordinary circumstances of the present and established a firm foundation for the future. Despite the new environment created by the COVID-19 pandemic, we relentlessly focused on taking purposeful and bold steps to transform our entire organization and continued our plans to rebuild our authority in Home and restore our iconic Company.

### unlocked our digital-first, omni-always model

We accelerated change in our operations to create a more competitive omni-always shopping experience with the introduction of new services like Buy Online Pickup In Store (BOPIS), Curbside Pickup, Same Day Delivery and over 100 meaningful improvements to our digital experience. Our teams acted with agility to address the changing needs of our customers and significantly advanced our integrated omni-channel strategy.

### established a world class team

We strengthened our executive team with new leaders in Merchandising, Marketing, Digital, Stores, Operations, Finance, Legal and Human Resources. These new leaders helped design and shape the growth strategy that will define our future while ensuring the business delivered successfully for our customers.

### cared for our associates, customers & communities

Throughout the COVID-19 pandemic, we have prioritized the health and safety of our associates and communities, while continuing to serve our customers and invest in our future growth.

- ✓ **\$9 billion** in net sales
- ✓ **3** consecutive quarters of comparable sales growth, following 4 years of decline
- ✓ Pivoted to sustained adjusted gross margin expansion
- ✓ **\$2.1 billion** total liquidity position
- ✓ **-\$1 billion** gross debt reduction vs fiscal 2019
- ✓ **>\$600 million** in proceeds generated from asset sales; 5 non-core banners divested
- ✓ **\$508 million** in SG&A savings resulting from cost-cutting initiatives, divestitures and store closures
- ✓ **\$422 million** or 20% inventory reduction vs fiscal 2019
- ✓ **\$375 million** of capital returned to shareholders through accelerated share repurchases
- ✓ **\$151 million** net loss
- ✓ **\$197 million** adjusted EBITDA\*

- ✓ **>\$3 billion** of digital sales; +83% vs fiscal 2019
- ✓ **>1 billion** digital visits; 30% increase in conversion vs fiscal 2019
- ✓ **11 million** new digital customers; +95% vs fiscal 2019
- ✓ **>4 million** customers placed a BOPIS order; BOPIS represented 14% of digital sales
- ✓ **>3 million** app downloads
- ✓ **37%** of digital sales fulfilled by our stores
- ✓ **34%** of customers placed 2+ digital orders

New leaders bring expert industry experience:



- ✓ Launched **Comprehensive Store Safety Plan** to protect our 38,000 associates and 37 million customers
- ✓ **100%** of our stores introduced **BOPIS & contactless Curbside Pickup**
- ✓ Established **\$10 million Bringing Home Everywhere** donation program to support communities in need

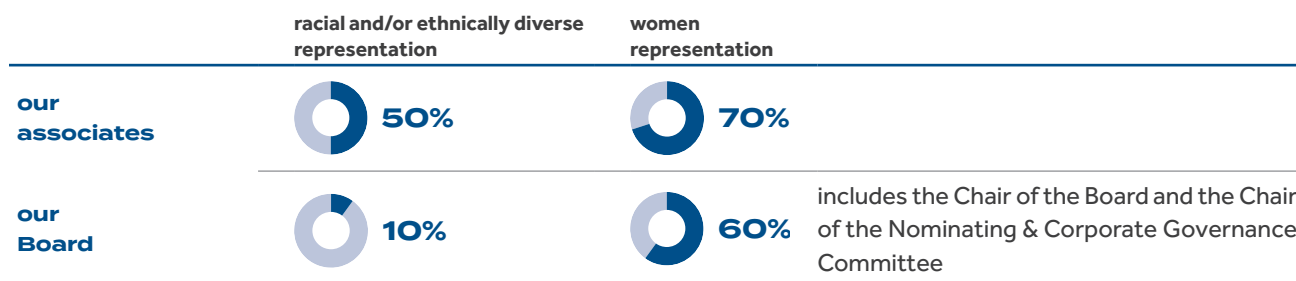
\* Adjusted EBITDA is a non-GAAP financial measure. See Appendix A for a reconciliation of GAAP to non-GAAP measures used in this proxy statement.

# people & culture highlights

We strive to create a work environment in which all of our associates can thrive, and recognize that how we prepare our associates for future leadership success at Bed Bath & Beyond—and their broader lives—is fundamental to that vision.

## diversity, equity and inclusion

Creating a welcoming environment that feels like home for all our associates requires a deep-rooted sense of belonging and acceptance. That’s why we’ve made diversity, equity and inclusion (DE&I) a top priority. Women and racially and/or ethnically diverse individuals comprise a significant percentage of our associate team as a whole. We will continue to focus on improving diverse representation at leadership levels as part of our ongoing DE&I program.



## learning and development

We plan to implement a comprehensive learning and development (L&D) program to create a center of excellence that positions us as a learning organization prepared for the future. This will include significantly expanding our skill development program, including offering a series of upskilling trainings designed to provide technical and competency-based skills to associates that are applicable to a range of career paths. We view our L&D program as a catalyst for our three-year strategic transformation, and are emphasizing equitable participation in L&D opportunities across our associate groups.

## total rewards

To attract, retain and engage associates, we are modernizing our total rewards program, including redefining our compensation and benefits offerings. We adopted our first short-term cash incentive bonus plan in fiscal 2020, directly linking compensation to the Company’s financial results. We also overhauled our long-term equity incentive program to emphasize stock ownership and ensure market competitive rewards. For fiscal 2020 and in recognition of the extraordinary year, we were excited to provide a cash bonus to associates across the Company, including a Frontline Recognition Bonus for store and supply chain hourly associates.

## focus on well-being

We strongly believe that physical and mental well-being lies at the core of a productive, engaged and thriving workforce and draws out the best in each associate. We introduced a series of well-being initiatives designed to enable our associates to re-charge, de-stress and find peace and focus.

## health and safety

We keep our associates safe by adhering to safety standards and adopting safe work practices. In addition, we conduct workplace training for all associates upon hire. Training is repeated as needed to maintain skill levels and awareness, and reinforced through monthly safety topics and stand-up meetings. We also implemented additional comprehensive health and safety measures in response to the COVID-19 pandemic.



## our COVID-19 response

### The COVID-19 pandemic materially disrupted our operations

- In compliance with relevant government directives, we closed all our retail banner stores across the US and Canada in March 2020, except for most stand-alone buybuy BABY and Harmon Face Value stores, which were categorized as essential given the nature of their products.
- In May 2020, we announced a phased approach to re-open our stores in compliance with relevant government directives, and as of the end of July 2020, nearly all our stores had reopened.
- In conjunction with the temporary store closures, we implemented additional cost reductions, including a furlough of the majority of store associates and a portion of corporate associates. Nearly all associates who were subject to furlough returned to work as of the third quarter of fiscal 2020.
- We provided furloughed store associates with applicable pay and benefits through the beginning of April 2020 and furloughed corporate associates with pay and benefits through mid-April 2020.
- We continued to pay 100% of the cost of healthcare premiums for all associates who participated in our health plan.
- We implemented a temporary 30% reduction in salaries of our executive team through May 16, 2020, and a temporary 30% reduction in the quarterly cash compensation of the independent members of the Board for the first quarter of fiscal 2020.
- We also modified our fiscal 2020 capital investments, focusing on our core business and key projects that support our digital-first, omni-always strategy.

### We prioritized the health and safety of our associates and customers and established a comprehensive COVID-19 store safety plan

- We implemented rapid response programs for our associates, including COVID-19 protocols and safety tips to keep our teams safe.
- In our stores and distribution centers, we mitigated COVID-19 risk with masks, cleaning, distancing, associate temperature checks and other measures.
- We emphasized transparency and communication to our associates, providing them with weekly “essential updates.”


### We continued to serve our communities

- By implementing our Store Safety Plan, we were able to provide immediate access to essential baby, health and hygiene items at the height of the public health crisis through our buybuy BABY and Harmon Face Value stores.
- We reengineered our distribution network to mobilize some Bed Bath & Beyond stores as local fulfillment centers.
- We launched new safe, easy and convenient services like BOPIS and contactless Curbside Pickup.
- We improved our omni-channel experience and launched a re-designed website to help customers shop online.
- In May 2020, we announced our plan to donate \$10 million of essential items to those affected by the COVID-19 pandemic. Our ‘Bringing Home Everywhere’ program delivered products that provide home comfort and essential support to communities and those on the frontline of the pandemic across the US and Canada. This program was enabled by our strong, long-running partnership with Good360, a global leader in product philanthropy and purposeful giving.

# voting roadmap











## PROPOSAL 1

### election of directors

 The Board recommends a vote **FOR** each director nominee

 See [page 13](#)

## our director nominees at-a-glance

Name, Age and Primary Occupation	Independent	# of other Current Public Company Directorships	Director Since	Committees		
				A	C	N
 <b>Harriet Edelman, 65 (Chair)</b> Vice Chair, Emigrant Bank	✓	2	2019			
 <b>John E. Fleming, 62</b> Private investor and public company director	✓	0	2019		✓	
 <b>Sue E. Gove, 62</b> President, Excelsior Advisors, LLC	✓	2	2019	✓ ●		✓
 <b>Jeffrey A. Kirwan, 54</b> Chairman, Maurices Inc.	✓	0	2019		✓	
 <b>Virginia P. Ruesterholz, 60</b> Former Executive Vice President, Strategic Initiatives, Verizon Communications, Inc	✓	1	2017	✓ ●		✓
 <b>Joshua E. Schechter, 48</b> Private investor and public company director	✓	3	2019	✓ ●		
 <b>Mark J. Tritton, 57</b> President and Chief Executive Officer, Bed Bath & Beyond Inc.		1	2019			
 <b>Andrea M. Weiss, 66</b> Founding Partner, The O Alliance, LLC; Chief Executive Officer and Founder, Retail Consulting Inc.	✓	3	2019	✓ ●		
 <b>Mary A. Winston, 59</b> Founder and President, WinsCo Enterprises Inc.	✓	3	2019			✓
 <b>Ann Yerger, 59</b> Advisor, Spencer Stuart North America Board Practice	✓	0	2019		✓	✓

**A** Audit Committee

**C** Compensation Committee

**N** Nominating & Corporate Governance Committee

 Committee Chair

● Audit Committee Financial Expert

## demographics

### tenure

**100%**

appointed within the last 4 years



### women representation

**60%**

includes the Chair of the Board and the Chair of the Nominating & Corporate Governance Committee



### racial and/or ethnically diverse representation

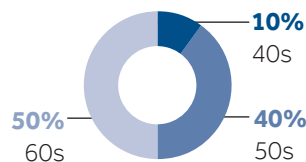
**10%**



### age

**59**

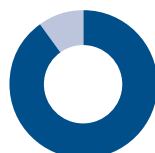
average age



### independence

**90%**

Independent

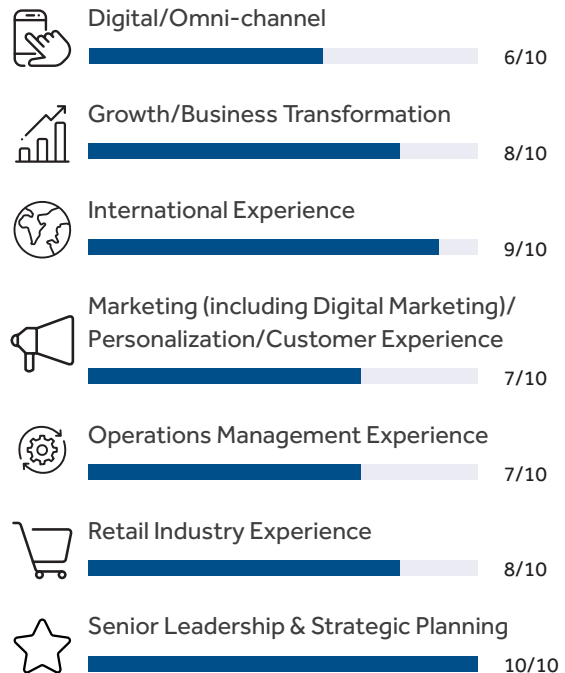


**1**

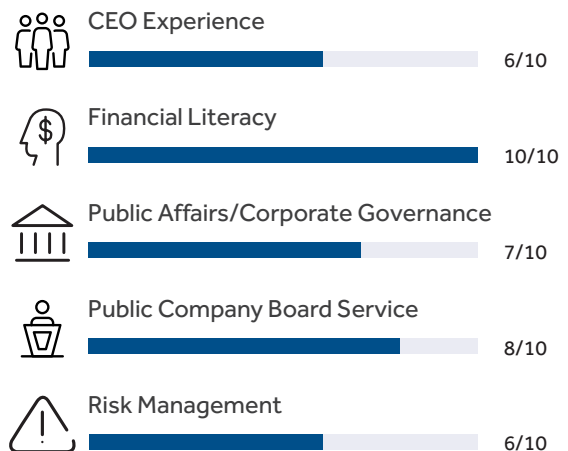
non-independent (CEO)

## skills and experience

### core skills for oversight of our strategy



### core skills for effective board oversight and corporate governance



**PROPOSAL 2**

**ratification of auditors**

➔ See **page 37**

✓ The Board recommends a vote **FOR** this proposal

**PROPOSAL 3**

**say-on-pay**

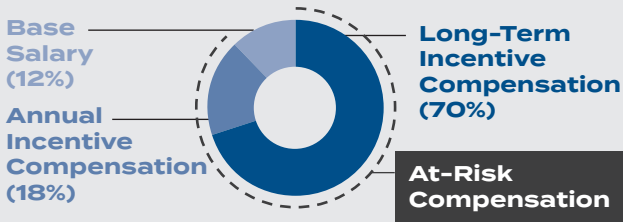
➔ See **page 40**

✓ The Board recommends a vote **FOR** the approval, by non-binding vote, of the 2020 compensation paid to the Company's NEOs

**TOTAL DIRECT COMPENSATION (AT TARGET)**

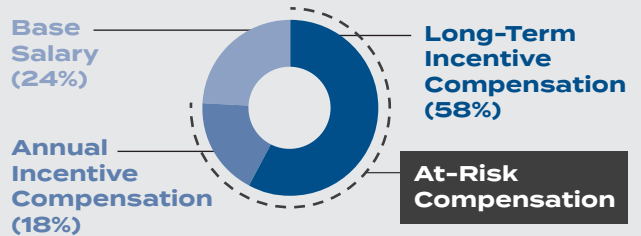
**CEO**

**88% AT-RISK**



**Average Other NEOs**


**76% AT-RISK**



# our board of directors and corporate governance

## PROPOSAL 1

### election of directors

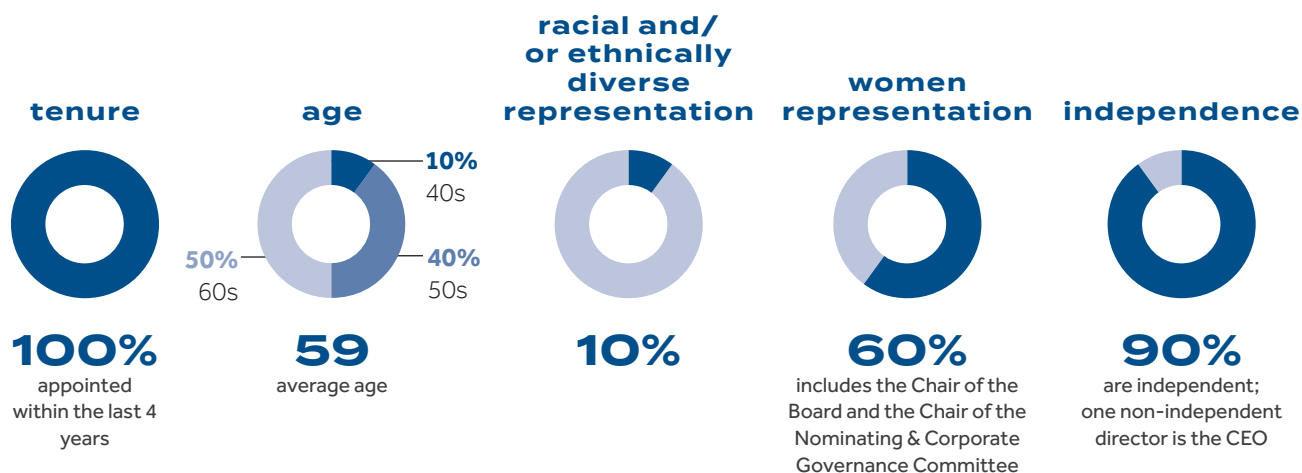
 The Board recommends that the shareholders vote **FOR** the election of the ten nominees as directors

## who we are

The Board, upon recommendation of its Nominating and Corporate Governance Committee, has nominated the ten people named below for election as directors, with all ten individuals being nominated to serve for a one-year term until the 2022 Annual Meeting and until their respective successors have been elected and qualified. All of the nominees for director currently serve as directors, and all of the nominees were elected by the Company's shareholders at the 2020 Annual Meeting. In connection with the Nominating and Corporate Governance Committee and Board's consideration of nominees for election at the 2021 Annual Meeting, current directors Johnathan B. Osborne and Harsha Ramalingam have each notified the Board of their intention not to stand for reelection.

Information concerning our nominees as of the record date, and the key experience, qualifications and skills they bring to our Board, is provided below. A particular director may possess additional experience, qualifications, attributes or skills, even if not expressly indicated. Our Board's diversity, tenure, age and independence are also shown below. The Board recommends that shareholders vote FOR the election of the ten director nominees.

## demographics of director nominees



## the core skills we seek from directors and why

### CORE SKILLS FOR OVERSIGHT OF OUR STRATEGY

Bed Bath & Beyond is engaged in a strategic transformation to become the preferred omni-channel home destination driven by teams consistently delivering balanced durable growth.

Our Board has identified certain core skills necessary to effectively oversee management and implement our transformation strategy.

-  Digital/Omni-channel
-  Operations Management Experience
-  Growth/Business Transformation
-  Retail Industry Experience
-  International Experience
-  Senior Leadership & Strategic Planning
-  Marketing (including Digital Marketing)/ Personalization/ Customer Experience













### CORE SKILLS FOR EFFECTIVE BOARD OVERSIGHT AND CORPORATE GOVERNANCE

Our Board values directors with experience successfully leading and serving on the Boards of other large, complex businesses.

In addition, our director nominees bring an important mix of additional attributes and qualifications to our Board, including diversity of gender, race and/or ethnicity and background.

-  CEO Experience
-  Public Company Board Service
-  Financial Literacy
-  Risk Management
-  Public Affairs/ Corporate Governance

### BED BATH & BEYOND DIRECTOR CORE SKILLS MATRIX

	Core Skills for oversight of our strategy							Core Skills for effective Board oversight and corporate governance				
												
<b>Harriet Edelman, Chair</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Mark J. Tritton</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>
<b>John E. Fleming</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	
<b>Sue E. Gove</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Jeffrey A. Kirwan</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>			<input type="radio"/>
<b>Virginia P. Ruesterholz</b>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Joshua E. Schechter</b>			<input type="radio"/>			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
<b>Andrea M. Weiss</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
<b>Mary A. Winston</b>		<input type="radio"/>	<input type="radio"/>				<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Ann Yerger</b>									<input type="radio"/>	<input type="radio"/>		

The Board has considered each director based on the experiences, qualifications and skills indicated above in concluding such director should serve on our Board.

## board nominees and qualifications



### Harriet Edelman

Vice Chair, Emigrant Bank

Age: 65

Chair of the Board since  
May 2020

Independent Director  
since 2019

**ALSO**, Harriet is a loyal and energetic customer of Bed Bath & Beyond, whose other passions include family, music and exercise.

#### EXPERIENCE

- **2010 – present:** Vice Chair, Emigrant Bank
- **2008 – 2010:** Special Advisor to the Chairman, Emigrant Bank
- **1979 – 2008:** Senior Vice President, Chief Information Officer, Head of Business Transformation and member of Executive Committee; Senior Vice President, Global Supply Chain; and various senior leadership positions in Sales, Marketing and New Product Development, Avon Products, Inc.

#### EDUCATION

- Bachelor of Music, Bucknell University
- MBA, Fordham Gabelli School of Business

#### PUBLIC BOARD MEMBERSHIPS

- Assurant, Inc.
- Brinker International, Inc.

#### SELECT NOT-FOR-PROFIT

- Bucknell University Board of Trustees, Vice Chair (until 2020)



### Mark J. Tritton

President and Chief  
Executive Officer, Bed  
Bath & Beyond Inc.

Age: 57

Director since 2019

**ALSO**, Mark has a passion for food and cooking, and is a lover of music of all kinds.

#### EXPERIENCE

- **2019 – present:** President and Chief Executive Officer, Bed Bath & Beyond Inc.
- **2016 – 2019:** Executive Vice President and Chief Merchandising Officer, Target Corporation
- **2009 – 2016:** Executive Vice President and Division President of the Nordstrom Product Group, Nordstrom, Inc.
- **2004 – 2008:** Group Vice President, Global CasualGear Footwear & Apparel, Timberland LLC
- **1999 – 2004:** Various positions including General Manager, Europe, Middle East & Africa Apparel, Nike, Inc.

#### EDUCATION

- Bachelor of Education in English and History, University of Sydney, Australia

#### PUBLIC BOARD MEMBERSHIPS

- Nordstrom, Inc.

#### SELECT NOT-FOR-PROFIT

- St. Jude Children's Research Hospital



**John E. Fleming**

Private investor and public company director

Age: 62

Independent Director since 2019

**ALSO**, John is from a four-generation hockey family and enjoys travel, cooking, hiking and being near water.

**EXPERIENCE**

- 2020: Interim Chief Executive Officer of r21Holdings, Inc.
- 2013 – 2016: Chief Executive Officer of Global eCommerce, Uniqlo Co. Ltd.
- 2007 – 2010: Executive Vice President, Chief Merchandising Officer, Walmart, Inc.
- 2005 – 2006: Executive Vice President, Chief Marketing Officer, Walmart, Inc.
- 2001 – 2005: Chief Executive Officer, Walmart.com
- 2000 – 2001: Chief Merchandising Officer, Walmart.com
- 1981 – 2000: Various positions including Senior Vice President of Merchandising, Dayton Hudson

**EDUCATION**

- BA, Colorado College

**PRIVATE BOARD MEMBERSHIPS**

- UNTUCKit LLC
- r21Holdings, Inc.
- The Visual Comfort Group

**SELECT NOT-FOR-PROFIT**

- USA Hockey Foundation



**Sue E. Gove**

President, Excelsior Advisors, LLC

Age: 62

Independent Director since 2019

**ALSO**, Sue enjoys golf, tennis and entertaining.

**EXPERIENCE**

- 2014 – present: President, Excelsior Advisors, LLC
- 2017 – 2019: Senior Advisor, Alvarez & Marsal
- 2012 – 2014: President and Chief Executive Officer, Golfsmith International Holdings, Inc.
- 2009 – 2012: Chief Financial Officer, Golfsmith International Holdings, Inc.
- 2008 – 2012: Chief Operating Officer, Golfsmith International Holdings, Inc.
- 2008 – 2012: Executive Vice President, Golfsmith International Holdings, Inc.
- 2002 – 2006: Chief Operating Officer, Zale Corporation
- 1997 – 2003: Chief Financial Officer, Zale Corporation
- 1980 – 2006: Various senior financial, operating and strategic roles, culminating in the EVP and Chief Operating Officer role, Zale Corporation

**EDUCATION**

- BBA, Accounting, University of Texas at Austin

**PUBLIC BOARD MEMBERSHIPS**

- Conn’s, Inc.
- IAA, Inc.
- Iconix Brand Group, Inc. (until 2019)
- Logitech International S.A. (until 2018)
- Autozone, Inc. (until 2017)

**PRIVATE BOARD MEMBERSHIPS**

- The Fresh Market

**SELECT NOT-FOR-PROFIT**

- The University of Texas System, Audit Committee





**Jeffrey A. Kirwan**

**Chairman, Maurices Inc.**

Age: 54

Independent Director since 2019

**ALSO**, Jeff is an avid surfer, passionate about travel, enjoys learning about other cultures, spending time with family and continues to practice speaking Mandarin.

**EXPERIENCE**

- **2019 – Present:** Chairman, Maurices Inc.
- **2014 – 2018:** Global President and Chief Executive Officer, Gap division of The Gap, Inc.
- **2013 – 2014:** Executive Vice President and President, Gap China
- **2011 – 2013:** Senior Vice President, Managing Director and Chief Operating Officer, Gap China
- **2008 – 2011:** Senior Vice President, Stores and Operations, Old Navy
- **2008:** Senior Vice President and General Manager, Old Navy Canada
- **2007 – 2008:** Vice President and General Manager, Old Navy Canada

**EDUCATION**

- BS, Rhode Island College
- Masters of Science, the University of Maryland University College

**PRIVATE BOARD MEMBERSHIPS**

- Maurices Inc.



**Virginia P. Ruesterholz**

**Former Executive Vice President, Strategic Initiatives, Verizon Communications, Inc.**

Age: 60

Independent Director since 2017

**ALSO**, Virginia is a Trustee of Stevens Institute of Technology and served as its first and only female Chair of the Board in its 150-year history.

**EXPERIENCE**

- **2012:** Executive Vice President—Strategic Initiatives, Verizon Communications, Inc.
- **2009 – 2011:** President, Verizon Services Operations – led the Global Business Unit that included the global IP Network, a \$40 billion sourcing spend, supply chain and real estate operations
- **2006 – 2009:** President, Verizon Telecom – led the \$30 billion business unit for Verizon’s consumer, general business and wholesale customers

**EDUCATION**

- BS, Chemical Engineering, Stevens Institute of Technology
- MS, Telecommunications Management, Brooklyn Polytechnic
- Honorary Doctorate of Engineering, Stevens Institute of Technology

**PUBLIC BOARD MEMBERSHIPS**

- The Hartford Financial Services Group, Inc.
- Frontier Communications Corporation (until 2019)

**SELECT NOT-FOR-PROFIT**

- Stevens Institute of Technology



**Joshua E. Schechter**

Private investor and public company director

Age: 48

Independent Director since 2019

**ALSO**, Josh enjoys coaching his children's youth sports teams. He also enjoys reading.

**EXPERIENCE**

- 2008 – 2013: Co-President, Steel Partners Japan Asset Management, LP
- 2001 – 2013: Managing Director, Steel Partners Ltd

**EDUCATION**

- BBA, University of Texas at Austin
- MPA, Professional Accounting, University of Texas at Austin

**PUBLIC BOARD MEMBERSHIPS**

- Landec Corp.
- Support.com
- Viad Corp
- Genesco Inc. (until 2019)
- SunWorks, Inc. (until 2020)



**Andrea M. Weiss**

Founding Partner, The O Alliance, LLC; Chief Executive Officer and Founder, Retail Consulting Inc.

Age: 66

Independent Director since 2019

**ALSO**, Andrea resides in Florida with her husband of 38 years where they breed thoroughbred horses.

**EXPERIENCE**

- 2014 – present: Founding Partner, The O Alliance, LLC
- 2002 – present: Chief Executive Officer and Founder, Retail Consulting Inc.
- 2006 – 2007: Chairman, Grupo Cortefiel
- 2001 – 2002: President, dELiA\*s, Inc.
- 1998 – 2001: Executive Vice President and Chief Stores Officer, The Limited, Inc.
- 1996 – 1998: President, Retail Operations, Guess?, Inc.
- 1992 – 1996: Senior Vice President and Director, Stores, Ann Taylor Stores, Inc.

**EDUCATION**

- BFA, Virginia Commonwealth University
- Masters of Administrative Science, The Johns Hopkins University
- Post-Graduate Studies at Harvard Business School and The Kellogg School of Management at Northwestern University

**PUBLIC BOARD MEMBERSHIPS**

- Cracker Barrel Old Country Store, Inc.
- O'Reilly Automotive, Inc.
- RPT Realty
- Chico's FAS, Inc. (until 2018)

**SELECT NOT-FOR-PROFIT**

- Delivering Good, Inc., Chair of the Board
- Hampton University Board of Trustees, Vice Chair



**Mary A. Winston**

**Founder and President, WinsCo Enterprises Inc.**

Age: **59**

Independent Director since **2019**

**ALSO**, Mary is passionate about travel, exercise and spending time with family.

**EXPERIENCE**

- **2016 – present:** President and Founder, WinsCo Enterprises Inc.
- **2019:** Interim Chief Executive Officer, Bed Bath & Beyond Inc.
- **2012 – 2015:** Executive Vice President and Chief Financial Officer, Family Dollar Stores Inc.
- **2008 – 2012:** Senior Vice President and Chief Financial Officer, Giant Eagle, Inc.
- **2004 – 2007:** Executive Vice President and Chief Financial Officer, Scholastic Corporation
- **2002 – 2004:** Vice President, Controller and Treasurer, Visteon Corporation
- **1995 – 2002:** Various positions including Vice President, Global Financial Operations, Pfizer Inc. Pharmaceuticals Group
- Started her career as a CPA and auditor at Arthur Andersen & Co.

**EDUCATION**

- BBA, Accounting, University of Wisconsin, Milwaukee
- MBA, Finance, Marketing and International Business, The Kellogg School of Management at Northwestern University
- CPA
- NACD Board Leadership Fellow

**PUBLIC BOARD MEMBERSHIPS**

- Acuity Brands, Inc.
- Chipotle Mexican Grill, Inc.
- Dover Corporation
- Domtar Corporation (until 2021)

**SELECT NOT-FOR-PROFIT**

- The Bechtler Museum of Modern Art
- National Association of Corp Directors, Carolinas (until 2020)



**Ann Yerger**

**Advisor, Spencer Stuart North America Board Practice**

Age: **59**

Independent Director since **2019**

**ALSO**, Ann loves spending time with her family and two dogs, and she enjoys visiting and hiking the US national parks.

**EXPERIENCE**

- **2019 – present:** Member, Grant Thornton Audit Quality Advisory Council
- **2017 – present:** Advisor, Spencer Stuart North America Board Practice
- **2015 – 2017:** Executive Director, Center for Board Matters, Ernst & Young LLP
- **1996 – 2015:** Various positions including Executive Director, Council of Institutional Investors

**EDUCATION**

- BA, Economics, Duke University
- MBA, Tulane University
- CFA charterholder

**PRIVATE BOARD MEMBERSHIPS**

- Hershey Entertainment and Resorts

# how we are selected and evaluated

Directors are elected at each annual meeting to serve until the next annual meeting and until their respective successors are duly elected and qualified, subject to their earlier death, resignation or removal.

The Board has adopted a policy regarding minimum qualifications for potential directors. These qualifications are considered by the Board and the Nominating and Corporate Governance Committee, together with further core skills deemed useful in the context of an assessment of the current needs of the Board.

The Nominating and Corporate Governance Committee believes the director nominees possess the experience, skills and qualifications established by the Corporate Governance Guidelines and necessary to continue the Company’s strategic transformation. In addition, the Company’s Corporate Governance Guidelines limit the number of outside board memberships of our directors.

### Minimum qualifications to serve as a director:

- ✓ are of high character and integrity;
- ✓ are accomplished in their respective fields, with superior credentials and recognition;
- ✓ have relevant expertise and experience upon which to be able to offer advice and guidance to management;
- ✓ have sufficient time available to devote to the affairs of the Company;
- ✓ are able to work with the other members of the Board and contribute to the success of the Company;
- ✓ can represent the long-term interests of the Company’s shareholders as a whole; and
- ✓ are selected such that the Board represents a range of backgrounds, experience, ages and diversity of gender, race, and ethnicity.

### Additional skills for effective Board oversight of our strategy, risk and corporate governance:

-  Digital/Omni-channel Experience
-  Senior Leadership & Strategic Planning
-  Growth/Business Transformation
-  CEO Experience
-  International Experience
-  Marketing (including Digital Marketing)/ Personalization/ Customer Experience
-  Financial Literacy
-  Operations Management Experience
-  Public Affairs/ Corporate Governance
-  Retail Industry Experience
-  Public Company Board Service
-  Risk Management

### Applicable legal and regulatory requirements:

The Nominating and Corporate Governance Committee also considers applicable legal and regulatory requirements that govern the composition of the Board. Accordingly, (i) a majority of the Board must be comprised of independent directors (as defined by Nasdaq), (ii) at least three members of the Board must have the requisite financial literacy to serve on the Company’s Audit Committee, (iii) at least one member of the Board must satisfy Nasdaq’s “financial sophistication” requirement (and should also be an “audit committee financial expert” (as defined by the SEC)) and (iv) there must be a sufficient number of independent directors to ensure that the Nominating and Corporate Governance Committee, the Audit Committee and the Compensation Committee are each comprised entirely of independent directors.

**All members of all Committees are independent**

## consideration of diversity

Qualified candidates for membership on the Board will be considered without regard to race, color, creed, religion, national origin, age, gender, sexual orientation or disability. As detailed in our Corporate Governance Guidelines, the Nominating and Corporate Governance Committee endeavors to include women and racially and/or ethnically diverse candidates in the qualified pool from which Board candidates are chosen and, when nominated and elected, to consider such directors for leadership on the Board and its committees. The Nominating and Corporate Governance Committee reviews and evaluates each candidate’s character, judgment, skills (including financial literacy), background, experience and other qualifications (without regard to whether a nominee has been recommended by the Company’s shareholders), as well as the overall composition of the Board, and recommends to the Board for its approval the slate of directors to be nominated for election at the Annual Meeting. The Nominating and Corporate Governance Committee is committed to, and actively applies, its policy of inclusiveness as a critical component of its board refreshment efforts.

## board refreshment and succession planning

As part of our continuing Board refreshment initiative, the Nominating and Corporate Governance Committee regularly assesses the current needs of the Board, including through its oversight of the Board's composition and peer assessment process as further described under "board self-assessment and board composition & peer assessment processes" below. This effort is intended to help ensure that directors possess an appropriate mix of skills and experience, including a balance between new and experienced directors and a further alignment of the attributes of the directors with the Company's strategic needs, and to help inform the Board's succession planning process.

The Nominating and Corporate Governance Committee also evaluates our director succession planning needs, including through the consideration of any possible retirements or other departures from the Board and the active consideration of new director candidates that would best complement the skills and attributes of the existing directors, and continue to best position the Board to assess, challenge and oversee the Company's long-term strategy. The Nominating and Corporate Governance Committee evaluates any candidates against the standards and qualifications set forth in our Corporate Governance Guidelines as well as other relevant factors, including the candidate's potential contribution to the diversity of the Board.

To assist the Nominating and Corporate Governance Committee in identifying prospective Board nominees when undertaking a search, the Company may retain an outside search firm. The Nominating and Corporate Governance Committee also considers candidates suggested by its members, other directors, management and shareholders.

# how we are governed and govern

## corporate governance at Bed Bath & Beyond



The Board believes that good corporate governance accompanies and aids the Company’s long-term success, and, in coordination with the Nominating and Corporate Governance Committee, regularly reviews the Company’s corporate governance policies and practices. The Investor Stewardship Group (ISG), which includes some of the largest institutional investors and global asset managers and advocates for best practices in corporate governance, has established a framework of governance principles forming a baseline of expectations for US corporations. We believe that the Company’s policies and practices are aligned with the ISG principles. The Company’s governance policies and practices, including the Corporate Governance Guidelines, were most recently updated in fiscal 2020 based upon a comprehensive review against peer and market leading practices.

Our current corporate governance policies and practices include, among other things:

Practice	Description
<b>accountability to shareholders</b>	
<b>ANNUAL ELECTIONS</b>	All directors are elected annually, which reinforces our Board’s accountability to shareholders.
<b>MAJORITY VOTING STANDARD</b>	Our Amended and Restated Bylaws provide for a “majority voting” standard in uncontested director elections. An incumbent director that does not meet the majority voting standard must promptly offer to resign from the Board.
<b>BOARD REFRESHMENT</b>	Following engagement with our shareholders, and in consideration of their constructive feedback, the Board has undergone a complete transformation, with all our directors standing for re-election appointed within the last four years.
<b>PROXY ACCESS</b>	Our Amended and Restated Bylaws provide that any shareholder or group of up to 20 shareholders owning 3% or more of the Company’s common stock continuously for at least the previous three years may nominate and include in our proxy materials director nominees totaling up to the greater of 20% of the Board or at least two directors.
<b>SHAREHOLDER ENGAGEMENT</b>	We are committed to active and ongoing shareholder engagement, including by directors, to capture investor perspectives. We have been increasing our shareholder engagement efforts over the years, holding our first annual investor day in October 2020.
<b>strong, independent leadership</b>	
<b>INDEPENDENCE</b>	A majority of our directors must be independent. Currently, all of our directors other than our CEO are independent. The Board holds regular executive sessions of independent directors.
<b>INDEPENDENT CHAIR</b>	We currently have an independent Chair of the Board. If in the future, our CEO is also the Chair of the Board or the Chair of the Board is otherwise not independent, our Corporate Governance Guidelines require an independent director to serve as Lead Director.
<b>BOARD COMMITTEES</b>	The Nominating and Corporate Governance Committee reviews and recommends committee membership. All of the members of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are independent directors. Each of our committees is chaired by an independent director, and each committee has an extensively detailed charter outlining the committee’s duties and responsibilities.

Practice	Description
<b>board structure</b>	
<b>DIVERSITY</b>	Our directors have a diversity of perspectives, backgrounds, ages, genders, races and ethnicities reflecting the diversity of the Company's loyal customers and dedicated associates. As detailed in our Corporate Governance Guidelines, the Nominating and Corporate Governance Committee endeavors to include women and racially and/or ethnically diverse candidates in the qualified pool from which Board candidates are chosen and, when nominated and elected, to consider such directors for leadership on the Board and its committees.
<b>DIRECTOR OVERBOARDING POLICY</b>	Our CEO and non-executive directors who are employed as the chief executive officer or are otherwise a "Named Executive Officer" of any public company are expected to serve on no more than one other public company board. Other directors are expected to serve on no more than three other public company boards.
<b>SELF-ASSESSMENTS</b>	The Board and each of its committees conduct rigorous annual self-assessments.
<b>BOARD COMPOSITION AND PEER ASSESSMENTS</b>	As part of its efforts towards best in class governance, the Board conducted a board composition and peer assessment process in fiscal 2020 for the first time, facilitated by an independent third-party. The board plans to conduct this assessment biennially going forward.
<b>RISK OVERSIGHT</b>	The Board and the Audit Committee at least annually review and engage with the Company's Enterprise Risk Management (ERM) process and monitor both the risk culture and emerging and current strategic risks.
<b>ESG OVERSIGHT</b>	The Board and the Nominating and Corporate Governance Committee regularly review the Company's ESG strategies, policies and practices.
<b>MANAGEMENT SUCCESSION PLANNING</b>	The Compensation Committee is responsible for the oversight of regular management succession planning for the CEO and other executive officers of the Company. The Nominating and Corporate Governance Committee is responsible for the oversight of emergency management succession planning.
<b>compensation practices and alignment with shareholders</b>	
<b>COMPENSATION PRACTICES</b>	The Compensation Committee is dedicated to aligning the Company's executive compensation practices with the long-term strategy of the Company and the Company's compensation design pillars.
<b>COMPENSATION RECOUPMENT</b>	The Company has the right to recover cash and equity incentive compensation paid to current and former officers in a broad range of covered events, including conduct detrimental to the Company.
<b>ANTI-HEDGING AND PLEDGING POLICIES</b>	The Company does not permit our executive officers to hedge the Company's securities and restricts their ability to pledge the Company's securities.
<b>STOCK OWNERSHIP GUIDELINES FOR OFFICERS AND DIRECTORS</b>	The Company's stock ownership guidelines contain ownership requirements for executive officers and directors that reflect best in class governance at the top end of the range as measured against the Company's peers.

## board leadership

On May 29, 2020, Harriet Edelman was appointed as independent Chair of the Board. As independent Chair of the Board, Ms. Edelman presides at all meetings of the shareholders and of the Board, and has such powers and performs such other duties required by statute or the Company's Amended and Restated Bylaws and as set forth in the Corporate Governance Guidelines or as the Board may from time to time determine.



**Harriet Edelman**  
Independent  
Chair of the Board

Our Corporate Governance Guidelines provide that the independent Chair will:

- seek to promote a strong board culture, including the participation of all directors in an environment of open dialogue, constructive feedback and effective communication across Board committees and among the Chair, the Board as a whole, Board committees and with regard to senior management;
- preside at all meetings of the Board, including executive sessions of the independent directors;
- preside at all meetings of the shareholders;
- have the authority to call meetings of the Board and of the independent directors;
- determine the agendas, schedule and information sent to the directors for Board meetings, including to assure sufficient time for discussion of agenda items, prioritize matters and promote effective information flow and follow-up;
- work with the applicable committee chairs and Board committees with respect to the annual performance review of the CEO and the Board's self-assessment and board composition and peer assessment processes;
- act as a liaison between the members of the Board and management; and
- be available for consultation with the Company's shareholders as appropriate.

The Board, from its experience, believes this structure represents good governance, particularly in addressing the coordination and oversight of the considerable committee work that has already taken place and that lies immediately ahead. Under the Company's Corporate Governance Guidelines, if the Board, upon the recommendation of the Nominating and Corporate Governance Committee, decides in the future that, given the then current circumstances, combining the positions of independent Chair and Chief Executive Officer would foster a more effective and efficient Board, or the independent Chair is otherwise determined by the Board to not be independent, then the independent directors will designate an independent director to serve as Lead Director. The Lead Director would generally have the duties and responsibilities of the current independent Chair of the Board, unless otherwise determined by the Board.

## board self-assessment and board composition & peer assessment processes

The Board conducts a rigorous annual process to assess effectiveness of the Board and each of its committees. The Board has delegated to the Nominating and Corporate Governance Committee the responsibility to facilitate this self-assessment and report the results thereof to the Board, using such resources or methods as it determines to be appropriate. For fiscal 2020, the Board retained independent third-party counsel to facilitate this self-assessment and the results were reported to the Board and each Committee in April 2021 to utilize as part of their ongoing efforts to improve effectiveness.

As part of ongoing efforts to be best in class and innovative in its oversight, in fiscal 2020, the Board also conducted a board composition review and peer assessment process for the first time, facilitated by an independent third-party consultant. The intent is to conduct this assessment biennially going forward in addition to annual board and committee



self-assessments. All Board members were interviewed by the Board's consultant to provide input on each director, assess the Board's effectiveness and identify opportunities to further improve performance. The evaluation resulted in a detailed board effectiveness report delivered to the Board in January 2021. The report confirmed that the Board is operating at a high standard and is successfully overseeing and monitoring the strategy and risks of the Company. As part of the review, the Board identified potential opportunities to ensure the Board maintains the skills and expertise as needed for effective oversight of the Company into the future.

## board education program

The Company and the Board believe that directors should continually update their skills and knowledge in order to effectively oversee the management of the affairs of the Company. In fiscal 2020, the Board adopted a comprehensive board education program. This education begins with a new director orientation process that includes individual discussions with the Chair of the Board, the Chief Executive Officer and other senior executives; visits to one or more offsite premises; and orientation by the Chief Legal Officer and Corporate Secretary regarding various Company programs, benefits and policies. Director education continues at each Board meeting, through reports and presentations by Company officers and outside experts and through the sharing of information among directors. Additionally, the Board recognizes the value of independent learning and keeping abreast of legal and business developments to ensure effective discharge of director duties. In order to advance these goals, the agenda at various Board meetings includes discussion of key business and governance issues. The Board also encourages directors to periodically attend appropriate continuing education seminars or programs. The Company reimburses directors for all reasonable fees and expenses associated with attending such programs, up to \$10,000 per director in any fiscal year.

## anti-hedging and anti-pledging policies

Our directors and executive officers are prohibited from engaging in hedging or monetization transactions with respect to Company securities, including through the use of financial instruments such as prepaid variable forward contracts, equity swaps, collars, exchange funds, puts, calls, forwards and other derivative instruments, or through the establishment of a short position in the Company's securities. In addition, our directors and executive officers are prohibited from pledging Company securities as collateral for a loan or from holding Company securities in a margin account, unless they certify to the Company's Chief Legal Officer their financial capacity to repay the covered loan without resorting to the pledged securities.

## stock ownership guidelines

As a further measure to align the interests of its non-employee directors with the interests of the Company, in fiscal 2020, the Board amended the Company's stock ownership guidelines to increase minimum stock ownership requirements for non-employee directors. Each non-employee director is now required to achieve ownership of Company stock (inclusive of restricted stock), calculated in total share value, of not less than six times such director's base annual cash retainer. In addition, until a non-employee director has achieved the minimum share ownership, such director is required to hold one hundred percent (100%) of the shares acquired through the vesting of restricted stock received from the Company (subject to later fluctuations in share price). These enhanced requirements reflect the Board's strong commitment to best in class governance policies and represent the top end as measured against the Company's peers. All of the Company's directors have either met the final stock ownership requirements or are in current compliance with the interim requirements under the stock ownership guidelines.

## compensation recoupment

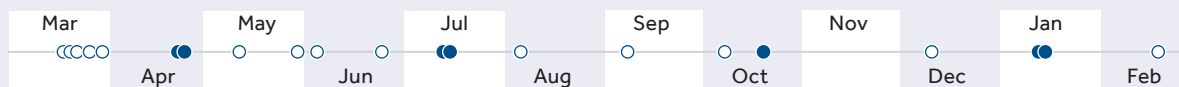
The Board enhanced the Company's Compensation Recoupment Policy in fiscal 2020 to further align the interests of senior officers with the Company and to maintain a culture that emphasizes integrity and accountability. Among other enhancements, the Board significantly expanded the scope of covered events that enable recoupment of incentive-based cash and equity compensation awarded to current and former senior officers in the case of restatement of Company financials or error in calculating incentive compensation awards, or conduct detrimental to the Company. To underscore the importance of this policy and to increase visibility, these recoupment principles were established as a stand-alone policy at that time.

## meetings of the board

In fiscal 2020, the Board held four quarterly scheduled meetings and 17 special meetings. While the impact of the COVID-19 pandemic was a key focus for the Board during fiscal 2020, the Board continued to manage and oversee a broad range of topics, including liquidity and capital structure optimization, scenario planning for business operations and financials, cybersecurity, enterprise risk management, and the Company’s ESG program and strategies.

### 21 meetings in fiscal 2020.

Our Board holds regular meetings each quarter and special meetings when necessary.



○ 2020 Special Meetings      ● 2020 Regular Board Meetings

Directors are expected to attend the Board meetings and meetings of committees of the Board on which they serve. Absent unusual circumstances, the Company expects the members of the Board to attend the Company’s Annual Meeting of Shareholders.

During fiscal 2020, all of the Company’s incumbent directors attended 75% or more of the total number of meetings of the Board and committees on which he or she served. All of the Company’s then current directors attended the 2020 Annual Meeting of Shareholders.

## director independence

The Board, upon the recommendation of the Nominating and Corporate Governance Committee, has determined that all of our directors other than Mr. Tritton are “independent directors” under the independence standards set forth in Nasdaq Listing Rule 5605(a)(2).

### BOARD INDEPENDENCE



These determinations were based on the fact that each of these individuals is not an executive officer or associate of the Company or has any other relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The Board’s independence determination is analyzed annually in both fact and appearance to promote arms-length oversight. In making its independence determination this year, the Board considered relationships and transactions since the beginning of the Company’s 2020 fiscal year. The Board’s independence determinations included reviewing the following relationship, and a determination that the relationship and the amount involved were immaterial.

Prior to the Company’s non-core asset divestures occurring during fiscal 2020, the Company leased 14 stores (or less than 1% of the Company’s total stores) from RPT Realty, on whose Board Ms. Weiss serves. The rental income from these stores represents approximately 3% of the total annual minimum rent received by RPT Realty.

As the Board determined that this relationship and the amount involved were immaterial, the Board does not believe that this relationship or the amount involved might reasonably impair the ability of Ms. Weiss to act in the shareholders’ best interests.

## committees of the board of directors

The Board has established standing committees to assist with the performance of its responsibilities. These committees are the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. The Business Transformation and Strategy Review Committee was disbanded in June 2020.

All members of the Audit, Compensation and Nominating and Corporate Governance Committees are considered independent pursuant to applicable SEC and Nasdaq rules, and all members of the Compensation Committee meet the “outside directors” requirements for purposes of applicable tax law.

The Board has adopted written charters for the Audit, Compensation, and Nominating and Corporate Governance Committees. The charters are available in the Investor Relations section of the Company’s website at [www.bedbathandbeyond.com](http://www.bedbathandbeyond.com).\*

\* Web links throughout this document are provided for convenience only. Information from the Bed Bath & Beyond website is not incorporated by reference into this proxy statement.

## audit committee

Fiscal 2020 Meetings: 11

Current Members (all independent): **Joshua E. Schechter\***, Chair | **Sue E. Gove\*** | **Harsha Ramalingam** | **Virginia P. Ruesterholz\*** | **Andrea M. Weiss\***

\* Audit Committee Financial Experts

The Audit Committee assists the Board in fulfilling its oversight responsibilities by (i) overseeing the Company’s accounting and financial reporting processes and the audits of the Company’s financial statements and (ii) reviewing the financial reports and other financial information provided by the Company to the public. In addition, the functions of this Committee include, among other things, providing general risk oversight (subject to specific delegations to the other Committees), recommending to the Board the engagement or discharge of independent auditors, discussing with the auditors their review of the Company’s quarterly results and the results of their annual audit and reviewing the Company’s internal accounting controls.

The Audit Committee also advises and assists the Board in fulfilling its oversight responsibilities with respect to:

- the integrity of the Company’s quarterly and annual financial statements and financial reporting processes;
- the Company’s earnings announcements, as well as financial information and earnings guidance provided to analysts and ratings agencies;
- audits of the Company’s financial statements;
- the Company’s internal control system and the quality of internal control by management;
- management’s practices to ensure adequate risk assessment, risk management and business continuity;
- compliance with legal and regulatory requirements and the Company’s ethical conduct policy;
- the independent auditor’s qualifications, independence and performance;
- the performance of the Company’s internal audit function;
- cybersecurity, data privacy, information technology and information protection; and
- procedures for receipt and treatment of complaints received by the Company from its customers, vendors or associates relating to accounting, internal accounting controls or auditing matters.

In addition, the Committee receives reporting as part of the Company’s ERM process, as discussed in more detail under “Risk Oversight” on [page 30](#).

## compensation committee

Fiscal 2020 Meetings: 26

Current Members (all independent): [John E. Fleming, Chair](#) | [Jeffrey Kirwan](#) | [Ann Yerger](#)

The Compensation Committee assists the Board by:

- considering and determining all matters relating to the compensation of the CEO, the Executive Chair (if applicable) and other executive officers (as defined in Rule 3b-7 of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), and such other key executives as the Committee shall determine;
- administering and functioning as the Committee that is authorized to make grants and awards of equity compensation to executive officers and such other key executives as the Committee shall determine under the Company's equity compensation plans;
- overseeing the Company's management succession planning for the CEO and other executive officers;
- overseeing the Company's people and culture matters; and
- reviewing and reporting to the Board on such other matters as may be appropriately delegated by the Board for the Committee's consideration.

The Compensation Committee has the authority to engage compensation consultants and other advisors.

## nominating and corporate governance committee

Fiscal 2020 Meetings: 9

Current Members (all independent): [Virginia P. Rueterholz, Chair](#) | [Sue E. Gove](#) | [JB Osborne](#) | [Harsha Ramalingam](#) | [Mary A. Winston](#) | [Ann Yerger](#)

The Nominating and Corporate Governance Committee assists the Board by identifying potential nominees based on properly submitted suggestions from any source, including the Company's shareholders, and has established procedures to do so. Shareholders may recommend nominees to the Committee by submitting the names and supporting information in writing to the Company's Corporate Secretary at 650 Liberty Avenue, Union, New Jersey 07083 in accordance with the Company Bylaws. In addition, the Board may determine that it requires a director with a particular expertise or qualification and will actively recruit such a candidate.

The Nominating and Corporate Governance Committee also advises and assists the Board by:

- reviewing and recommending to the Board changes in certain policies regarding the nomination of directors;
- identifying individuals qualified to become directors;
- evaluating and recommending for the Board's selection nominees to fill positions on the Board;
- advising the Board with respect to leadership of the Board and the structure and composition of the committees of the Board;
- facilitating the annual assessment of the performance of the Board and its committees;
- facilitating a composition and peer assessment review of the Board not less than biennially;
- advising and making recommendations to the Board with respect to corporate governance matters, including the Company's corporate governance policies;
- overseeing the Company's ESG strategies, policies and practices; and
- overseeing the Company's emergency management succession planning.

The Nominating and Corporate Governance Committee also has the authority to retain third-party search firms to evaluate or assist in identifying or evaluating potential director nominees.

## management succession planning

While the full Board is responsible for ensuring that the Company engages in robust succession planning discussions for the CEO position and for ultimately determining who holds such position, the Board has delegated the responsibility for overseeing succession planning for the CEO and other executive officers to (i) the Compensation Committee for regular succession planning and (ii) the Nominating and Corporate Governance Committee for emergency succession planning. This oversight responsibility includes periodically reviewing the management succession plan and identifying potential successors for the CEO. The Compensation Committee and the Nominating and Corporate Governance Committee periodically report to the Board regarding succession planning matters. In addition, the CEO periodically reports to the Compensation Committee regarding succession plans for certain key officers and also makes recommendations to the Board regarding his/her own succession.

## compensation committee interlocks and insider participation

Harriet Edelman, John E. Fleming, Patrick Gaston, Jeffrey Kirwan and Ann Yerger served as members of the Compensation Committee during fiscal 2020. Harriet Edelman stepped down from the Compensation Committee on July 1, 2020, and Patrick Gaston stepped down from the Compensation Committee on July 14, 2020 at the time that he stepped down from the Board. No director who served on the Compensation Committee during fiscal 2020 was an officer or associate of the Company or any of its subsidiaries in fiscal 2020 or previously was an officer of the Company.

None of our executive officers currently serve, or in fiscal 2020 has served, as a member of the board or compensation committee of any entity that has one or more executive officers serving on our Board or Compensation Committee.

## governance guidelines and policies; additional information

The Investor Relations section of the Company's website contains the following information:

- Corporate Governance Guidelines, including the Company's Policies on Director Nominations and Director Attendance at the Annual Meeting;
- the Company's Policy of Ethical Standards for Business Conduct that applies to all associates (including all officers) and members of the Board;
- the Company's Compensation Recoupment Policy that applies to any current or former executive officer (as defined by the Exchange Act) and such other senior executives who may be deemed subject to the policy by the Board;
- the 2020 ESG Report, reporting on environmental, social and governance issues most important to our business; and
- how shareholders can communicate with the Board.

The Company maintains directors and officers insurance coverage. This insurance covers directors and officers individually where exposures exist other than those for which the Company is able to provide indemnification and covers the Company for its indemnity obligation to the directors and officers. This coverage is written for the period September 15, 2020 through September 15, 2021, at a total cost of approximately \$3.2 million. The primary current carrier is Zurich American Insurance Company. The excess carriers are XL Specialty Insurance Company, Argonaut Insurance Company, RSUI Indemnity Company, U.S. Specialty Insurance Company, Allied World National Assurance Company, State National Insurance Company, National Union Fire Ins. Co. of Pittsburgh, PA, Travelers Casualty & Surety Company of America, Old Republic Insurance Company and Zurich American Insurance Company. Although no assurances can be provided, the Company intends to maintain directors and officers coverage from September 15, 2021 through September 15, 2022.

## risk oversight

We are committed to Board-level risk management. The Board monitors the Company’s “tone at the top” and risk culture and oversees current and emerging strategic risks. Risk management is overseen by the Board and facilitated through the work of the Board committees which are comprised entirely of independent directors and provide regular reports to the Board regarding matters reviewed by their committees.

### AUDIT COMMITTEE

- Financial reporting
- Legal and regulatory compliance
- Operational risk
- Cybersecurity and data privacy
- Internal controls
- Associate complaint management

### COMPENSATION COMMITTEE

- People and culture matters including DE&I
- Associate talent retention and development
- Compensation policies and practices
- Conflicts of interest involving advisors to the compensation committee
- Management succession planning for the CEO and other executive officers

### NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

- ESG strategy, policies and practices
- Board composition, emergency management succession, and Board and CEO evaluations
- Governance-related risks, including assessing and monitoring the effectiveness of our Corporate Governance Guidelines

## enterprise risk management

As part of its oversight responsibility, the Board receives reports on the material risks facing the Company, which are identified through multiple means, including the Company’s ERM process. Reports are presented to the Audit Committee by Internal Audit, and are prepared through a rigorous process by Internal Audit to identify and assess significant risks across the Company. Areas of risk and mitigation efforts reviewed with the Audit Committee and the full Board in furtherance of the Board’s oversight responsibilities include: economic forces, competition, weather; people and culture risks such as recruitment and retention, safety, and succession; cybersecurity and data security risks; compliance risks associated with the range of legal, accounting, tax and financial reporting systems under which the Company operates; supply chain risks, including disruption arising from political instability or labor disturbances, supplier financial stability and legal compliance; and compliance with a variety of product, labor, social and environmental standards. The ERM process and report to the Audit Committee, and the Audit Committee’s report to the Board, also informs the more detailed risk factor disclosure in the Company’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the SEC.

## **Additional details on several key risk matters:**

### **COVID-19 pandemic**

During 2020, the world responded to the unparalleled challenges of the COVID-19 pandemic. Recognizing that the Company was, and remains, profoundly affected by the pandemic and the myriad risks ensuing from it, the Board implemented an elevated level of communication and interaction with management regarding COVID-19 matters. The Board's heightened oversight on COVID-19 risks continues with a focus on the health and safety of associates and customers, disrupted store operations and implementation of national, regional and local mandates. In addition, the Board has been involved with the strategic framing of our return to office plan and has been providing oversight of the decision processes that affect our associates and our customers.

### **cybersecurity**

Cybersecurity remains a critical risk oversight matter for the Audit Committee and the Board. At each quarterly meeting of the Audit Committee, and more frequently as needed, appropriate Company management provides detailed reporting and analysis regarding ongoing efforts to secure and prevent disruption to the Company's information technology systems. Recognizing the importance of securing customer and associate information, management's reporting to the Audit Committee specifically includes these matters, and response plans in the event of a data breach. Results of third-party assessments performed by management are also shared. Additional details on the Company's cybersecurity risks can be found in the Company's Annual Report on Form 10-K for the fiscal year ended February 27, 2021.

### **compensation risk assessment**

In May 2020, the Compensation Committee performed a risk assessment of our compensation programs, which included an analysis conducted by the Compensation Committee's independent compensation consultant of the risk associated with the Company's executive compensation program. In its review, the Compensation Committee considered the balance between pay components, measures of performance, magnitude of pay, pay caps, plan time horizons and overlapping performance cycles, program design and administration, and other features that are designed to mitigate risk (such as stock ownership guidelines and Compensation Recoupment Policy). Following its review, the Compensation Committee, with confirmation by the independent compensation consultant, determined that the Company's compensation practices and policies do not create risks that are reasonably likely to have a material adverse effect on the Company.

## environmental, social and governance (ESG)

As Chairs of the Board and the Nominating & Corporate Governance Committee, we believe it is essential to establish clear links between ESG and our Company's unique business model, overall business plans, and risk management processes. The newly created ESG strategy is authentically ours — it maps to the Company's transformation plans and strategy to build authority in the home and seeks to improve business returns, contribute to broader societal goals, enable us to attract and retain top talent, and respond to the interests of investors, customers and the community.

The Board is focused on providing oversight to ESG matters that are important and material to the Company and its shareholders. This includes setting goals, establishing metrics, and providing a proper governance structure to monitor progress in areas such as: minimizing the Company's environmental footprint; optimizing the health and safety of associates and customers; ensuring fair employment practices; developing its DE&I program to improve diversity at all levels of the Company; and effective supply chain management. In addition, we are focused on Board composition and Board diversity, shareholder rights and capital allocation.

The Board is excited about, and committed to, the vision, goals and natural fit of our newly created ESG strategy. We look forward to our ESG initiatives further distinguishing our Company, driving success, and making an impact.



**Harriet Edelman**

Chair of the Board of Directors



**Virginia P. Ruesterholz**

Chair of the Nominating and  
Corporate Governance Committee



## ESG highlights

The Board provides oversight of ESG matters, and the Nominating and Corporate Governance Committee has express authority over our ESG programs, strategies, policies and practices. In early 2021, the Company appointed a new Vice President of ESG who, when appropriate, reports directly to the Nominating and Corporate Governance Committee and the Board on ESG matters. In May 2021, the Company issued its 2020 ESG Report based on the Company's new ESG strategy, which highlighted the following (the 2020 ESG Report is available on the Company's website at [www.bedbathandbeyond.com](http://www.bedbathandbeyond.com)):

### people

**create an equitable, inclusive work environment where all our people feel at home and can thrive**

We deeply believe our associates are our greatest asset. Being 'people powered' is a key principle of our three-year business transformation strategy. Over the past year, we have made progress on improving the associate experience.

Based on associate feedback and industry best practices, we are focused on four key priorities:

- focus on work, workforce and workplace for the future
- establish a culture of trust and accountability anchored to our purpose
- embrace career and leadership development
- energize the associate experience across the talent lifecycle

DE&I is a foundational element that spans across all priorities.

### community

**help provide the safety and sense of home to our neighbors**

Community support is an integral part of our heritage and we have a long-standing tradition of providing aid to our neighbors in need. As we celebrate our 50-year history of community impact, we are renewing our commitment as part of our ESG strategy with a bold new program that builds directly on our promise to help people "home, happier" by putting our purpose to work in our communities.

Our commitments are supported by our partnerships with two national non-profit partnerships, Good360 and Rebuilding Together, and our thousands of associates across North America who want to contribute and give back to the communities in which we operate.

### planet

**lead by example to build a better home for the next generation**

On our path to zero scope 1-2 emissions by 2040, we must elevate and incorporate our ESG priorities into all our decisions. Our supply chain is undergoing an end-to-end transformation as we shift our business model from "brick-and-mortar-focused" to digital and omni-always—as is our store network as we work to ensure that we deliver on our customer centric and our omni-channel strategy. As we undergo transitions, we are identifying opportunities to become more efficient and environmentally friendly.

Our commitment starts with the products we offer—they are the essence of our business. We have challenged ourselves to offer sustainable products and services that everyone can afford, across all categories, by 2030. Our Owned Brand strategy represents the perfect starting point for this commitment.

For more information about our people commitments, see *"fiscal 2020 highlights - people & culture highlights."*

## how we are paid

The Director Compensation Table provides compensation information for each member of our Board during fiscal 2020, other than Mr. Tritton, our President and CEO, whose compensation is reflected in the Summary Compensation Table. Mr. Tritton did not receive any director fees for fiscal 2020, since he received compensation in his capacity as an executive of the Company.

Annual director fees for fiscal 2020 were \$90,000. In addition to annual fees, directors serving on standing committees of the Board were paid as follows: an additional \$10,000 for Audit Committee members (or \$25,000 for the Chair of the Audit Committee); an additional \$7,500 for Compensation Committee members (or \$25,000 for the Chair of the Compensation Committee); an additional \$5,000 for Nominating and Corporate Governance Committee members (or \$16,500 for the Chair of the Nominating and Corporate Governance Committee) and an additional \$10,000 for Business Transformation and Strategy Review Committee members (or \$20,000 for the Chair of the Business Transformation and Strategy Review Committee). The Business Transformation and Strategy Review Committee was disbanded in June 2020; and annual fees for this committee were pro-rated to the date that it was disbanded. Effective as of May 29, 2020, Harriet Edelman was appointed to the role of independent Chair of the Board. The Board approved an annual retainer in the amount of \$200,000 for the Company's independent Chair of the Board (in addition to the standard annual director fees received by the independent Chair of the Board), with 75% payable in cash and 25% payable in restricted stock on the date of the Annual Meeting of Shareholders (calculated based on the average of the high and low trading prices on such date).

In light of ongoing impact of the COVID-19 pandemic on the Company, upon the recommendation of the Nominating and Corporate Governance Committee, the Board implemented a temporary 30% reduction in all non-employee director cash compensation, including cash compensation for service as Chair of a committee and Chair of the Board, for the first quarter of fiscal 2020. The Company does not pay per meeting fees. Director fees are paid on a quarterly basis. Directors may elect to receive all or 50% of their fees in stock.

In addition to the fees above, each director, other than Mr. Tritton, received a grant of restricted stock under the Company's 2012 Incentive Compensation Plan (the "2012 Plan") on the date of the Company's 2020 Annual Meeting of Shareholders with a value equal to \$81,000. Rather than using a fair market value as of the date of the Company's 2020 Annual Meeting of Shareholders to calculate the number of shares for the directors' 2020 restricted stock awards, the Board voluntarily utilized a higher per share price to align with the underlying per share price used for annual awards granted to executives. Such restricted stock vested on the last day of fiscal 2020. In an effort to better align non-employee director equity compensation to its peer group, the Nominating and Corporate Governance Committee, after a robust review and input from our independent compensation consultant, determined that, commencing in fiscal 2021, non-employee directors will receive a grant of restricted stock with a value equal to \$150,000. The number of shares will be calculated using the average of the high and low trading prices of the Company's common stock on the date of the 2021 Annual Meeting of Shareholders.

In an effort to further align the interests of our Board and the Company, in fiscal 2020, the Board increased the requirement for ownership of Bed Bath & Beyond stock (inclusive of restricted stock) by non-employee directors to be not less than six times a director's base annual cash fee (measured at the close of the fiscal year and subject to later fluctuations in share price). In addition, until a non-employee director has achieved the minimum share ownership, the director is required to hold one hundred percent (100%) of the shares acquired through the vesting of restricted stock received from the Company. At the close of fiscal 2020, each director had either met the final stock ownership requirements or was in current compliance with the interim guidelines of the stock ownership guidelines applicable to such director.

As described above and more fully below, the following table summarizes the annual compensation for the directors, other than Mr. Tritton, during fiscal 2020.

	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)(3)</sup>	Total (\$)
<b>Stephanie Bell-Rose<sup>(4)</sup></b>	28,370	—	28,370
<b>Harriet Edelman</b>	202,605 <sup>(5)</sup>	96,847 <sup>(6)</sup>	299,452
<b>John E. Fleming</b>	108,620	66,046	174,666
<b>Patrick R. Gaston<sup>(4)</sup></b>	58,565	—	58,565
<b>Sue E. Gove</b>	93,809	66,046	159,855
<b>Jeffrey A. Kirwan</b>	90,213 <sup>(5)</sup>	66,046	156,259
<b>Johnathan B. (“JB”) Osborne</b>	91,626	66,046	157,672
<b>Harsha Ramalingam</b>	96,411	66,046	162,457
<b>Virginia P. Ruesterholz</b>	107,763	66,046	173,809
<b>Joshua E. Schechter</b>	104,115	66,046	170,161
<b>Andrea M. Weiss</b>	96,989	66,046	163,035
<b>Mary A. Winston</b>	88,640	66,046	154,686
<b>Ann Yerger</b>	94,813 <sup>(5)</sup>	66,046	160,859

<sup>(1)</sup> The amounts in this column reflect the temporary reduction to non-employee director cash compensation during the first quarter of fiscal 2020.

<sup>(2)</sup> The value of stock awards represents their respective total fair value on the date of grant calculated in accordance with Accounting Standards Codification (“ASC”) Topic No. 718, “Compensation—Stock Compensation” (“ASC 718”), without regard to the estimated forfeiture related to service-based vesting conditions. All assumptions made in the valuations are contained and described in Note 14 to the Company’s financial statements in the Company’s Annual Report on Form 10-K for fiscal 2020. Stock awards are rounded up to the nearest whole share when converted from dollars to shares. The amounts shown in the table reflect the total fair value on the date of grant and do not necessarily reflect the actual value, if any, that may be realized by the directors. As noted above, the Board voluntarily utilized a higher per share price, which aligned with the underlying per share price of annual awards granted to executives, to calculate the number of shares awarded for the value of \$81,000, and therefore, the fair value under ASC 718 on the date of grant is less than \$81,000 in this table.

<sup>(3)</sup> For all directors who did not resign before the end of fiscal 2020, includes the value of 8,174 restricted shares of common stock of the Company granted under the Company’s 2012 Plan on the date of the Company’s 2020 Annual Meeting of Shareholders and valued under ASC 718 at fair market value on such date (\$8.08 per share, the average of the high and low trading prices on July 14, 2020). Such restricted stock vested on the last day of the fiscal year of grant, subject to the applicable director remaining in office until the last day of the fiscal year.

<sup>(4)</sup> Resigned as a director effective as of July 14, 2020.

<sup>(5)</sup> 50% of each of Mmes. Edelman’s and Yerger’s, and Mr. Kirwan’s fees were paid in unrestricted shares of common stock of the Company pursuant to the Bed Bath & Beyond Plan to Pay Directors Fees in Stock and the number of shares was determined (in accordance with the terms of such plan) based on the fair market value per share on the second business day following the announcement of the Company’s financial results for its fiscal third quarter, which was \$19.65 per share, the average of the high and low trading prices on January 11, 2021.

<sup>(6)</sup> In addition to the 8,174 restricted shares of common stock mentioned in note 3 above, Ms. Edelman also received 3,812 restricted shares of common stock of the Company representing the pro-rated amount of the Independent Chair of the Board retainer for fiscal 2020, granted under the Company’s 2012 Plan on the date of the Company’s 2020 Annual Meeting of Shareholders and valued under ASC 718 at fair market value on such date (\$8.08 per share, the average of the high and low trading prices on July 14, 2020). Such restricted stock vested on the last day of the fiscal year of grant, subject to remaining in office until the last day of the fiscal year.

## delinquent section 16(a) reports

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, officers and beneficial owners of 10% or more of our common shares to file reports with the SEC. We assist our directors and officers by monitoring transactions and completing and filing these reports on their behalf. Based on our records and other information, we believe that all reports, except two, that were required to be filed under Section 16(a) during fiscal 2020, were timely filed. A Form 4 filing for each of Mr. Tritton and Mr. Kirwan, relating to shares surrendered to the Company in satisfaction of tax withholding obligations and to the purchase of Company common stock, respectively, was filed late.

## **certain relationships and related transactions**

The Company's Audit Committee reviews and, if appropriate, approves transactions brought to the Committee's attention in which the Company is a participant and the amount involved exceeds \$120,000, and in which, in general, beneficial owners of more than 5% of the Company's common stock, the Company's directors, nominees for director, executive officers, and members of their respective immediate families, have a direct or indirect material interest. The Committee's responsibility with respect to the review and approval of these transactions is set forth in the Audit Committee's charter.

## **how we engage with and listen to our shareholders; how to communicate with us**

We actively engage with a significant and diverse group of our shareholders on topics important to them and to the Company. Topics discussed have included an increased focus on areas such as executive compensation; governance practices, including board assessment; board composition; business strategy; environmental and social topics such as people and culture, DE&I; and other topics suggested by our shareholders. In addition, our Investor Relations team, together with members of senior management, regularly engage with investors.

Shareholder feedback is discussed by the Board periodically throughout the year. This includes input through direct discussions and prior shareholder votes, as well as engagement with proxy advisory firms that represent the interests of a wide array of shareholders. Feedback and insight from these discussions, in addition to emerging best practices, policies, and other market standards, are considered and evaluated by our Board and management to enhance our disclosures and practices.

In fiscal 2020, we reached out to our top shareholders, representing approximately 75% of our total shares outstanding, which group included index funds, hedge funds, public pension funds and actively-managed funds. The Chair of our Board, members of the Board and management participated in virtual and telephone meetings with shareholders of more than 30% of our total shares outstanding.

During the course of these discussions, we covered the important topics listed above. In addition, we provided information on the strengthening of our executive leadership team, board refreshment and diversity, our approach to ESG reporting and the progress being made in transforming the Company and driving long-term sustainable growth.

In October 2020, we held our first annual investor day to build investor understanding and appreciation for our strategic transformation and reshaping of our business model. We also hope it signaled new intentionality by the Company to inform, engage and provide transparency to our plans. The investor day covered numerous initiatives, capital allocation plans and significant investments in areas such as technology, analytics and value optimization; enhancements of the digital and physical store experience to create a more convenient, competitive and inspirational omni-channel shopping experience; and evolution of our product assortment to include a higher proportion of meaningfully differentiated and higher margin owned-brands. The feedback we received from shareholders was positive and supportive of our governance practices, compensation program and business strategy.


We plan to continue increasing shareholder and stakeholder outreach and are working to create a regular cadence of two-way communication opportunities as we seek to understand priorities from all perspectives. We also plan to launch a regular, ongoing governance outreach program overseen by our Board.

Shareholders and interested parties may direct communications to individual directors, to a Board committee, to the independent directors as a group or to the Board as a whole, by addressing the communications to the appropriate party and sending them to Bed Bath & Beyond Inc., c/o Corporate Secretary, 650 Liberty Avenue, Union, NJ 07083. The Corporate Secretary will review all communications so addressed and will forward to the addressee(s) all communications determined to bear substantively on the business, management or governance of the Company.

# audit matters

## PROPOSAL 2

### ratification of the appointment of auditors for fiscal 2021

 The Board recommends that the shareholders vote **FOR** the ratification of the appointment of KPMG LLP as independent auditors for fiscal 2021.

## appointment of KPMG LLP

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the Company's independent registered public accounting firm. The Audit Committee has appointed KPMG LLP to serve as our independent auditors for fiscal 2021, subject to ratification by our shareholders. The Company's auditors have been KPMG LLP for every year that it has been a public company. The Audit Committee and the Board believe that the continued retention of KPMG LLP as our independent registered public accounting firm is in the best interest of the Company and our shareholders.

Representatives of KPMG LLP will be present at the Annual Meeting to answer questions. They will also have the opportunity to make a statement if they desire to do so. If the proposal to ratify their appointment is not approved, other certified public accountants will be considered by the Audit Committee. Even if the proposal is approved, the Audit Committee, in its discretion, may direct the appointment of new independent auditors at any time during the year if it believes that such a change would be in the best interest of the Company and its shareholders.

## fees paid to KPMG LLP for services and products

The Audit Committee is responsible for the approval of the audit fees associated with the Company's retention of KPMG LLP. The fees incurred by the Company for professional services rendered by and products purchased from KPMG LLP for fiscal 2020 and the fiscal year ended February 29, 2020 ("fiscal 2019") were as follows:

	2020	2019
<b>Audit Fees</b>	\$1,984,000	\$1,879,000
<b>Tax Fees</b>	52,000	123,000
<b>All Other Fees</b>	3,000	3,000
	<b>\$2,039,000</b>	<b>\$2,005,000</b>

In fiscal 2020 and fiscal 2019, in accordance with the SEC's definitions and rules, "Audit Fees" included fees associated with the annual audit of the Company's financial statements, the assessment of the Company's internal control over financial reporting as integrated with the annual audit of the Company's financial statements and the quarterly reviews of the financial statements included in its Form 10-Q filings. In fiscal 2020, "Audit Fees" also includes fees for additional procedures related to the divestitures of certain non-core banners, upgrades to information technology systems, the accelerated share repurchase program and fees for procedures due to consents on Form S-8 registration statements. In fiscal 2019, "Audit Fees" also includes fees for additional procedures due to the adoption of ASC Topic 842, "Leases," upgrades to information technology systems and additional procedures related to the goodwill and other impairments, the sale leaseback transaction and the charge for incremental markdowns taken in fiscal 2019. In fiscal 2020 and 2019, "Tax Fees" included fees associated with tax planning, tax compliance (including review of tax returns) and tax advice

(including tax audit assistance). The Audit Committee has concluded that the provision of the foregoing services is compatible with maintaining KPMG LLP's independence. In addition to fees for audit and non-audit services, in fiscal 2020 and 2019, the Company paid a subscription fee for a KPMG sponsored research product, reflected above in "All Other Fees." The Audit Committee has concluded that the provision of the foregoing services and products is compatible with maintaining KPMG LLP's independence.

## pre-approval policies and procedures

In accordance with the Audit Committee charter, the Audit Committee must pre-approve all audit and non-audit services provided to the Company by its outside auditor. To the extent permitted by applicable laws, regulations and Nasdaq rules, the Committee may delegate pre-approval of audit and non-audit services to the Chair of the Audit Committee or one or more members of the Committee, within certain parameters. Such member(s) must then report to the full Committee at its next scheduled meeting if such member(s) pre-approved any audit or non-audit services.

In fiscal 2020 and fiscal 2019, all (100%) audit and non-audit services were pre-approved in accordance with the Audit Committee charter.

## audit committee report for the fiscal year ended february 27, 2021

The Audit Committee discussed the auditors' review of quarterly financial information with the auditors prior to the release of that information and the filing of the Company's quarterly reports with the SEC; the Audit Committee also met and held discussions with management and the independent auditors with respect to the audited year-end financial statements. Further, the Audit Committee discussed with the independent auditors the matters required to be discussed by the Public Company Accounting Oversight Board Auditing Standard No. 1301, "Communications with Audit Committees," received the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence and discussed with the auditors the auditors' independence. The Committee also discussed with the auditors and the Company's financial management matters related to the Company's internal control over financial reporting. Based on these discussions and the written disclosures received from the independent auditors, the Committee recommended that the Board include the audited financial statements in the Company's Annual Report on Form 10-K for the year ended February 27, 2021, filed with the SEC on April 22, 2021.

This audit committee report is not deemed filed under the Securities Act of 1933 or the Securities Exchange Act of 1934 and is not incorporated by reference into any filings that the Company may make with the SEC.

### AUDIT COMMITTEE

**Joshua E. Schechter, Chair**

**Sue E. Gove**

**Harsha Ramalingam**

**Virginia P. Rueterholz**

**Andrea M. Weiss**

# information about our executive officers

Set forth below is information concerning individuals who were our executive officers as of May 3, 2021:

Name	Age	Position
<b>Mark J. Tritton</b>	57	President and Chief Executive Officer and Director
<b>Gustavo Arnal</b>	51	Executive Vice President, Chief Financial Officer and Treasurer
<b>Cindy Davis</b>	62	Executive Vice President, Chief Brand Officer of the Company, and President, Decorist, LLC
<b>John Hartmann</b>	57	Executive Vice President, Chief Operating Officer of the Company, and President, buybuy BABY, Inc.
<b>Joe Hartsig</b>	57	Executive Vice President and Chief Merchandising Officer of the Company, and President, Harmon Stores Inc.
<b>Arlene Hong</b>	52	Executive Vice President, Chief Legal Officer and Corporate Secretary
<b>Rafeh Masood</b>	42	Executive Vice President, Chief Digital Officer
<b>Lynda Markoe</b>	54	Executive Vice President, Chief People & Culture Officer
<b>Gregg Melnick</b>	51	Executive Vice President, Chief Stores Officer



**Mark J. Tritton** has served as President and Chief Executive Officer of the Company and as a director since November of 2019. Mr. Tritton's biography and work history is set forth above under "Our Directors."



**Gustavo Arnal** joined the Company as Executive Vice President, Chief Financial Officer and Treasurer in May 2020. Prior to joining the Company, Mr. Arnal served as Group CFO of Avon from 2019 to 2020, and as CFO, International Divisions and Global Functions of Walgreens Boots Alliance from 2017 to 2018. Prior to Walgreens Boots Alliance, Mr. Arnal worked at Procter & Gamble for over twenty years, including senior global CFO positions in the U.S. and Europe.



**Cindy Davis** joined the Company as Executive Vice President, Chief Brand Officer of the Company and President of Decorist, LLC in May 2020. Prior to joining the Company, Ms. Davis served as EVP and Chief Digital Marketing Officer of L Brands from 2018 to 2020 and as EVP, Consumer Experience of Disney ABC Television Group at The Walt Disney Company from 2015 to 2018.



**John Hartmann** joined the Company as Executive Vice President, Chief Operating Officer of the Company and President of buybuy BABY, Inc. in May 2020. Prior to joining the Company, Mr. Hartmann served as President and Chief Executive Officer of True Value Company from 2013 to 2020.



**Joe Hartsig** joined the Company as Executive Vice President, Chief Merchandising Officer of the Company and President of Harmon Stores Inc. in March 2020. Prior to joining the Company, Mr. Hartsig served as Chief Merchandising Officer of Walgreens Boots Alliance from 2016 to 2020, as Head of Marketing and Digital Commerce at Walgreens Boots Alliance from 2015 to 2016 and as Chief Merchandising and Marketing Officer at Essendant from 2013 to 2015.



**Arlene Hong** joined the Company as Executive Vice President, Chief Legal Officer and Corporate Secretary in May 2020. Prior to joining the Company, Ms. Hong served as Senior Vice President, Chief Legal Officer and Corporate Secretary of FULLBEAUTY Brands from 2018 to 2020. Prior to that, she worked at Amazon from 2014 to 2018 as General Counsel of Quidsi, Amazon's largest retail subsidiary, and as Senior Corporate Counsel for the Softlines business. She also previously served as Senior Vice President, General Counsel and Corporate Secretary at J. Crew and Ideeli.



**Rafeh Masood** joined the Company as Executive Vice President, Chief Digital Officer in May 2020. Prior to joining the Company, Mr. Masood served as Chief Digital Officer of BJ's Wholesale Club from 2017 to 2020 and as Vice President, Customer Innovation Technology at Dick's Sporting Goods from 2013 to 2017.



**Lynda Markoe** joined the Company as Executive Vice President, Chief People Officer in September 2020. Prior to joining the Company, Ms. Markoe held various leadership roles at J.Crew Group, Inc. since 2003, including serving as its Chief Administrative Officer and Global Head of Human Resources. Prior to that, Ms. Markoe was a human resources leader at Gap Inc.



**Gregg Melnick** has been Executive Vice President, Chief Stores Officer since May 2020. Mr. Melnick served as interim Chief Digital Officer of the Company from December 2019 to May 2020 and as Chief Operations Officer, Digital from 2018 to 2019. Prior to joining the Company in 2018, Mr. Melnick was President of Party City Holdings from 2014 to 2018.

# executive compensation

## PROPOSAL 3

### approval, by non-binding vote, of the 2020 compensation paid to the Company's NEOs

In accordance with the requirements of Section 14A of the Exchange Act, the Company is providing its shareholders the opportunity to cast an advisory vote on the compensation of its NEOs for fiscal 2020. This proposal, commonly known as a "say-on-pay" proposal, gives the Company's shareholders the opportunity to express their views on the NEOs' compensation.

The Board recommends a vote in favor of the following resolution:

"RESOLVED, that the compensation paid to the Company's NEOs for fiscal 2020, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED."

This proposal is not binding upon the Company. However, the Compensation Committee, which is responsible for designing and administering the Company's executive officer compensation program, values the opinions expressed by shareholders through this vote and considers the views provided by shareholders when making future compensation decisions for NEOs. The affirmative vote of the holders of a majority of the votes cast by our shareholders in person or represented by proxy and entitled to vote is required to approve this proposal.

We made significant changes in our compensation design implemented for fiscal 2020, informed by a number of factors including feedback from our shareholders on their priorities regarding executive compensation. These factors were maintained as a framework and guided decision-making during a year marked by risk and uncertainty due to the COVID-19 pandemic. The Compensation Committee supports the recommendation by the Board of a vote approving the fiscal 2020 executive compensation program.

We currently hold a say-on-pay vote annually, and the next say-on-pay vote is expected to occur at our 2022 Annual Meeting of shareholders.



The Board recommends that the shareholders vote **FOR** the approval, by non-binding vote, of the 2020 compensation paid to the Company's NEOs.



# message from the chair of our compensation committee

## to our shareholders:

The COVID-19 pandemic certainly has been the global headline of this past year, and while Bed Bath & Beyond navigated this pandemic with the rest of the world, we also oversaw transformative, fast-paced changes in terms of our business. As our fiscal year began in March, it quickly became clear that the Compensation Committee needed to develop a program that was responsive to the complex and dynamic issues of this extraordinary year.

Our goal was to provide a balanced compensation framework, consistent with our design pillars that we carefully crafted in 2019 with shareholder input, while remaining cognizant of the challenges around compensation metrics, equity awards within the context of significant stock price volatility, and the need to keep our new leadership team motivated and focused on our strategic goals at a time when the Company was taking aggressive cost-cutting actions to preserve liquidity, including employee furloughs and temporary pay reductions for our executives. We were deliberate in our decision making, intentionally delaying our incentive plan determinations in order to collect additional data and model multiple scenarios with our compensation consultant, as we felt strongly as a committee that we should adopt an approach that would recognize the uncertain times and build in an appropriate level of risk to avoid having to revisit or consider subsequent adjustments.

In summary,

- Fiscal 2020 involved both significant deliberation and urgency in formulating a plan for a company exiting the past, managing the COVID-19 challenges of the present, and building for the future—simultaneously creating a transformation strategy, executing new models of service, and assembling an entirely new leadership team.
- Last year we noted our intent to establish the Company's first short-term cash incentive plan and, despite the challenges of the year, we developed and implemented a new plan. The metrics for the new performance-based cash awards for fiscal 2020 focused our executives on pivotal strategic priorities and rewarded financial discipline and agility in a shifting landscape.
- We approved long-term incentives (LTI), which included time-vested restricted stock units (70%) and performance stock units (30%) (RSUs and PSUs, respectively). We believe the PSUs metric of relative total shareholder return ("TSR") and the rigorous target set at the 55th percentile struck the appropriate balance for fiscal 2020 with three-year cliff vesting RSUs, and aligned with our strategic transformation goals. Our fiscal 2021 LTI will return to a more performance-driven mix of 60% PSUs and 40% RSUs.
- From a compensation governance perspective, we recently expanded our stock ownership guidelines and, in fiscal 2020, we strengthened our compensation recoupment policy. Our new Compensation Recoupment Policy incorporates provisions that provide for recoupment of cash and equity awards in the event of a restatement or other error in calculating awards, or if an executive engages in misconduct.
- In October 2020, we amended our charter to affirmatively state our responsibility to review human capital matters, including employee diversity and inclusion policies, programs and initiatives. We have been collaborating with management to understand our DE&I metrics and strategies for enhancing DE&I throughout the Company. We also worked with management to support associate recruitment and retention, and modernize our total rewards to reflect the changing needs of our associates.

The Compensation Committee remains dedicated to the continued health and well-being of all our associates. We recognize that our associates are our greatest asset, and we were pleased to award bonuses to associates across the organization in recognition of their hard work and dedication to our customers in this unprecedented year.

On behalf of the Compensation Committee of the Board, we appreciate your continued support of Bed Bath & Beyond Inc.



**John E. Fleming**  
Chair, Compensation Committee

## **compensation committee report**

The directors named below, who constitute the Compensation Committee, have submitted the following report for inclusion in this Proxy Statement.

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this Proxy Statement. Based on this review and the discussions with management with respect to the Compensation Discussion and Analysis, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement for filing with the SEC and be incorporated by reference in the Company's Annual Report on Form 10-K for fiscal 2020.

### COMPENSATION COMMITTEE

**John E. Fleming, Chair**

**Jeffrey Kirwan**

**Ann Yerger**

# compensation discussion & analysis (CD&A)

## CD&A summary

### Our NEOs



**Mark J. Tritton**  
President and  
Chief Executive Officer  
since November 2019



**Gustavo Arnal**  
Executive Vice  
President, Chief  
Financial Officer  
& Treasurer since  
May 2020



**Cindy Davis**  
Executive Vice  
President, Chief Brand  
Officer and President,  
Decorist, LLC since  
May 2020



**John Hartmann**  
Executive Vice  
President, Chief  
Operating Officer,  
and President, buybuy  
BABY, Inc. since  
May 2020



**Joe Hartsig**  
Executive Vice  
President, Chief  
Merchandising Officer  
and President, Harmon  
Stores, Inc. since  
March 2020

Robyn D'Elia, former Chief Financial Officer & Treasurer, who remained with the Company through May 2020 is also an NEO for fiscal 2020.

### FISCAL 2020: A TRANSFORMATIVE AND UNPRECEDENTED YEAR

Our fiscal 2020 year began in March, two weeks before COVID-19 was declared a pandemic and brought the US to a halt. The first and most impactful phase of the pandemic directly coincided with our focus on establishing an aggressive roadmap for our strategic transformation and bringing together an entirely new leadership team to support Mr. Tritton, our President and CEO (appointed in November 2019). As the Compensation Committee worked to develop an executive compensation framework for the future, designed to incentivize and reward balanced, sustainable growth with metrics directly tied to our transformation strategy and to attract top-tier, experienced executives, the backdrop of the COVID-19 pandemic required additional consideration. The Compensation Committee, together with management, contemplated the significant uncertainty regarding the timing and scope of impact to the business and intentionally delayed certain decisions until after the first quarter, including the setting of goals under the short-term incentive plan and long-term incentive pay mix, in order to consider government forecasts, state decision-making, peer company actions and internal scenario-planning. The Compensation Committee also worked closely with its compensation consultant, modeling several iterations and scenarios to appropriately challenge our executives while avoiding a need to make adjustments to the compensation program later in the year.

The Compensation Committee approved the compensation framework for fiscal 2020 with short- and long-term incentive plans, taking into account first quarter Company performance, ongoing stock price volatility, continued uncertainty related to the COVID-19 pandemic and variables involved in recruiting and on-boarding a new executive team. The Compensation Committee implemented a new performance-based cash short-term incentive plan and approved challenging adjusted EBITDA, digital sales growth and reduction in adjusted SG&A expense goals that aligned to our transformation objectives and milestones. In addition, the Compensation Committee considered the long-term incentive mix, approving grants of both time-vested RSUs and PSUs, both of which vest at the end of a three-year period based on continued employment and achievement of performance goals, as applicable. The Compensation Committee maintained our performance driven compensation framework throughout the year and did not adjust any outstanding awards due to the impact of the COVID-19 pandemic on the business.

Company performance for fiscal 2020 reflected the efforts of our executives and their extended teams. We reported three consecutive quarters of comparable sales growth, following four years of decline. We returned to adjusted EBITDA margin growth in the second quarter and carried the positive momentum through the rest of the year. Our focus on improving our omni-channel capabilities drove digital sales of over \$3 billion, representing over 80% growth. At the same time, we also improved our financial position with cash management and expense control. This strong performance, particularly in this unprecedented year, resulted in maximum achievement under our short-term incentive plan (STIP). We also returned \$375 million of capital to shareholders through accelerated share repurchases, and our stock price appreciated from \$10.81 on February 28, 2020 to \$26.86 on February 26, 2021.

The significant amount of change this year, together with the extenuating circumstances of the pandemic, required substantial engagement by the Board, including the Compensation Committee, which held 26 meetings and maintained ongoing communication among committee members and with management.

## new leadership team to accelerate strategic transformation

Our strategy is people powered, and building a team of talented, passionate people with diverse backgrounds is vital to our success. In 2020, we assembled a new leadership team with deep industry expertise as well as new skill sets, including omni-channel business experience, to complement existing in-house capabilities as the first critical step to refining our organization. In connection with recruiting this team of seasoned leaders to drive our transformation, we provided competitive compensation packages, including participation in our short- and long-term incentive plans designed to recognize superior performance and achievement of our strategic priorities. In addition, where we felt it was necessary and appropriate to attract this top caliber talent, we provided inducement and make-whole awards. [For information on specific compensation arrangements with our individual NEOs, see "fiscal 2020 NEO compensation decisions."](#)

## fiscal 2020 business performance and strategy update

### strengthened our financial foundation

During a year of significant challenges, we addressed the past, overcame the extraordinary circumstances of the present and established a firm foundation for the future. Despite the new environment created by the COVID-19 pandemic, we relentlessly focused on taking purposeful and bold steps to transform our entire organization and continued our plans to rebuild our authority in Home and restore our iconic Company.

- ✓ **\$9 billion** in net sales
- ✓ **3** consecutive quarters of comparable sales growth, following 4 years of decline
- ✓ Pivoted to sustained adjusted gross margin expansion
- ✓ **\$2.1 billion** total liquidity position
- ✓ **~\$1 billion** gross debt reduction vs fiscal 2019
- ✓ **>\$600 million** in proceeds generated from asset sales; 5 non-core banners divested
- ✓ **\$508 million** in SG&A savings resulting from cost-cutting initiatives, divestitures and store closures
- ✓ **\$422 million** or 20% inventory reduction vs fiscal 2019
- ✓ **\$375 million** of capital returned to shareholders through accelerated share repurchases
- ✓ **\$151 million** net loss
- ✓ **\$197 million** adjusted EBITDA\*

### unlocked our digital-first, omni-always model

We accelerated change in our operations to create a more competitive omni-always shopping experience with the introduction of new services like BOPIS, Curbside Pickup, Same Day Delivery and over 100 meaningful improvements to our digital experience. Our teams acted with agility to address the changing needs of our customers and significantly advanced our integrated omni-channel strategy.

- ✓ **>\$3 billion** of digital sales; +83% vs fiscal 2019
- ✓ **>1 billion** digital visits; 30% increase in conversion vs fiscal 2019
- ✓ **11 million** new digital customers; +95% vs fiscal 2019
- ✓ **>4 million** customers placed a BOPIS order; BOPIS represented 14% of digital sales
- ✓ **>3 million** app downloads
- ✓ **37%** of digital sales fulfilled by our stores
- ✓ **34%** of customers placed 2+ digital orders

### cared for our associates, customers & communities

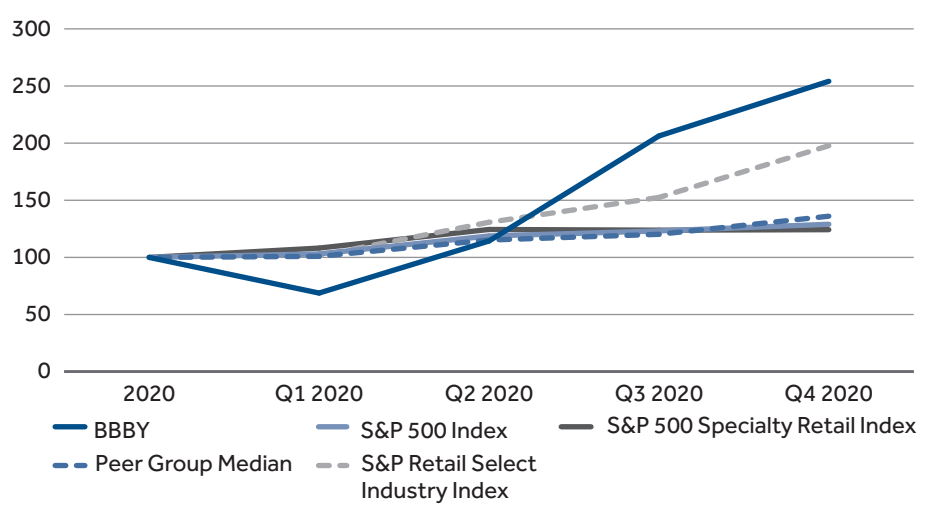
Throughout the COVID-19 pandemic, we have prioritized the health and safety of our associates and communities while continuing to serve our customers and invest in our future growth.

- ✓ Launched **Comprehensive Store Safety Plan** to protect our 38,000 associates and 37 million customers
- ✓ **100%** of our stores introduced **BOPIS & contactless Curbside Pickup**
- ✓ Established **\$10 million Bringing Home Everywhere** donation program to support communities in need

\* Adjusted EBITDA is a non-GAAP financial measure. See [Appendix A](#) for a reconciliation of GAAP to non-GAAP measures used in this proxy statement.

**total shareholder return**

The following chart shows our TSR relative to our compensation peer group median, as well as the S&P 500 Index, S&P Retail Select Industry Index and S&P Specialty Index.



For additional performance and strategic information, including our COVID-19 response actions, see *“fiscal 2020 highlights.”*

**our 2020 executive compensation framework**

**emphasis on pay-for-performance**

The 2020 executive compensation program was designed to drive performance, recognize achievement of strategic and transformation objectives for the year and attract, motivate and retain our new leadership team. Our program emphasizes at-risk pay and is consistent with the compensation design pillars established by the Compensation Committee in fiscal 2019, which communicate our compensation philosophy and state that our program should support our business transformation strategy, be responsive to shareholder views and reflect market-leading practices. For more information, see *“how we design our compensation program”* and *“executive compensation program elements.”*

**Total Direct Compensation (At Target)**

**CEO**

**88% AT-RISK**

Base Salary (12%)

Annual Incentive Compensation (18%)

Long-Term Incentive Compensation (70%)

At-Risk Compensation

**Average Other NEOs**

**76% AT-RISK**

Base Salary (24%)

Annual Incentive Compensation (18%)

Long-Term Incentive Compensation (58%)

At-Risk Compensation

### incentive plans aligned with our transformation goals

**Fiscal 2020 Program Design.** The performance metrics used in our fiscal 2020 executive compensation program were selected to focus our NEOs primarily on our transformation priorities and increasing long-term shareholder value. The structure of both the short- and long-term incentive plans were determined taking into consideration the unprecedented circumstances of fiscal 2020, including the COVID-19 pandemic, and the formation of our new strategy and leadership team. For more information about our incentive plans, including selection of metrics and setting of performance goals, see "annual cash incentive compensation" and "long-term equity incentive compensation."

#### FISCAL 2020 SHORT TERM INCENTIVE PLAN (STIP)

Metric	Actual	Achievement	Weighted Payout %
<b>ADJUSTED EBITDA*</b>	<b>\$197M</b>	<b>MAXIMUM (150%)</b>	<b>90%</b>
<b>DIGITAL SALES GROWTH</b>	<b>83% GROWTH</b>	<b>MAXIMUM (150%)</b>	<b>30%</b>
<b>REDUCTION IN ADJUSTED SG&amp;A*</b>	<b>\$630M SAVINGS</b>	<b>MAXIMUM (150%)</b>	<b>30%</b>
<b>FISCAL 2020 PAYOUT: 150%</b>			

The goals for the STIP were designed to be challenging and were established with visibility into first quarter performance, in which 90% of our stores were closed and we reported adjusted EBITDA\* losses of \$291 million. At that time, our digital transformation was in early stages and we had only recently rolled out our BOPIS, curbside pickup and same day delivery services.

#### FISCAL 2020 EQUITY LONG TERM INCENTIVES

##### PERFORMANCE-BASED STOCK UNITS (PSUs)

PSUs comprised 30% of LTI opportunity and vest based on **three-year relative TSR** performance versus other retail peers (fiscal 2020-2022)

##### RESTRICTED STOCK UNITS (RSUs)

Time-vested RSUs comprised 70% of LTI opportunity and vest after a **three-year period** (fiscal 2023)

The long-term incentive mix was determined after contemplating our overall business transformation efforts in a challenging and volatile environment, the uncertainty created by the COVID-19 pandemic, the need to motivate and retain our new leadership team and the goal of aligning executive and shareholder interests. **This mix was approved for fiscal 2020 only.**

\* Adjusted EBITDA and adjusted SG&A are non-GAAP financial measures. See Appendix A for a reconciliation of GAAP to non-GAAP measures used in this proxy statement.

**Fiscal 2021 Program Design.** As our transformation journey continues and the impact of the COVID-19 pandemic remains, we have further enhanced our compensation plans to respond to our unique operating environment. We remain committed to our performance focus and have updated our incentive plan designs to align with our strategic initiatives and reward for outperformance. Our fiscal 2021 STIP will continue to focus on adjusted EBITDA as the primary driver of performance (weighted 70%); however, our secondary metric will focus on growth in comparable sales (weighted 30%). Our fiscal 2021 LTI will return to a more performance-driven mix of 60% PSUs and 40% RSUs. The PSUs will be earned at the end of a three-year performance period based on achievement of aggressive adjusted gross margin goals, as well as a continued emphasis on outperformance of our peer group through relative total shareholder return. Each of these changes enhances the tie to performance and rewards for the drivers of performance.

## oversight of people & culture

Emphasizing the importance of people to our strategy, we amended the charter of the Compensation Committee in fiscal 2020 to expressly state that the Compensation Committee will periodically review human capital matters, which may include, but are not limited to, associate demographics, employee diversity, equity and inclusion policies, programs and initiatives, including recruitment, retention, talent development and internal communications programs. We believed it was important to formalize this oversight role, recognizing the Compensation Committee's engagement particularly with our DE&I initiatives as well as our organizational realignment, recruitment and retention efforts, and modernization of our total rewards program. The Board has been working with management to understand our DE&I metrics and strategies for enhancing DE&I throughout the Company. [For people and culture highlights, see "fiscal 2020 highlights."](#)

## compensation governance practices

We continue to evaluate and enhance our executive compensation program to reflect our pay-for-performance philosophy and consider governance practices that benefit all shareholders. In fiscal 2020, in addition to amending the Compensation Committee's charter to address human capital matters, we strengthened our stock ownership guidelines. In fiscal 2020, we also adopted market-leading provisions to strengthen our incentive Compensation Recoupment Policy.

### what we do

- ✓ Align pay with performance and creation of value for shareholders
- ✓ Engage directly with shareholders to discuss compensation
- ✓ Use an appropriate mix of fixed and variable, and short- and long-term, compensation elements
- ✓ Pay a substantial portion of executive compensation in the form of at risk equity grants (in the form of RSUs and PSUs)
- ✓ Cap long-term incentive awards if TSR is negative
- ✓ Require double-trigger change in control vesting provisions

### what we don't do

- ✗ No performance goals for incentive awards that encourage excessive risk taking
- ✗ No hedging or pledging of Company stock
- ✗ No repricing or backdating of stock options
- ✗ No payment of dividends on unvested performance share awards
- ✗ No excessive perquisites or other supplemental benefits
- ✗ No excise tax gross-ups on severance payments

### recent enhancements

Adopted market-leading provisions in our Compensation Recoupment Policy. [For more information, see "policy on the recovery of incentive compensation."](#)

Established rigorous stock ownership guidelines for all executive officers and directors. [For more information, see "executive stock ownership guidelines."](#)

# BED BATH & BEYOND

## principles

## how we design our executive compensation program

### customer inspired

We unlock the value delivered to our leaders and our shareholders when we deliver on our promise to inspire our customers to *home, happier* — they are the center of all we do

### omni-always

To accelerate the evolution of our business with an integrated approach of both brick & mortar and digital, we take a multi-faceted and holistic approach to making compensation decisions. We consider numerous factors, including market practice and benchmarking but also role and specific talent markets, individual performance and potential and internal equity

### people powered

We invest in attracting and retaining the talent required to deliver on our customer and shareholder promise to re-establish our authority as the preferred omni-channel home destination

### performance driven

We align a majority of the compensation of our leaders to quantifiable performance goals, emphasizing long-term value allowing us to unlock balanced durable growth and strong sustainable total shareholder growth

In 2019, the Compensation Committee established new compensation design pillars. These pillars guided our fiscal 2020 decisions as we developed a compensation program to attract, motivate and retain an entirely new leadership team in a transformative and challenging year, including the beginning of our strategic transformation amidst the COVID-19 pandemic.

Our fiscal 2020 executive compensation program is based on the following:



**SUPPORTING BUSINESS TRANSFORMATION STRATEGY**



**RESPONDING TO SHAREHOLDER VIEWS**



**REFLECTING MARKET-LEADING PRACTICES**



## Compensation Design Pillars

## Fiscal 2020 Compensation Design

**SHORT- AND LONG-TERM INCENTIVES**

- Establish a short-term incentive program with metrics based on key objectives that support the Company's long-term strategic goals.
- Set metrics for long-term incentives that are closely aligned with TSR.
- Develop payout curves for annual and long-term incentive opportunities that provide strong incentives for superior performance and meaningful downside risk for under-performance.
- Establish rigorous performance goals for target incentive payouts.
- Incorporate terms for incentive awards that include risk of forfeiture for misconduct.
- Ensure that directors and executives are subject to meaningful stock ownership guidelines to align their interests with those of our shareholders.

**PEER GROUP**

- Establish a single relevant peer group to use consistently to benchmark Company performance and compensation levels and practices.
- Review the peer group annually to ensure all companies remain appropriate in terms of both size and industry.

**COMPENSATION BENCHMARKING**

- Establish fixed, short-term, long-term, and total target pay levels that are rigorously and appropriately benchmarked against our peer group.
- Utilize a reasonable blend of compensation elements, with the majority of target total compensation linked to long-term performance and TSR.
- Set annual compensation and long-term incentive targets generally at the median range for the peer group.

**STIP**

- Earned based on adjusted EBITDA\* (60%), digital sales growth (20%) and reduction in adjusted SG&A\* expense (20%).
- Potential payout ranges are between 0% and 150% of target.
- Target goals were established based on our annual budget process.

**PSUs and RSUs**

- Earned based on three-year relative TSR (100%).
- Potential payout for 2020 PSUs ranges between 0% and 150% of target.
- Payouts are capped at 100% of target if absolute TSR over the performance period is negative.
- Used different metrics in our STIP and for our PSUs.
- Incorporated RSUs as a significant portion of LTIP award in 2020 to incentivize retention of a new leadership team responsible for executing the Company's strategic transformation.

**SHARE OWNERSHIP GUIDELINES**

- In 2020, to reflect market practice, the Board enhanced our share ownership guidelines to apply to a broader group of executives and to require covered individuals to hold Bed Bath & Beyond common stock with a value equal to a multiple of their base salary or cash retainer, as applicable.
- Continued to use a single peer group to benchmark compensation and assess relative TSR performance.
- Reaffirmed peer group in October 2020 based on review by compensation consultant.

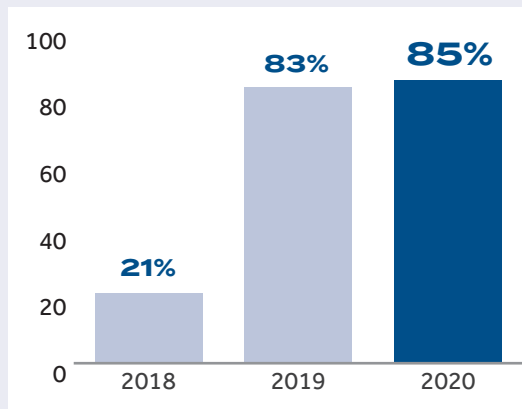
- Conducted benchmarking with our compensation consultant in connection with development of compensation arrangements of new leadership team.
- Set target total direct compensation for our NEOs in fiscal 2020 based on numerous factors, including market practice and benchmarking but also role and specific talent markets, individual performance and potential and internal equity.
- 88% of CEO's target total direct compensation is at risk (in the form of short-and long-term incentive opportunities); 76% of other NEO target pay (on average) is at risk.

\* Adjusted EBITDA and adjusted SG&A are non-GAAP financial measures. See *Appendix A* for a reconciliation of GAAP to non-GAAP measures used in this proxy statement.

## how we consider shareholder feedback

### say-on-pay

At the 2020 Annual Meeting, our executive compensation program received advisory approval of approximately 85% of the shares voted. We believe the improvement in say-on-pay results over the last two years reflects the development by our Compensation Committee of a pay-for-performance philosophy and a framework that became the basis of our compensation design pillars. The Compensation Committee considers the results of the say-on-pay vote as part of its decision-making process and is committed to remain responsive to shareholder priorities, with the goal to earn consistent high levels of shareholder support.



### shareholder outreach

Following several years of low say-on-pay results, and in connection with the refreshment of our Board, we engaged in extensive outreach with our shareholders in fiscal 2019. These meetings, which included several members of our Board and Compensation Committee, provided extensive feedback in light of past compensation practices and input on expectations for our executive compensation program going forward. The Compensation Committee gave considerable weight to this feedback as it developed our new compensation design pillars.

The Company's fiscal 2020 compensation framework marks the first year of our program using the new design pillars as the foundation. We described changes for fiscal 2020 at a high level in last year's proxy statement and discussed our plans with shareholders leading up to our 2020 Annual Meeting. The feedback we received for our new design pillars and anticipated fiscal 2020 program was positive. In particular, shareholders expressed support for a new performance-based cash bonus plan.

### FISCAL 2020 ENGAGEMENT

In fiscal 2020, we reached out to our top shareholders, representing approximately 75% of our total shares outstanding, which group included index funds, hedge funds, public pension funds and actively-managed funds. The Chair of the Board, members of the Board and management participated in virtual and telephone meetings with more than 30% of our total shares outstanding. We covered many important topics, including executive compensation. In October 2020, the Company held its first annual investor day to strengthen investor understanding and appreciation for our strategic transformation and reshaping of our business model. The feedback received from shareholders was positive and supportive of our governance practices, our compensation program and our business strategy.

Going forward, we plan to continue increasing shareholder and stakeholder outreach and are working to create a regular cadence of two-way communication opportunities, as we seek to understand priorities from all perspectives. We also plan to launch a regular, ongoing governance outreach program overseen by our Board which includes engagement on executive compensation matters. [For more information about how we engage directly with shareholders, see "how we engage with and listen to our shareholders; how to communicate with us."](#)

## how our NEOs were paid in 2020

### executive compensation program elements

Our fiscal 2020 performance driven compensation program for the NEOs and certain other key executives included the following elements:

←..... total direct compensation .....→

BASE SALARY	STIP	LONG-TERM INCENTIVE	RETIREMENT AND OTHER BENEFITS
<ul style="list-style-type: none"> <li>• Fixed</li> <li>• Delivered in cash</li> </ul>	<ul style="list-style-type: none"> <li>• Variable</li> <li>• Delivered in cash</li> <li>• Rewards achievement against objective, pre-established performance metrics</li> </ul>	<ul style="list-style-type: none"> <li>• Variable</li> <li>• Delivered in equity</li> <li>• Incentivizes retention during critical transformation period</li> <li>• Aligns the interest of associates and shareholders</li> <li>• PSUs reward achievement against objective, pre-established performance metrics</li> </ul>	<ul style="list-style-type: none"> <li>• Health plan and a limited 401(k) plan match</li> <li>• Limited perquisites</li> </ul>

The Compensation Committee focuses primarily on the elements of total direct compensation, including base salary, annual cash incentives and long-term equity incentives, when structuring and assessing compensation for the leadership team. We aim to set target total direct compensation and related elements generally at the median range for our peer group, but also consider role and specific talent markets, individual performance and potential and internal equity. [For more information on our peer group and benchmarking, see “our compensation decision-making process.”](#)

### base salary

Base salaries represent fixed cash compensation tied to the size, scope and complexity of each executive’s position and the depth of each executive’s experience. In connection with the recruitment and appointment of an entirely new leadership team in fiscal 2020 (other than the appointment of Mr. Tritton in November 2019), the Compensation Committee considered these factors in setting base salaries that would attract and retain executives leading the Company’s transformation.

The Compensation Committee generally reviews base salaries for executives on an annual basis to determine whether such salaries remain appropriate. This annual review considers each individual executive’s performance, as well as the results of peer group benchmarking. Any approved adjustments generally become effective in April of the applicable fiscal year. In 2020, the only continuing executive was Mr. Tritton. As his base salary was established in connection with his appointment in November 2019, the Compensation Committee did not adjust his salary for fiscal 2020.

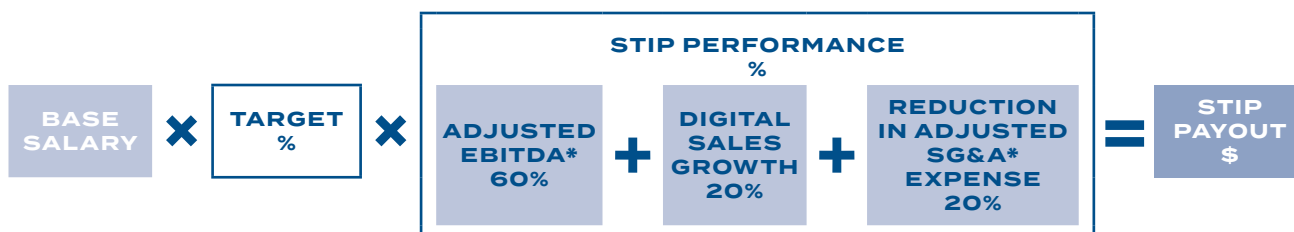
#### BASE SALARY REDUCTIONS

In the first quarter of fiscal 2020, in connection with aggressive cost-cutting measures, including the temporary furlough of many of our associates due to store closures as a result of the COVID-19 pandemic, our CEO and our other NEOs appointed at that time agreed to a 30% temporary reduction in their base salaries effective April 5, 2020 through May 16, 2020, which coincided with the re-opening of our stores.

## annual cash incentive compensation

For fiscal 2020, the Compensation Committee implemented for the first time a new performance-based cash STIP, which re-balanced the mix of short-term fixed and variable pay tied to aggressive, quantitative objectives. These metrics included adjusted EBITDA, digital sales growth and reduction in adjusted SG&A expense, all of which align with our near-term transformation priorities, including driving top-line growth (with an emphasis on digital growth), resetting our cost structure, reviewing and optimizing our asset base and refining our organization structure.

The STIP provides for the calculation of award payouts as follows:



The Compensation Committee approved annual target STIP awards expressed as a percentage of each NEO's base salary in connection with the hiring of each of our NEOs. Performance metrics for the fiscal 2020 STIP were determined by the Compensation Committee based on our transformation strategy, intending to focus our executives on key strategic priorities and encouraging financial discipline and agility in a challenging year. In connection with setting the threshold, target and maximum achievement goals for the STIP, the Compensation Committee considered first quarter results and the likely impact on full-year performance, together with uncertainty around the continued effects of the COVID-19 pandemic. To align with our view that outstanding awards should not be adjusted, the Compensation Committee worked closely with its independent compensation consultant and modelled several iterations and scenarios. Further, the Compensation Committee approved goals that we deemed to be challenging and that would require significant progress toward our strategic transformation milestones.

### how we align our STIP performance metrics with our strategy

#### ADJUSTED EBITDA\*

EBITDA is a common metric used to assess operating performance, particularly for our peer retail companies. We have selected adjusted EBITDA (60%) because we believe it directly measures achievement against all of our strategic goals collectively, including sales growth, margin expansion and cost control.

#### DIGITAL SALES GROWTH

A critical component of our strategic transformation is our focus on digital sales and maximizing integration with our store network, the importance of which was emphasized by the COVID-19 pandemic. Our digital sales growth metric also supports our omni-always principle and expanded launch of BOPIS, curbside pickup and same day delivery services.

#### REDUCTION IN ADJUSTED SG&A\* EXPENSE

To achieve our strategic objectives, we must focus not only on margin expansion, but also on general cost control. This performance metric holds our team accountable for meeting our fiscal 2020 cost savings goals, including those related to our organizational realignment.

#### 2021

As approved by the Compensation Committee, the performance metrics for fiscal 2021 will continue to focus on adjusted EBITDA as the primary driver of performance (weighted 70%), and our new secondary metric will focus on growth in comparable sales (weighted 30%).




\* Adjusted EBITDA and adjusted SG&A are non-GAAP financial measures. See *Appendix A* for a reconciliation of GAAP to non-GAAP measures used in this proxy statement.

## how we set our STIP performance goals

At the time the fiscal 2020 goals were approved, the Compensation Committee had visibility into the impact of the COVID-19 pandemic on first quarter performance, including significant negative adjusted EBITDA\* losses of \$291 million that needed to be offset in the remaining quarters. The target adjusted EBITDA goal established for the STIP aligned with our operating budget incorporating first quarter performance and also required improved performance over fiscal 2019 results. Our digital sales growth and reduction in adjusted SG&A expense metrics, by nature of the measures, require year-over-year improvement. Achievement of maximum-level payouts for all three goals required significantly exceeding the operating plans in place at the time the goals were approved.

Following completion of the fiscal year, the Compensation Committee evaluated performance against the adjusted EBITDA, digital sales growth and reduction in adjusted SG&A goals and calculated the fiscal 2020 payout. We returned to adjusted EBITDA margin growth in the second quarter and carried the positive momentum through the rest of the year. Our focus on improving our omni-channel capabilities drove digital sales of over \$3 billion, representing over 80% growth. At the same time, we also improved our financial position with cash management and expense control. This strong performance, despite an unprecedented year, resulted in maximum achievement under our STIP. The strong performance was also reflected in stock price appreciation.

### FISCAL 2020 STIP PERFORMANCE AND PAYOUT CALCULATIONS

	Weighting	Threshold (50% Payout)	Target (100% Payout)	Maximum (150% Payout)	% of Target	Weighted Performance
<b>ADJUSTED EBITDA*</b>	 60%	(\$225M)	(\$150M)	\$25M	150%	90%
<b>DIGITAL SALES GROWTH</b>	 20%	42.5%	50.0%	65.0%	150%	30%
<b>REDUCTION IN ADJUSTED SG&amp;A*</b>	 20%	\$450M	\$500M	\$550M	150%	30%
<b>Payout</b>						<b>150%</b>

\* Adjusted EBITDA and adjusted SG&A are non-GAAP financial measures. See *Appendix A* for a reconciliation of GAAP to non-GAAP measures used in this proxy statement.

Based on the Compensation Committee's certification of performance results, our NEOs received the following 2020 STIP payouts:

### FISCAL 2020 NEO STIP PAYOUTS



	Target Bonus % of Base Salary	Annual Target Bonus \$	Target Bonus (Prorated)*	Actual Bonus Payout 150% Achievement
<b>Mark J. Tritton</b>	150%	\$1,800,000	\$1,800,000	\$2,700,000
<b>John Hartmann</b>	125%	\$1,250,000	\$982,143	\$1,473,214
<b>Gustavo Arnal</b>	85%	\$658,750	\$658,750	\$988,125
<b>Joseph Hartsig**</b>	40%	\$280,000	\$280,000	\$420,000
<b>Cindy Davis</b>	70%	\$490,000	\$374,231	\$561,346

\* Prorated bonus opportunities were based on hiring dates during the fiscal 2020 year for Mr. Hartmann and Ms. Davis. Pursuant to their employment agreements, Messrs. Arnal's and Hartsig's bonus opportunities were not prorated.

\*\* Pursuant to his employment agreement, Mr. Hartsig received a cash payment of \$70,000 each quarter (in exchange for reducing fiscal 2020 STIP opportunity from 80% to 40%). After fiscal 2020, Mr. Hartsig's target STIP opportunity will increase to 80%. For more information, see "fiscal 2020 NEO compensation decisions."

## Long-term equity incentive compensation

Our long-term incentive program is designed to focus our executives on increasing shareholder value, to reward their contributions to our sustainable, long-term growth and performance—and to attract and retain key talent. In recent years, the Company has granted PSUs to our NEOs. For 2020, the Compensation Committee approved long-term incentive grants for our NEOs, consisting of a mix of time-vested RSUs and PSUs. Following a detailed analysis and robust discussion, including the uncertainties of the COVID-19 pandemic at the time, the Compensation Committee determined that a mix of PSUs and RSUs for all of our NEOs, including Mr. Tritton, more appropriately balanced our incentive and retentive goals, and accordingly approved the awards and the considerations referenced below. More specifically, the Compensation Committee granted, for fiscal 2020 only, a greater portion of the long-term incentive award value as time-vested RSUs, the realized value of which will ultimately depend on stock price performance at the end of the three-year vesting period. The Compensation Committee determined that this structure maintained ties to shareholder interests and aided in retention and that the temporary emphasis on time-vested RSUs, together with the use of a relative metric for the PSUs, was appropriate in this unprecedented environment where long-term forecasts were not reliable and with our unique situation of having an entirely new leadership term.

Considerations for Fiscal 2020 LTI Mix	RSUs	PSUs
<p>In determining the split between PSUs and RSUs, <b>solely with respect to fiscal 2020</b>, the Compensation Committee considered:</p> <ul style="list-style-type: none"> <li>• our overall business transformation efforts, which are taking place in a challenging and volatile environment that has created many uncertainties;</li> <li>• the uncertainty and volatility created by the impact of the COVID-19 pandemic;</li> <li>• the need to motivate and retain our entirely new leadership team as it leads the Company’s business transformation; and</li> <li>• the goal of aligning executive and shareholder interests.</li> </ul>	<p> <b>70%</b></p> <p>Time-vested RSUs cliff vest on the third anniversary of the date of grant, generally subject to the executive’s continued employment through such date.</p>	<p> <b>30%</b></p> <p>Fiscal 2020 PSUs are earned based 100% on relative three-year TSR. PSUs are also subject to a TSR “regulator” that caps award payouts at 100% of target if our TSR over the performance period is negative.</p>

**2021** Our fiscal 2021 LTI will return to a more performance-driven mix of 60% PSUs and 40% RSUs.

The Compensation Committee also approved target long-term incentive award values for each NEO. These values are determined in connection with the benchmarking and setting of target total direct compensation and related elements for each NEO, as contemplated for fiscal 2020 in applicable employment agreements. [For more information, see “executive compensation program elements.”](#)

### FISCAL 2020 TARGET LTI VALUE

<b>Mark J. Tritton</b>	\$7,000,000
<b>John Hartmann</b>	\$3,500,000
<b>Gustavo Arnal</b>	\$1,937,500
<b>Joseph Hartsig</b>	\$1,750,000
<b>Cindy Davis</b>	\$1,225,000

In addition to the RSUs and PSUs granted as part of the fiscal 2020 compensation program, certain NEOs received equity grants as inducement or make-whole awards in connection assuming their new positions. [For more information, see “fiscal 2020 NEO compensation decisions.”](#)

### 2020 PSUs – grants

The Compensation Committee selected relative TSR as the sole performance metric (100%) for the 2020 PSUs and established the payout percentages based on relative TSR achievement versus other peer retailers. As noted in our compensation design pillars, the peer group for performance comparisons is the same as the peer group used for benchmarking. To further enhance shareholder alignment, the Compensation Committee continued its past practice

of including an absolute TSR element into the terms and conditions of the 2020 PSUs, which caps any payouts at target (regardless of relative performance) if our absolute TSR over the performance period is negative.

## how we align our PSUs with increased shareholder value

### RELATIVE TSR

Our long-term incentives are designed to focus on increasing shareholder value. This measure rewards shareholder returns and long-term performance relative to our peers, and we believe relative TSR also provides the right balance with our annual incentive metrics that focus on near-term strategic priorities. The risk of any excessive payouts in the event we are not delivering value to our shareholders is controlled by the cap on payouts at target in the event absolute TSR is negative.

**2021** The fiscal 2021 PSUs will be earned at the end of a three-year performance period based on achievement of aggressive adjusted gross margin goals (weighted 50%), as well as a continued emphasis on outperformance of our peer group through relative TSR (weighted 50%). The Compensation Committee also changed the payout scale from 25-150% to 33-200% to align with market practice and our pay-for-performance culture.

## how we set our PSU performance goals

We require TSR performance above the 50th percentile of our peer group to payout at target. We believe this performance hurdle is higher than typical market practice and reflects robust goal-setting. The Compensation Committee also focuses on carefully and thoughtfully identifying our peer group, including retailers with business characteristics similar to ours and companies of varying sizes in terms of revenue and market capitalization.

The following tables show the achievement ranges for these metrics, together with the associated payout percentages. Any common stock earned will vest in full at the end of the three-year performance period (fiscal 2020-2022).

Achievement Percentile (Peer Group) <sup>(1)</sup>	Payment Percentage of Common Stock Underlying PSUs
80th Percentile or better	150%
55th Percentile	100%
30th Percentile	25%
Less than 30th Percentile	0%

<sup>(1)</sup> Linear interpolation used for results between goals.

## 2018 PSUs - payouts

The performance metrics for the 2018 PSUs were three-year ROIC relative to a peer group (2/3 weight) and three-year EBIT margin relative to a peer group (1/3 weight). Ms. D'Elia was the only NEO to hold 2018 PSUs. The threshold goals were not achieved, and no payout was approved. For all grants of PSUs subsequent to the 2018 PSUs, the Compensation Committee has granted PSUs in alignment with our compensation design pillars.

## retirement and other benefits

The NEOs are entitled to the same benefits offered to all Bed Bath & Beyond associates. The cost of these benefits constitutes a small percentage of each NEO’s total compensation. Key benefits include paid vacation, premiums paid for long-term disability insurance, a matching contribution to the NEO’s 401(k) plan account and payment of a portion of the NEO’s premiums for healthcare and basic life insurance.

We generally have provided our leadership team with certain perquisites, including an automobile allowance and an annual financial planning benefit. The Compensation Committee believes such limited perquisites are reasonable and consistent with its overall objective of attracting and retaining talented NEOs.

See the “all other compensation” column in the Summary Compensation Table for further information regarding these benefits and perquisites, and the “potential payments upon termination or change in control” table for information regarding termination and change in control payments and benefits.

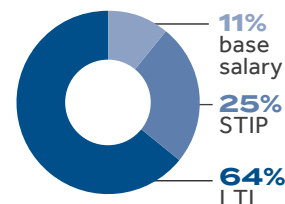
## fiscal 2020 NEO compensation decisions

The following provides summary compensation information for each of our continuing NEOs. For more information, see “employment agreements and potential payments upon termination or change in control.”



**Mark J. Tritton**  
 president and chief executive officer

We entered into an employment agreement with Mr. Tritton in connection with his appointment as President and CEO in November 2019. The terms and conditions of this agreement were designed to establish a competitive compensation framework that aligns with our compensation design pillars. Mr. Tritton’s fiscal 2020 compensation consisted of the elements described below.



<b>base salary</b>	\$1,200,000 annually
<b>STIP</b>	\$2,700,000 bonus <ul style="list-style-type: none"> <li>• Target bonus opportunity: 150% of base salary</li> <li>• Maximum bonus opportunity: 225% of base salary</li> </ul>
<b>LTI</b>	\$7,000,000 target award value for fiscal 2020, per employment agreement <ul style="list-style-type: none"> <li>• Employment agreement capped fiscal 2020 PSU award at \$10,500,000 maximum award value</li> </ul>
<b>other awards</b>	In connection with Mr. Tritton’s appointment, he received several inducement and make-whole awards (to replace certain awards forfeited when he resigned from his prior employer). These awards were made in fiscal 2019, except for a make-whole cash bonus of \$710,000, which was paid on March 13, 2020
<b>tailored perquisites</b>	<ul style="list-style-type: none"> <li>• Home buyout and relocation assistance in connection with Mr. Tritton’s relocation to the New York metropolitan area</li> <li>• Reimbursement of legal fees incurred in connection with negotiation of employment agreement</li> <li>• Financial planning</li> <li>• Automobile allowance</li> </ul>

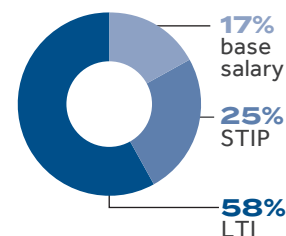




## John Hartmann

### chief operating officer and president buybuy BABY

We entered into an employment agreement with Mr. Hartmann in connection with his appointment as Chief Operating Officer and President, buybuy BABY in May 2020. The terms and conditions of this agreement were designed to establish a competitive compensation framework that aligns with our compensation design pillars. Mr. Hartmann's fiscal 2020 compensation consisted of the elements described below.

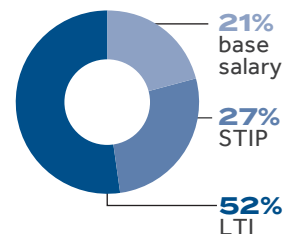


<b>base salary</b>	\$1,000,000 annually
<b>STIP</b>	\$1,473,214 bonus, prorated due to date of hire <ul style="list-style-type: none"> <li>Target bonus opportunity: 125% of base salary</li> </ul>
<b>LTI</b>	\$3,500,000 target award value, for fiscal 2020, per employment agreement
<b>other awards</b>	<ul style="list-style-type: none"> <li>One-time make-whole cash award of \$187,500</li> <li>One-time sign-on cash bonus of \$500,000, which is required to be repaid if terminated for "cause" or following a departure without "good reason" within one year of the effective date of his employment agreement</li> <li>Make-whole award of RSUs with a value of \$3,000,000 vesting ratably over three years and subject to Mr. Hartmann's continued employment through the applicable vesting date, which award is intended to replace certain equity awards that were forfeited by Mr. Hartmann upon his resignation as President and CEO from his previous employer and joining the Company (the "Hartmann RSU Award")</li> </ul>
<b>tailored perquisites</b>	<ul style="list-style-type: none"> <li>Relocation assistance in connection with Mr. Hartmann's relocation to the New York metropolitan area</li> <li>Reimbursement of legal fees incurred in connection with negotiation of employment agreement</li> <li>Financial planning</li> <li>Automobile allowance</li> </ul>



**Gustavo Arnal**  
**chief financial officer and treasurer**

In connection with Mr. Arnal’s appointment as Chief Financial Officer and Treasurer in April 2020, we entered into an employment agreement with Mr. Arnal in April 2020. The terms and conditions of this agreement were designed to establish a competitive compensation framework that aligns with our compensation design pillars. Mr. Arnal’s fiscal 2020 compensation consisted of the elements described below.

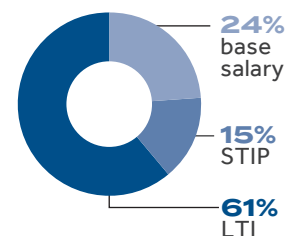


<b>base salary</b>	\$775,000 annually
<b>STIP</b>	\$988,125 bonus <ul style="list-style-type: none"> <li>• Target bonus opportunity: 85% of base salary, not prorated for fiscal 2020</li> </ul>
<b>LTI</b>	\$1,937,500 target award value, for fiscal 2020, per employment agreement
<b>other awards</b>	<ul style="list-style-type: none"> <li>• One-time sign-on award of RSUs with a value of \$775,000, vesting ratably over three years (the “Arnal Sign-On RSU Award”)</li> </ul>
<b>tailored perquisites</b>	<ul style="list-style-type: none"> <li>• Relocation assistance in connection with Mr. Arnal’s relocation to the New York metropolitan area</li> <li>• Reimbursement of legal fees incurred in connection with negotiation of employment agreement</li> <li>• Financial planning</li> <li>• Automobile allowance</li> </ul>



**Joseph Hartsig**  
**chief merchandising officer and president Harmon Stores Inc.**

We entered into an employment agreement with Mr. Hartsig in connection with his appointment as Chief Merchandising Officer and President, Harmon Stores Inc. in March 2020. The terms and conditions of this agreement were designed to establish a competitive compensation framework that aligns with our compensation design pillars. Mr. Hartsig's fiscal 2020 compensation consisted of the elements described below.

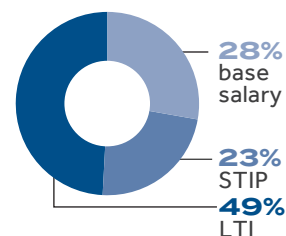


<b>base salary</b>	\$700,000 annually
<b>STIP</b>	\$420,000 bonus <ul style="list-style-type: none"> <li>• Target bonus opportunity: 40% of base salary for fiscal 2020</li> </ul>
<b>LTI</b>	\$1,750,000 target award value, for fiscal 2020, per employment agreement
<b>other awards</b>	<ul style="list-style-type: none"> <li>• One-time inducement cash bonus of \$50,000</li> <li>• Cash retention bonus of \$70,000 each quarter (in exchange for reducing fiscal 2020 STIP opportunity from 80% to 40%), subject to Mr. Hartsig's continued employment through each applicable payment date (the "Hartsig Retention Bonus")</li> <li>• Make-whole RSU award with a value of \$1,000,000, vesting ratably over three years which is intended to replace certain equity awards that were forfeited by Mr. Hartsig from his previous employer in connection with joining the Company (the "Hartsig Make-Whole RSU Award")</li> </ul>
<b>tailored perquisites</b>	<ul style="list-style-type: none"> <li>• Relocation assistance in connection with Mr. Hartsig's relocation to the New York metropolitan area</li> <li>• Reimbursement of legal fees incurred in connection with negotiation of employment agreement</li> <li>• Financial planning</li> <li>• Automobile allowance</li> </ul>



**Cindy Davis**  
**chief brand officer and president Decorist, LLC**

We entered into an employment agreement with Ms. Davis in connection with her appointment as Chief Brand Officer and President, Decorist, LLC in May 2020. The terms and conditions of this agreement were designed to establish a competitive compensation framework that aligns with our compensation design pillars. Ms. Davis’s fiscal 2020 compensation consisted of the elements described below.



<b>base salary</b>	\$700,000 annually
<b>STIP</b>	\$561,346 bonus, prorated due to date of hire <ul style="list-style-type: none"> <li>Target bonus opportunity: 70% of base salary</li> </ul>
<b>LTI</b>	\$1,225,000 target award value, for fiscal 2020, per employment agreement
<b>other awards</b>	<ul style="list-style-type: none"> <li>One-time inducement cash award of \$250,000, which is required to be repaid if terminated for “cause” or following a departure without “good reason” within one year of the effective date of Ms. Davis’s employment agreement</li> <li>One-time sign-on RSU Award with a value of \$1,000,000, vesting ratably over three years (the “Davis Sign-On RSU Award”)</li> </ul>
<b>tailored perquisites</b>	<ul style="list-style-type: none"> <li>Relocation assistance in connection with Ms. Davis’s relocation to the New York metropolitan area</li> <li>Reimbursement of legal fees incurred in connection with negotiation of employment agreement</li> <li>Financial planning</li> <li>Automobile allowance</li> </ul>

## former chief financial officer and treasurer

For fiscal 2020, Ms. D'Elia received a prorated base salary through her date of separation from the Company on May 8, 2020. Ms. D'Elia's severance award aligned with the terms of her separation agreement. [For more information, see "compensation tables" and "employment agreements and potential payments upon change in control."](#)

## our compensation decision-making process

### role of the compensation committee

The Compensation Committee, which is comprised entirely of independent directors, reviews and establishes our management compensation and benefits philosophy, policies, plans and programs. In this role, the Compensation Committee is responsible for considering and determining all matters relating to the compensation of the CEO and other executive officers, including the NEOs, as well as administering and functioning as the committee that is authorized to make grants and awards of equity compensation to our NEOs. Pursuant to its charter, the Compensation Committee may form subcommittees and delegate its authority to any such subcommittee or to any designated officer of the Company as it deems appropriate, to the extent permitted by law or by applicable policies and rules of the Company.

### role of management

Subsequent to the appointment of our new leadership team, meetings of the Compensation Committee have been regularly attended by our Chief People & Culture Officer and other members of our human resources management team. Our CEO also provides input as requested and, together with our CFO, contributes to the discussion of our internal operating budget and related calculation of goals for our incentive plans.

### independent consultants

In November 2019, the Compensation Committee determined that transforming our compensation practices and culture required a new advisor with no connection to the Company's legacy programs. Following a thorough search, the Compensation Committee engaged the services of a new independent compensation consultant, Meridian Compensation Partners, LLC (Meridian). Meridian reports directly to the Compensation Committee and has brought fresh perspectives to executive compensation issues, attending most Compensation Committee meetings in fiscal 2020. Meridian assisted with the development of competitive market data and benchmarking in connection with the hiring of our new leadership team, helped the Compensation Committee design and implement our revised incentive compensation programs and has provided the Compensation Committee information on trends and emerging best practices. Meridian has not served the Company in any other capacity except as consultant to the Compensation Committee.

The Compensation Committee receives advice and assistance from the law firm of Winston & Strawn LLP.

The Compensation Committee has concluded that no conflict of interest exists (or existed) that prevents (or prevented) Meridian or Winston & Strawn from being independent advisors to the Compensation Committee.

### benchmarking peer group

Consistent with our compensation design pillars, the Compensation Committee established a single, updated and relevant peer group for setting total direct compensation levels and measuring relative performance. Until 2019, we relied on two peer groups: one group for compensation benchmarking and an expanded group for performance comparisons. The Compensation Committee determined that having a single peer group would increase alignment between pay and performance, reduce complexity and increase transparency. In October 2020, the Compensation Committee reaffirmed our peer group, based on a review by Meridian, and we continue to believe the peer group has an appropriate number and breadth of companies to support both purposes.

The peer group consists primarily of retailers with business characteristics that make them similar to the Company. The Compensation Committee also considered various size parameters, including revenue and market capitalization.

Based on the parameters reviewed, the following 22 companies (our Peer Group) were identified as competitors for business, talent or both. We aim to set target total direct compensation and related elements generally at the median range for our peer group, but also consider role and specific talent markets, individual performance and potential and internal equity.

## EXECUTIVE COMPENSATION

### FISCAL 2020 PEER GROUP

Advance Auto Parts, Inc.	Foot Locker, Inc.	ODP Corp. (formerly Office Depot)
AutoZone, Inc.	The Gap, Inc.	O'Reilly Automotive, Inc.
Big Lots, Inc.	Kohl's Corporation	Ross Stores, Inc.
Burlington Stores, Inc.	L Brands, Inc.	Tractor Supply Company
Dick's Sporting Goods, Inc.	Macy's, Inc.	Ulta Beauty, Inc.
Dillard's, Inc.	The Michaels Companies, Inc.	Wayfair Inc.
Dollar General Corporation	Nordstrom, Inc.	Williams-Sonoma, Inc.
Dollar Tree, Inc.		

### BED BATH & BEYOND COMPARED TO PEER GROUP

	REVENUE - TTM (\$M)		MARKET CAP - AS OF FEB 2021 (\$M)		NUMBER OF ASSOCIATES - LTM	
75 <sup>th</sup> Percentile	\$13,698	100%	\$21,944	100%	72,283	100%
<b>Median</b>	\$10,668	75%	\$10,238	75%	38,500	75%
25 <sup>th</sup> Percentile	\$ 6,974	50%	\$ 5,196	50%	16,050	50%
<b>Bed Bath &amp; Beyond Inc.</b>	<b>\$ 9,233</b>	25%	<b>\$ 3,220</b>	25%	<b>37,600</b>	25%
<b>Percentile Rank</b>	<b>33%</b>	0%	<b>16%</b>	0%	<b>49%</b>	0%

Data sourced from S&P Capital IQ effective as of February 28, 2021.

The Compensation Committee reviews market data from compensation surveys to benchmark pay for executive officer positions when relevant Peer Group data are not available.

## additional compensation information

### impact of accounting and tax considerations

The Compensation Committee considers various accounting and tax implications of equity-based and other compensation.

When determining the amounts of equity-based awards to be granted, the Compensation Committee examines the accounting cost associated with the grants. Under ASC 718, grants of stock options, PSUs and other equity-based awards result in an accounting charge for the Company equal to the fair value of the awards being issued.

Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), generally disallows a federal income tax deduction for compensation in excess of \$1 million in any taxable year paid to certain covered executive officers. There is limited transitional relief for "qualified performance-based compensation" and certain other items of compensation that were in place before November 2, 2017. While the Compensation Committee generally considers this limit when determining executive compensation, the Compensation Committee reserves the discretion to decide that it is appropriate to exceed the limitation on deductibility so we have the flexibility to attract and retain talented executives and to ensure those executives are compensated in a manner that is consistent with the best interests of the Company and our shareholders. Interpretations of and changes in the tax laws and other factors beyond the Compensation Committee's control also may affect the deductibility of compensation.

## employment agreements

We have entered into employment agreements with our NEOs that set forth generally the elements of compensation discussed above and provide for termination payments in qualifying termination scenarios. We believe that it is in the best interests of the Company to enter into these employment arrangements as they provide a level of certainty to our executives on their fixed compensation and termination entitlements and to the Company. [For more information, see “employment agreements and potential payments upon change in control.”](#)

## policy on the recovery of incentive compensation

We have a stand-alone Compensation Recoupment Policy regarding the recovery of incentive compensation applicable to current and former senior officers. The Compensation Recoupment Policy, which we strengthened in fiscal 2020 and established as a stand-alone policy to underscore the importance of these principles, generally provides that we will seek to recoup incentive-based cash and equity compensation paid or awarded to current and former senior officers, where (i) there has been a restatement of the Company’s financial results or there was an error in the calculation of the achievement of applicable performance goals, which should have resulted in no performance-based award or a lower payment relating to such performance or (ii) the Board determines in good faith that the executive engaged in conduct detrimental to the Company (including fraud causing financial or reputational harm, commission of a felony, or material breach of restrictive covenants). The full policy is available in the Governance Documents section of our Investor Relations website available at [www.bedbathandbeyond.com](http://www.bedbathandbeyond.com). The Compensation Committee continues to monitor the issuance of regulations under the Dodd-Frank Wall Street Reform and Consumer Protection Act relating to incentive compensation recoupment and will amend our Compensation Recoupment Policy to the extent necessary to comply with any such regulations.

## anti-hedging and anti-pledging policies

We do not permit executive officers to hedge the Company’s securities, and we also restrict their ability to pledge the Company’s securities. [Additional detail regarding the Company’s anti-hedging and pledging policies can be found above under the heading “Anti-Hedging and Anti-Pledging Policies.”](#)

## compensation risk assessment

In May 2020, the Compensation Committee performed a risk assessment of our compensation programs, which included an analysis of the risk associated with our executive compensation program conducted by Meridian. In its review, the Compensation Committee considered the balance between pay components, measures of performance, magnitude of pay, pay caps, plan time horizons and overlapping performance cycles, program design and administration and other features that are designed to mitigate risk (such as stock ownership guidelines and a Compensation Recoupment Policy). Following its review, the Compensation Committee, with confirmation by Meridian, determined that our compensation practices and policies do not create risks that are reasonably likely to have a material adverse effect on the Company.

## executive stock ownership guidelines

During 2020, the Compensation Committee enhanced its stock ownership guidelines, making such guidelines applicable not only to the CEO but to all executive officers, including our NEOs. The guidelines are based on multiples of base salary, varying by role, as follows:

### MINIMUM STOCK OWNERSHIP REQUIREMENT

<b>6x</b> BASE SALARY	<b>3x</b> BASE SALARY	<b>2x</b> BASE SALARY
Chief Executive Officer	Chief Financial Officer Chief Operating Officer Chief Merchandising Officer	Chief Stores Officer Chief Digital Officer Chief Brand Officer
		Chief Legal Officer Chief People and Culture Officer

- All covered individuals must hold 50% of the net after-tax shares they receive in connection with the Company’s compensation programs or pursuant to such individuals’ employment agreements until their ownership requirement is met;
- Once the covered individual satisfies the ownership requirement, he or she is considered in compliance as long as such covered individual’s eligible holdings do not decline below the number of shares held when he or she first met the applicable ownership guideline; and
- The price used to determine compliance with the guidelines will be the 20-day trading average at each fiscal year-end.

The Compensation Committee believes these expanded share ownership guidelines are better aligned with overall market practices and will enhance the ties of our executives to shareholder interests. All of the Company’s executives subject to the policy have either met the final stock ownership requirements or are in current compliance with the interim requirements under the stock ownership guidelines.



# compensation tables

## summary compensation table for fiscal 2020, fiscal 2019 and fiscal 2018

The following table sets forth information concerning the compensation of the Company's NEOs for the last three completed fiscal years (except with regard to Messrs. Arnal, Hartmann and Hartsig and Ms. Davis, who were not NEOs for fiscal 2019 or fiscal 2018 and consequently, have information included for fiscal 2020 only, and Mr. Tritton, who was not an NEO for fiscal 2018 and, consequently, has information included for fiscal years 2020 and 2019 only).

Name and Principal Position	Year	Salary <sup>(1)</sup> (\$)	Bonus (\$)	Stock Awards <sup>(2)(3)</sup> (\$)	Non-Equity Incentive Plan Compensation <sup>(4)</sup> (\$)	All Other Compensation <sup>(5)</sup> (\$)	Total (\$)
<b>Mark J. Tritton</b> <sup>(6)</sup> President and Chief Executive Officer	2020	1,144,615	710,000	6,931,834	2,700,000	1,440,503	12,926,952
	2019	346,154	375,000	11,632,199	750,000	661,045	13,764,398
<b>Gustavo Arnal</b> <sup>(7)</sup> Executive Vice President, Chief Financial Officer and Treasurer	2020	611,058	—	2,740,375	988,125	310,841	4,650,399
<b>Robyn M. D'Elia</b> <sup>(8)</sup> Former Chief Financial Officer and Treasurer	2020	179,712	—	—	—	663,499	843,211
	2019	750,000	—	1,559,469	—	24,937	2,334,406
	2018	653,900	—	425,026	—	10,770	1,089,696
<b>Cindy Davis</b> <sup>(9)</sup> Executive Vice President, Chief Brand Officer and President, Decorist	2020	511,539	250,000	2,384,540	561,346	14,016	3,721,441
<b>John Hartmann</b> <sup>(10)</sup> Chief Operating Officer and President, buybuy BABY	2020	750,000	687,500	6,635,377	1,473,214	103,553	9,649,644
<b>Joseph Hartsig</b> <sup>(11)</sup> Executive Vice President, Chief Merchandising Officer, and President, Harmon Stores Inc.	2020	635,385	260,000	2,556,051	420,000	61,974	3,933,410

(1) Except as otherwise described in this Summary Compensation Table, salaries to NEOs were paid in cash in fiscal 2020, fiscal 2019 and fiscal 2018, and increases in salary were effective in May for fiscal 2019 and fiscal 2018. None of our NEOs had salary increases in fiscal 2020.

(2) The value of stock awards represents their respective total fair value on the date of grant calculated in accordance with ASC 718, without regard to the estimated forfeiture related to service-based vesting conditions, and in the case of PSUs, is based on the performance conditions applicable to such PSUs being achieved at the target payout level, which was determined to be the probable outcome as of the grant date. All assumptions made in the valuations are contained and described in Note 14 to the Company's consolidated financial statements in the Company's Form 10-K for fiscal 2020. Stock awards are rounded up to the nearest whole share when converted from dollars to shares. The amounts shown in the table reflect the total fair value on the date of grant and do not necessarily reflect the actual value, if any, that may be realized by the NEOs.

(3) The value of stock awards consists of (i) PSU and RSU awards granted in fiscal 2020 to Messrs. Tritton, Arnal, Hartmann and Hartsig and Ms. Davis, (ii) a PSU award (the "Tritton Make-Whole PSU Award") and RSU awards (the "Tritton Sign-On RSU Award" and the "Tritton Make-Whole RSU Award") granted in fiscal 2019 to Mr. Tritton as an inducement material to his entering into an employment agreement and commencing employment with the Company and (iii) PSU awards granted in fiscal 2019 and PSU and restricted stock awards granted in fiscal 2018 to Ms. D'Elia. With regard to Ms. D'Elia's awards, the one-year performance-based test for fiscal 2019 was met at 28.51% of target (resulting in a payout of 0.00% of target), and the one-year performance-based test for fiscal 2018 was met at 46.78% of target (resulting in a payout of 25% of target using the 2018 peer group). The fair value of the PSU awards that have not yet been certified is reported at 100% of target, which is the estimated outcome of performance conditions associated with the PSU awards on the grant date. If the Company achieves the highest level of performance for the PSU awards granted in fiscal 2020, then the fair value of such PSU awards would be \$3,051,466, \$844,608, \$1,525,738, \$762,874 and \$534,010 for Messrs. Tritton, Arnal, Hartmann and Hartsig and Ms. Davis, respectively. If the Company achieves the highest level of performance for the PSU awards granted in fiscal 2019, then the fair value of the PSU awards granted in fiscal 2019 would be \$2,339,221 for Ms. D'Elia. The performance metrics for Mr. Tritton's PSU awards granted in fiscal 2019 do not provide for performance above 100% of the target. The vesting of the Tritton Sign-On RSU Award and the Tritton Make-Whole RSU Award granted in fiscal 2019 is based solely on time. The value of PSU awards granted in fiscal 2019 to Ms. D'Elia does not reflect the reduction of PSUs granted in 2019, as described below under the heading "Potential Payments Upon Termination or Change in Control—Employment Agreement and Other Compensatory Arrangements with Ms. D'Elia."

## EXECUTIVE COMPENSATION

- (4) For fiscal 2020, the Compensation Committee implemented a new cash short-term incentive plan (the "STIP"), which re-balanced the mix of short-term fixed and variable pay tied to aggressive, quantitative objectives. Following completion of the fiscal year, the Compensation Committee evaluated performance against the adjusted EBITDA, digital sales growth and reduction in adjusted SG&A goals, and calculated the fiscal 2020 payout. Based on the Compensation Committee's certification of performance results, NEOs earned an actual bonus payout for fiscal 2020 of 150% achievement.
- (5) Includes, inter alia, dividends or dividend equivalents on equity-based awards based on the amounts paid to all shareholders as of the record date for each dividend declared. For Mr. Tritton in fiscal 2020, the All Other Compensation column, includes (i) payment for his home sale/buyout and relocation assistance benefits of \$510,970, (ii) \$762,991 in gross-up payments to reimburse applicable taxes resulting from relocation expenses that were imputed as income, including federal, state and FICA taxes, (iii) car allowance, and (iv) a payment for financial planning benefits. During fiscal 2020, total dividend income of \$151,571 was paid on Mr. Tritton's inducement awards. The amount reflected for Mr. Arnal in fiscal 2020 includes (i) payment for his relocation assistance benefits of \$135,860, (ii) \$138,427 in gross-up payments to reimburse applicable taxes resulting from relocation expenses that were imputed as income to him, including federal, state and FICA taxes, (iii) car allowance, (iv) payment for financial planning benefits, and (v) reimbursement of legal fees relating to the negotiation of Mr. Arnal's employment agreement. The amount reflected for Ms. Davis in fiscal 2020 includes (i) payment for her home sale/buyout and relocation assistance benefits, (ii) \$1,822 in gross-up payments to reimburse applicable taxes resulting from relocation expenses that were imputed as income to her, including federal, state and FICA taxes, (iii) car allowance, and (iv) reimbursement of expenses related to COBRA benefits pursuant to Ms. Davis's separation from her prior employer (such expenses calculated as the value of such COBRA benefits less the amount Ms. Davis would have paid had she been covered under Company health and welfare plans for the same period). The amount reflected for Mr. Hartmann in fiscal 2020 includes (i) payment for his relocation assistance benefits of \$26,927, (ii) \$26,131 in gross-up payments to reimburse applicable taxes resulting from relocation expenses that were imputed as income to him, including federal, state and FICA taxes, (iii) car allowance of \$33,309, (iv) payment of legal fees related to the negotiation of Mr. Hartmann's employment agreement and (v) reimbursement of expenses related to COBRA benefits pursuant to Mr. Hartmann's separation from his prior employer (such expenses calculated as the value of such COBRA benefits less the amount Mr. Hartmann would have paid had he been covered under Company health and welfare plans for the same period). The amount reflected for Mr. Hartsig in fiscal 2020 includes (i) payment for his relocation assistance benefits, (ii) \$12,858 in gross-up payments to reimburse applicable taxes resulting from relocation expenses that were imputed as income to him, including federal, state and FICA taxes, (iii) car allowance of \$25,866 and (iv) a reimbursement of legal fees in connection with his employment agreement negotiations. For Ms. D'Elia in fiscal 2020, amounts include (i) a cash payment of \$576,923, which represents the portion of cash severance that was paid to Ms. D'Elia in fiscal 2020 in accordance with the terms of her employment agreement, and (ii) incremental costs to the Company for employer 401(k) plan matching contributions. Also included in the All Other Compensation column for fiscal 2020 were dividends of \$13,890, that were paid on previously unvested stock awards that vested in fiscal 2020. These dividends were not factored into the grant date fair value of such stock awards under ASC 718. In addition, these dividends do not vest and are not paid until, and only then to the extent that, the associated stock awards vest and the underlying shares are paid. During fiscal 2018 the Company granted Robyn M. D'Elia a deferred cash award under the Company's Cash Incentive Plan in the aggregate amount of \$75,000. During fiscal 2020, \$64,286 related to the cash award vested and is included in the All Other Compensation column. Ms. D'Elia received a COBRA subsidy upon her separation from the Company.
- (6) Mr. Tritton commenced employment as President and Chief Executive Officer of the Company, effective as of November 4, 2019. With respect to fiscal 2020, Mr. Tritton earned a cash bonus under the STIP in the total amount of \$2,700,000, which is reflected in Non-Equity Incentive Plan Compensation and will be paid in fiscal 2021. Additionally, in accordance with his employee agreement, Mr. Tritton was entitled to a make-whole cash award in the amount of \$710,000 (the "Tritton Make-Whole Cash Award"), which is reflected in the Bonus column. The amount of base salary paid to Mr. Tritton during fiscal 2020 reflects the portion of his annual base salary of \$1,200,000 that was earned during fiscal 2020 and also reflects a 30% salary reduction between April 10 and May 16, 2020, in response to the COVID-19 pandemic. With respect to fiscal 2019, Mr. Tritton was entitled to a performance-based cash bonus under the terms of his employment agreement with the Company with the target bonus opportunity of \$750,000. The Compensation Committee determined that Mr. Tritton exceeded the performance objective with respect to his bonus for fiscal 2019 and determined that it should be paid out at 150% of target, in the total amount of \$1,125,000. Of this total amount, \$750,000 is reflected in the Non-Equity Incentive Plan Compensation, and \$375,000 is reflected in the Bonus column.
- (7) Mr. Arnal commenced employment as Executive Vice President, Chief Financial Officer and Treasurer of the Company, effective as of May 4, 2020. The amount reflected in the Salary column for Mr. Arnal during fiscal 2020 reflects the portion of his annual base salary of \$775,000 that was earned during fiscal 2020. With respect to fiscal 2020, Mr. Arnal earned a cash bonus under the STIP in the total amount of \$988,125, which is reflected in Non-Equity Incentive Plan Compensation column and will be paid in fiscal 2021.
- (8) The amount shown as Ms. D'Elia's base salary reflects a 30% salary reduction between April 10 and May 4, 2020, in response to the COVID-19 pandemic. Ms. D'Elia stepped down as the Chief Financial Officer and Treasurer effective as of May 4, 2020, in connection with Mr. Gustavo Arnal's commencement of employment as the Executive Vice President, Chief Financial Officer and Treasurer of the Company, effective as of the same date, and her employment with the Company was terminated effective as of May 8, 2020.
- (9) Ms. Davis commenced employment as the Executive Vice President, Chief Brand Officer and President, Decorist, effective as of May 26, 2020. The amount reflected in the Salary column during fiscal 2020 reflects the portion of her annual base salary of \$700,000 that was earned during fiscal 2020. With respect to fiscal 2020, Ms. Davis earned a cash bonus payout under the STIP in the total amount of \$561,346, which is reflected in Non-Equity Incentive Plan Compensation and will be paid in fiscal 2021. In accordance with her employee agreement, Ms. Davis was also entitled to a sign-on cash award in the amount of \$250,000, which is reflected in the Bonus column.

<sup>(10)</sup> Mr. Hartmann commenced employment as the Chief Operating Officer and President, buybuy BABY, effective as of May 18, 2020. The amount reflected in the Salary column for Mr. Hartmann during fiscal 2020 reflects the portion of his annual base salary of \$1,000,000 that was earned during fiscal 2020. With respect to fiscal 2020, Mr. Hartmann earned a cash bonus payout under the STIP in the total amount of \$1,473,214 which is reflected in the Non-Equity Incentive Plan Compensation and will be paid in fiscal 2021. In accordance with his employee agreement, Mr. Hartmann was also entitled to a make-whole cash award in the amount of \$187,500 and a sign-on cash award in the amount of \$500,000, both of which are reflected in the Bonus column.

<sup>(11)</sup> Mr. Hartsig commenced employment as the Executive Vice President, Chief Merchandising Officer, and President, Harmon Stores Inc., effective as of March 4, 2020. The amount reflected in the Salary column for Mr. Hartsig during fiscal 2020 reflects the portion of his annual base salary of \$700,000 that was earned during fiscal 2020, and also reflects a 30% salary reduction between April 10 and May 16, 2020 in response to the COVID-19 pandemic. With respect to fiscal 2020, Mr. Hartsig earned a cash bonus payout under the STIP in the total amount of \$420,000, which is reflected in the Non-Equity Incentive Plan Compensation column and will be paid in fiscal 2021. In accordance with his employee agreement, Mr. Hartsig was entitled to a retention bonus of \$70,000 per quarter for a one year period for a total amount of \$280,000. In fiscal 2020, Mr. Hartsig received \$210,000 related to this retention bonus and was entitled to a sign-on cash award of \$50,000, both of which are reflected in the Bonus column.

## grants of plan based awards

### grants of non-equity incentive plan awards, restricted stock units and performance stock units for fiscal 2020

The following table sets forth information with respect to cash awards earned during fiscal 2020 by each of the NEOs under the STIP, RSUs and PSUs awarded during fiscal 2020 to each of the NEOs, except Ms. D'Elia, under the 2012 Plan and, for Messrs. Arnal, Hartmann and Hartsig and Ms. Davis, RSU and PSU awards that were made as a material inducement for them to accept employment with the Company and enter into their employment agreement with the Company. A portion of the RSU awards that were made to Messrs. Arnal and Hartmann and Ms. Davis were issued outside of the 2012 Plan and the Company's 2018 Incentive Compensation Plan (the "2018 Plan"), in accordance with Nasdaq Listing Rule 5635(c)(4) but are subject to substantially the same terms as awards made under such plans.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards <sup>(3)(4)</sup> (\$)
		Threshold <sup>(1)</sup> (\$)	Target <sup>(1)</sup> (\$)	Maximum <sup>(1)</sup> (\$)	Threshold <sup>(2)</sup> (#)	Target <sup>(2)</sup> (#)	Maximum <sup>(2)</sup> (#)		
Mark J. Tritton	6/08/2020 <sup>(1)</sup>	900,000	1,800,000	2,700,000	—	—	—	—	—
	6/08/2020 <sup>(5)</sup>	—	—	—	—	—	—	494,450	\$4,897,527
	6/08/2020 <sup>(6)</sup>	—	—	—	52,977	211,907	317,861	—	\$2,034,307
Gustavo Arnal	5/04/2020 <sup>(7)</sup>	—	—	—	—	—	—	143,912	\$821,737
	6/08/2020 <sup>(1)</sup>	329,375	658,750	988,125	—	—	—	—	—
	6/08/2020 <sup>(5)</sup>	—	—	—	—	—	—	136,857	\$1,355,569
Cindy Davis	6/08/2020 <sup>(6)</sup>	—	—	—	14,664	58,653	87,980	—	\$563,069
	5/26/2020 <sup>(8)</sup>	—	—	—	—	—	—	160,255	\$1,171,464
	6/08/2020 <sup>(1)</sup>	187,115	374,231	561,346	—	—	—	—	—
John Hartmann	6/08/2020 <sup>(5)</sup>	—	—	—	—	—	—	86,529	\$857,070
	6/08/2020 <sup>(6)</sup>	—	—	—	9,271	37,084	55,626	—	\$356,006
	5/18/2020 <sup>(9)</sup>	—	—	—	—	—	—	511,991	\$3,169,455
Joseph Hartsig	6/08/2020 <sup>(1)</sup>	491,071	982,143	1,473,214	—	—	—	—	—
	6/08/2020 <sup>(5)</sup>	—	—	—	—	—	—	247,225	\$2,448,764
	6/08/2020 <sup>(6)</sup>	—	—	—	26,489	105,954	158,931	—	\$1,017,158
Joseph Hartsig	3/04/2020 <sup>(10)</sup>	—	—	—	—	—	—	83,456	\$823,085
	6/08/2020 <sup>(1)</sup>	140,000	280,000	420,000	—	—	—	—	—
	6/08/2020 <sup>(5)</sup>	—	—	—	—	—	—	123,613	\$1,224,387
	6/08/2020 <sup>(6)</sup>	—	—	—	13,245	52,977	79,466	—	\$508,579

## EXECUTIVE COMPENSATION

- <sup>(1)</sup> Represents the threshold, target and maximum amount of the fiscal 2020 non-equity incentive plan award granted to Messrs. Tritton, Arnal, Hartmann and Hartsig and Ms. Davis for fiscal 2020 pursuant to the STIP. Mr. Hartmann's and Ms. Davis's amounts have been prorated. See footnote (4) to the Summary Compensation Table in this Proxy Statement.
- <sup>(2)</sup> Number of shares when converted from dollars to shares, which number is rounded up to the nearest whole share. Amounts represent the threshold, target and maximum amounts for equity incentive plan awards with performance conditions for each NEO.
- <sup>(3)</sup> No option awards were granted to the NEOs in fiscal 2020.
- <sup>(4)</sup> Pursuant to the SEC rules, PSU and RSU awards are valued in accordance with ASC 718. See footnote (2) to the Summary Compensation Table in this Proxy Statement. The fair value of PSU awards is reported at 100% of target, which is the estimated outcome of performance conditions associated with the PSU awards on the grant date.
- <sup>(5)</sup> Represents an award of RSUs granted to the NEOs on June 8, 2020, under the Company's 2012 Plan. The RSUs will vest on the third anniversary of the grant date, provided that the NEO remains continuously employed by the Company from the grant date until the vesting date.
- <sup>(6)</sup> Represents an award of PSUs granted to the NEOs on June 8, 2020, under the Company's 2012 Plan. Vesting of these PSUs granted to the NEOs depends on (i) the Company's achievement of a three-year performance goal based on the Company's Total Shareholder Return (the "Performance Goal"), and (ii) assuming achievement of the Performance Goal, will vest on the third anniversary of the grant date, provided that the NEO remains continuously employed by the Company from the grant date until the vesting date. The awards are capped at 150% of target achievement, with a floor of zero. PSUs are converted into shares of common stock upon payment following vesting.
- <sup>(7)</sup> Represents a sign-on award of RSUs granted to Mr. Arnal as an inducement material to his entering into an employment agreement and commencing employment with the Company (the "Arnal Sign-On RSU Award"). The RSUs will vest in three substantially equal installments on each of the first, second and third anniversaries of the Grant Date (for each NEO's inducement award, a "Vesting Date"), provided that Mr. Arnal remains continuously employed by the Company from the Grant Date until the applicable Vesting Date.
- <sup>(8)</sup> Represents a sign-on award of RSUs granted to Ms. Davis as an inducement material to her entering into an employment agreement and commencing employment with the Company (the "Davis Sign-On RSU Award"). The RSUs will vest in three substantially equal installments on the Vesting Dates, provided that Ms. Davis remains continuously employed by the Company from the Grant Date until the applicable Vesting Date.
- <sup>(9)</sup> Represents a make-whole award of RSUs granted to Mr. Hartmann as an inducement material to his entering into an employment agreement and commencing employment with the Company (the "Hartmann Make-Whole RSU Award"). The RSUs will vest in three substantially equal installments on the Vesting Dates, provided that Mr. Hartmann remains continuously employed by the Company from the Grant Date until each applicable Vesting Date.
- <sup>(10)</sup> Represents a make-whole award of RSUs granted to Mr. Hartsig as an inducement material to his entering into an employment agreement and commencing employment with the Company (the "Hartsig Make-Whole RSU Award"). The RSUs will vest in three substantially equal installments on each of the Vesting Dates, provided that Mr. Hartsig remains continuously employed by the Company from the Grant Date until each applicable Vesting Date.

## outstanding equity awards at fiscal year-end

The following table sets forth information for each of the NEOs with respect to the value of all unvested restricted stock awards, unvested RSUs and unvested PSUs as of February 27, 2021, the last day of fiscal 2020.

Name	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(1)</sup> (\$)
<b>Mark J. Tritton</b>	1,113,049 <sup>(2)</sup>	\$29,896,496
<b>Gustavo Arnal</b>	339,422 <sup>(3)</sup>	\$ 9,116,875
<b>Robyn M. D'Elia</b>	55,261 <sup>(4)</sup>	\$ 1,484,310
<b>Cindy Davis</b>	283,868 <sup>(5)</sup>	\$ 7,624,694
<b>John Hartmann</b>	865,170 <sup>(6)</sup>	\$23,238,466
<b>Joseph Hartsig</b>	260,046 <sup>(7)</sup>	\$ 6,984,836

<sup>(1)</sup> Market value is based on the closing price of the Company's common stock of \$26.86 per share on February 26, 2021, the last trading day in fiscal 2020.

<sup>(2)</sup> The amounts reflected for Mr. Tritton include (i) 132,957 RSUs that will vest on March 31, 2021, subject, in general, to Mr. Tritton remaining in the Company's employ through the applicable vesting date, and to the terms, conditions and restrictions of the award agreement governing the grant; (ii) 273,735 PSUs that will vest on November 4, 2021, subject to the terms, conditions and restrictions of the award agreement governing the grant; (iii) 494,450 RSUs that will vest on June 8, 2023, subject, in general, to Mr. Tritton remaining in the Company's employ through the vesting date, and to the terms, conditions and restrictions of the award agreement governing the grant; and (iv) 211,907 PSUs that will vest on June 8, 2023, subject to the terms, conditions and restrictions of the award agreement governing the grant. See footnote (6) to the Grants of Plan Based Awards table in this Proxy Statement. Unvested PSU awards are valued at target achievement.

- (3) The amounts reflected for Mr. Arnal include (i) 143,912 RSUs that will vest as follows: (x) 47,971 RSUs will vest on each of May 04, 2021 and 2023 and (y) 47,970 RSUs will vest on May 04, 2022, subject to the terms, conditions and restrictions of the award agreement governing the grant; (ii) 136,857 RSUs will vest on June 8, 2023, subject to the terms, conditions and restrictions of the award agreement governing the grant; and (iii) 58,653 PSUs will vest on June 08, 2023, subject to the terms, conditions and restrictions of the award agreement governing the grant. See footnote (6) to the Grants of Plan Based Awards table in this Proxy Statement. Unvested PSU awards are valued at target achievement.
- (4) Ms. D'Elia's unvested PSU awards are valued at target achievement and include 55,261 PSUs, which are subject to a three-year performance goal (which goal is either a cumulative Company EBIT goal or a three-year relative TSR goal, as more fully described below under the heading "Potential Payments Upon Termination or Change in Control - Employment Agreement and Other Compensatory Arrangements with Ms. D'Elia"). Upon attainment of the three-year performance goal and after the Compensation Committee certifies achievement of the performance goal, the PSU awards are scheduled to vest as follows: (i) 16,149 on May 10, 2021 and (ii) 39,112 on June 28, 2022.
- (5) The amounts reflected for Ms. Davis include (i) 160,255 RSUs that will vest as follows: (x) 53,419 RSUs will vest on May 26, 2021 and (y) 53,418 RSUs will vest on each of May 26, 2022 and 2023, subject to the terms, conditions and restrictions of the award agreement governing the grant; (ii) 86,529 RSUs that will vest on June 8, 2023, subject to the terms, conditions and restrictions of the award agreement governing the grant; and (iii) 37,084 PSU awards that will vest on June 08, 2023, subject to the terms, conditions and restrictions of the award agreement governing the grant. See footnote (6) to the Grants of Plan Based Awards table in this Proxy Statement. Unvested PSU awards are valued at target achievement.
- (6) The amounts reflected for Mr. Hartmann include (i) 511,991 RSUs that will vest as follows: (x) 170,664 RSUs will vest on each of May 18, 2021 and 2023 and (y) 170,663 RSUs will vest on May 18, 2022, subject to the terms, conditions and restrictions of the award agreement governing the grant; (ii) 247,225 RSUs that will vest on June 8, 2023, subject to the terms, conditions and restrictions of the award agreement governing the grant; and (iii) 105,954 PSU awards that will vest on June 08, 2023, subject to the terms, conditions and restrictions of the award agreement governing the grant. See footnote (6) to the Grants of Plan Based Awards table in this Proxy Statement. Unvested PSU awards are valued at target achievement.
- (7) The amounts reflected for Mr. Hartsig include (i) 83,456 RSUs that will vest as follows: (x) 27,819 RSUs will vest on each of March 04, 2021 and 2023 and (y) 27,818 RSUs will vest on March 04, 2022, subject to the terms, conditions and restrictions of the award agreement governing the grant; (ii) 123,613 RSUs that will vest on June 8, 2023, subject to the terms, conditions and restrictions of the award agreement governing the grant; and (iii) 52,977 PSU awards that will vest on June 08, 2023, subject to the terms, conditions and restrictions of the award agreement governing the grant. See footnote (6) to the Grants of Plan Based Awards table in this Proxy Statement. Unvested PSU awards are valued at target achievement.

## option exercises and stock vested

### option exercises and stock awards vested for fiscal 2020

The following table includes certain information with respect to the exercise of options and vesting of stock awards by NEOs during fiscal 2020.

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
<b>Mark J. Tritton<sup>(1)</sup></b>	445,796	\$3,976,309
<b>Gustavo Arnal<sup>(2)</sup></b>	—	—
<b>Robyn M. D'Elia<sup>(3)</sup></b>	6,712	\$ 41,178
<b>Cindy Davis<sup>(2)</sup></b>	—	—
<b>John Hartmann<sup>(2)</sup></b>	—	—
<b>Joseph Hartsig<sup>(2)</sup></b>	—	—

(1) Mr. Tritton acquired 445,796 shares in total on March 31, 2020, September 30, 2020, and November 04, 2020, upon the vesting of previously granted RSUs.

(2) Messrs. Arnal, Hartmann and Hartsig and Ms. Davis did not have any shares vest in fiscal 2020.

(3) Ms. D'Elia acquired 6,712 shares in total on her separation from the Company on May 8, 2020, upon the lapse of restrictions on previously granted shares of restricted stock.

## employment agreements and potential payments upon termination or change in control

### employment agreements

Each NEO has an employment agreement with the Company that provides for severance pay and other benefits upon a termination of his or her employment. For a complete description of payments due to each NEO upon termination of his or her employment with the Company, see "Potential Payments Upon Termination or Change in Control" below. Each NEO's employment agreement provides for non-competition, non-solicitation, and non-interference during the term of employment and for a certain period thereafter. Mr. Tritton's restricted period extends two years after separation from the Company; Mr. Hartmann's restricted period is 18 months following termination; and Mr. Arnal's, Mr. Hartsig's, and Ms. Davis's extends 12 months after termination. Ms. D'Elia, whose employment with the Company terminated on May 8, 2020, continues to be bound by a two-year non-solicitation restriction and non-competition restriction for one year contained in her employment agreement. Each NEO employment agreement provides for confidentiality during the term of employment and surviving the end of the term of employment.

### potential payments upon termination or change in control

The employment agreement of each NEO and certain of the plans in which the NEOs participate require the Company to pay compensation to the executives if their employment terminates. Because Ms. D'Elia separated from the Company effective May 8, 2020, her separation was treated as a termination of employment by the Company other than for "cause," and the descriptions of the applicable agreement and arrangement below describe only the provisions applicable to, and amounts payable and benefits provided as a result of, a termination of Ms. D'Elia without "cause."

The table below lists the estimated amount of compensation payable to each of Messrs. Tritton, Hartmann, Arnal, and Hartsig and Ms. Davis in each termination situation using an assumed termination date and an assumed change in control date of February 27, 2021, the last day of fiscal 2020 and a price per share of common stock of \$26.86 (the "Per Share Closing Price"), the closing per share price as of February 26, 2021, the last trading day of fiscal 2020.

### employment agreement with Mr. Tritton

The Board appointed Mark J. Tritton as the President and Chief Executive Officer of the Company, and in connection therewith, the Company entered into an employment agreement with Mr. Tritton (the "Tritton Employment Agreement") on October 6, 2019. The Tritton Employment Agreement provides that in the event of a termination of Mr. Tritton's employment due to his death or disability:

- the Company will pay Mr. Tritton any base salary that had accrued but had not been paid on or before the date of separation, any reimbursement due in accordance with the terms of the relevant employment agreement and any other vested benefits or vested amounts due and owed to the executive under the terms of any plan, program or arrangement of the Company (collectively, with respect to each applicable executive, the "Accrued Obligations"); and
- the Tritton Sign-On RSU Award and the Tritton Make-Whole RSU Award, to the extent not previously vested, will immediately vest in full and the Tritton Make-Whole PSU Award, to the extent not previously vested, will immediately vest in full at 100% of target level of performance (collectively, the "Tritton Make-Whole Award Acceleration"). The number of RSUs subject to the Tritton Sign-On RSU Award and the Tritton Make-Whole RSU Award were determined by dividing the grant values set forth in the employment agreement by the volume-weighted average closing price of a share of the Company's common stock over the twenty trading day period ending immediately prior to Mr. Tritton's start date (the "20-Day Volume-Weighted Average Determination").

The Tritton Employment Agreement provides that if the Company terminates Mr. Tritton's employment without "Cause," or in the event Mr. Tritton terminates with "Good Reason," in each case, not in connection with a "change in control" (as defined in the 2018 Plan), then in addition to the Accrued Obligations and the Tritton Make-Whole Award Acceleration, Mr. Tritton will receive: (i) severance pay equal to the sum of (x) two times Mr. Tritton's base salary and (y) his target annual bonus for the performance year in which the termination date occurs (payable over the 24 months following his termination date), (ii) any earned but unpaid annual bonus for the performance year prior to the year of termination, and (iii) up to 24 months of COBRA benefits at active employee rates. Severance pay will be paid in accordance with normal payroll; however, any amount due prior to the six months after termination of employment will be paid in a lump sum on the date

following the six-month anniversary of termination of employment. If the Company terminates Mr. Tritton's employment without "Cause," or in the event Mr. Tritton terminates with "Good Reason," in each case, within 30 days prior to, or two years following, a "change in control" (as defined in the 2018 Plan), then Mr. Tritton will receive the entitlements described in the preceding two sentences, except that the severance pay will be paid in lump sum, Mr. Tritton's other outstanding time-based equity awards will immediately vest in full, and any other outstanding performance-based equity awards will vest, based on actual performance and prorated based on the number of days during the applicable performance period that Mr. Tritton remained employed by the Company, at the time that such awards would have otherwise vested had Mr. Tritton remained employed up to the vesting date. Mr. Tritton (or his estate or legal representative, in the event of Mr. Tritton's death or disability) is required to deliver a formal release of all claims prior to, and as a condition of, his receipt of any of the severance payments, accelerated vesting, and other post-employment benefits under the Tritton Employment Agreement.

In the event Mr. Tritton's employment is terminated by the Company, and any compensation, payment or distribution by the Company would constitute an "excess parachute payment" as defined in Section 280G of the Code ("Section 280G"), payments would be reduced to the extent that such cutback would result in a better net after tax position for Mr. Tritton (as applicable to the relevant NEO, a "Cutback").

"Cause" is defined in the Tritton Employment Agreement as Mr. Tritton's: (i) indictment for or plea of *nolo contendere* to a felony or commission of an act involving moral turpitude; (ii) commission of fraud, theft, embezzlement, self-dealing, misappropriation or other malfeasance against the business of the Company Group; (iii) indictment for or plea of *nolo contendere* to any serious offense that results in or would reasonably be expected to result in material financial harm, materially negative publicity or other material harm to any member of the Company Group; (iv) failure to perform any material aspect of his lawful duties or responsibilities for the Company or the Company Group (other than by reason of disability), and if curable, failure to cure in a timely manner; (v) failure to comply with any lawful written policy of the Company or reasonable directive of the Board, and in either case, if curable, failure to cure in a timely manner; (vi) commission of acts or omissions constituting gross negligence or gross misconduct in the performance of any aspect of his lawful duties or responsibilities; (vii) breach of any fiduciary duty owed to the Company Group; (viii) violation or breach of any restrictive covenant or any material term of the Tritton Employment Agreement, and, if curable, failure to cure in a timely manner; or (ix) commission of any act or omission that damages or is reasonably likely to damage the financial condition or business of the Company or materially damages or is reasonably likely to materially damage the reputation, public image, goodwill, assets or prospects of the Company. In addition, Mr. Tritton's employment will be deemed to have terminated for "Cause" if, on the date Mr. Tritton's employment terminates, facts and circumstances exist that would have justified a termination for Cause, to the extent that such facts and circumstances are discovered within four months after such termination.

"Good Reason" is defined in the Tritton Employment Agreement as any of the following occurring without Mr. Tritton's written consent: (i) a reduction of Mr. Tritton's base salary, other than a reduction of less than ten percent in connection with a comparable decrease applicable to all senior executives of the Company; (ii) the Company's relocation of Mr. Tritton's place of employment by more than thirty-five miles; (iii) a material diminution in Mr. Tritton's duties, authority or responsibilities; or (iv) a change in Mr. Tritton's reporting line (such that he no longer reports directly to the Board) or in his title of Chief Executive Officer; provided, in each case, that a resignation will be with "Good Reason" only if Mr. Tritton provides the Company with written notice detailing the specific circumstances alleged to constitute "Good Reason" within sixty calendar days after the occurrence of such circumstances, the Company fails to cure such circumstances in all material respects within thirty days of receipt of notice, and Mr. Tritton actually resigns within one hundred and twenty days following the first occurrence of any grounds for "Good Reason"; provided further, that the removal of Mr. Tritton's title as President and the subsequent appointment of a President who would report to Mr. Tritton would not constitute grounds for "Good Reason."

The Tritton Employment Agreement provides for non-competition and non-solicitation during the term of employment and for two years thereafter. The agreement also provides for non-disparagement and confidentiality during the term of employment and surviving the end of the term of employment.

### employment agreement with Mr. Hartmann

The Board appointed John Hartmann as Chief Operating Officer of the Company and President, buybuy BABY, and in connection therewith, the Company entered into an employment agreement with Mr. Hartmann (the "Hartmann Employment Agreement") on April 1, 2020. The Hartmann Employment Agreement provides that in the event of a termination of Mr. Hartmann's employment due to his death or disability:

- the Company will pay Mr. Hartmann (or his estate) any Accrued Obligations;
- the Hartmann Make-Whole RSU Award (the number of RSUs subject to which were calculated using the 20-Day Volume-Weighted Average Determination), to the extent not previously vested, will immediately vest in full as of the date of termination (the "Hartmann Make-Whole Award Acceleration"); and
- the Company will pay Mr. Hartmann (or his estate) any earned but unpaid annual bonus for a fiscal year occurring before the fiscal year in which the termination occurs.

The Hartmann Employment Agreement provides that if the Company terminates Mr. Hartmann's employment as a result of non-renewal of the employment term or otherwise without "Cause," or in the event Mr. Hartmann terminates with "Good Reason," then in addition to the Accrued Obligations and the Hartmann Make-Whole Award Acceleration, Mr. Hartmann will receive: (i) cash severance pay equal to one and a half times the sum of (x) Mr. Hartmann's then-current base salary and (y) his then-current target annual bonus, payable over the 18 months following his termination date, (ii) any earned but unpaid annual bonus for the fiscal year prior to the fiscal year in which the termination occurs, and (iii) up to 78 weeks of COBRA benefits at active employee rates. Mr. Hartmann (or his estate or legal representative, in the event of Mr. Hartmann's death or disability) is required to deliver a formal release of all claims prior to, and as a condition of, his receipt of any of the severance payments, accelerated vesting, and other post-employment benefits under the Hartmann Employment Agreement.

In the event Mr. Hartmann's employment is terminated by the Company, and any compensation, payment or distribution by the Company would constitute an "excess parachute payment" as defined in Section 280G, payments would be subject to the Cutback.

"Cause," for each of Messrs. Hartmann, Arnal and Hartsig and Ms. Davis, unless otherwise noted, is generally defined in their respective employment agreements as the executive's: (i) indictment for or plea of *nolo contendere* to a felony or commission of an act involving moral turpitude; (ii) commission of fraud, theft, embezzlement, self-dealing, misappropriation or other malfeasance against the business of the Company Group; (iii) indictment for or plea of *nolo contendere* to any serious offense that results in or would reasonably be expected to result in material financial harm, materially negative publicity or other material harm to any member of the Company Group; (iv) failure to perform any material aspect of his lawful duties or responsibilities for the Company or the Company Group (other than by reason of disability), and if curable, failure to cure in a timely manner; (v) failure to comply with any lawful written policy of the Company or reasonable directive of the CEO or the Board, and in either case, if curable, failure to cure in a timely manner; (vi) commission of acts or omissions constituting gross negligence or gross misconduct in the performance of any aspect of his lawful duties or responsibilities; (vii) breach of any fiduciary duty owed to the Company Group; (viii) violation or breach of any restrictive covenant or any material term of the applicable employment agreement, and, if curable, failure to cure in a timely manner; or (ix) commission of any act or omission that damages or is reasonably likely to damage the financial condition or business of the Company or materially damages or is reasonably likely to materially damage the reputation, public image, goodwill, assets or prospects of the Company. In addition, the executive's employment will be deemed to have terminated for "Cause" if, on the date the executive's employment terminates, facts and circumstances exist that would have justified a termination for Cause, to the extent that such facts and circumstances are discovered within four months after such termination.

"Good Reason," for each of Messrs. Hartmann, Arnal and Hartsig and Ms. Davis, is generally defined in the their respective employment agreements as any of the following occurring without applicable executive's written consent: (i) a reduction of the executive's base salary, other than a reduction of less than ten percent in connection with a comparable decrease applicable to all senior executives of the Company; (ii) the Company's relocation of the executive's place of employment by more than thirty-five miles; (iii) a material diminution in the executive's duties, authority or responsibilities; or (iv) a change in the executive's reporting line (such that he or she no longer reports directly to the CEO or the Board); provided, in each case, that a resignation will be with "Good Reason" only if the executive provides the Company with written notice



detailing the specific circumstances alleged to constitute “Good Reason” within sixty calendar days after the occurrence of such circumstances, the Company fails to cure such circumstances in all material respects within thirty days of receipt of notice, and the applicable executive actually resigns within one hundred and twenty days following the first occurrence of any grounds for “Good Reason.”

The Hartmann Employment Agreement provides for non-competition and non-solicitation during the term of employment and for 18 months thereafter. The agreement also provides for non-disparagement and confidentiality during the term of employment and surviving the end of the term of employment.

### **employment agreement with Mr. Arnal**

The Board appointed Gustavo Arnal Executive Vice President and Chief Financial Officer of the Company, and in connection therewith, the Company entered into an employment agreement with Mr. Arnal (the “Arnal Employment Agreement”) on April 24, 2020. The Arnal Employment Agreement provides that in the event of a termination of Mr. Arnal’s employment due to his death or disability:

- the Company will pay Mr. Arnal (or his estate) any Accrued Obligations; and
- the Arnal Sign-On RSU Award (the number of RSUs subject to which were calculated using the 20-Day Volume-Weighted Average Determination), to the extent not previously vested, will immediately vest in full as of the date of termination (the “Arnal Sign-On Award Acceleration”).

The Arnal Employment Agreement provides that if the Company terminates Mr. Arnal’s employment as a result of non-renewal of the employment term or otherwise without “Cause,” or in the event Mr. Arnal terminates for “Good Reason,” then in addition to the Accrued Obligations and the Arnal Sign-On Award Acceleration, Mr. Arnal will receive: (i) cash severance pay equal to the sum of (x) Mr. Arnal’s then-current base salary and (y) his then-current target annual bonus, payable over the 12 months following his termination date, (ii) any earned but unpaid annual bonus for the fiscal year prior to the fiscal year in which the termination occurs, (iii) full vesting of any 2020 equity awards, (based on actual performance with respect to performance-based 2020 equity awards, and prorated for the number of days in the performance period before Mr. Arnal’s termination), and (iv) up to 52 weeks of COBRA benefits at active employee rates. Mr. Arnal (or his estate or legal representative, in the event of Mr. Arnal’s death or disability) is required to deliver a formal release of all claims prior to, and as a condition of, his receipt of any of the severance payments, accelerated vesting, and other post-employment benefits under the Arnal Employment Agreement.

The Arnal Employment Agreement provides for non-competition and non-solicitation during the term of employment and for 12 months thereafter. The agreement also provides for non-disparagement and confidentiality during the term of employment and surviving the end of the term of employment.

### **employment agreement with Mr. Hartsig**

The Board appointed Joseph Hartsig Executive Vice President, Chief Merchandising Officer of the Company and President, Harmon Stores Inc., and in connection therewith, the Company entered into an employment agreement with Mr. Hartsig (the “Hartsig Employment Agreement”) on February 26, 2020. The Hartsig Employment Agreement provides that in the event of a termination of Mr. Hartsig’s employment due to his death or disability:

- the Company will pay Mr. Hartsig (or his estate) any Accrued Obligations;
- the Hartsig Make-Whole RSU Award (the number of RSUs subject to which were calculated using the 20-Day Volume-Weighted Average Determination), to the extent not previously vested, will immediately vest in full as of the date of termination (the “Hartsig Make-Whole Award Acceleration”);
- the Company will pay Mr. Hartsig (or his estate) any earned but unpaid annual bonus for a fiscal year prior to the fiscal year in which the termination occurs; and
- The Company will pay Mr. Hartsig (or his estate) any portion of the Hartsig Retention Bonus that has not been paid as of the termination.

The Hartsig Employment Agreement provides that if the Company terminates Mr. Hartsig's employment as a result of non-renewal of the employment term or otherwise without "Cause," or in the event Mr. Hartsig terminates for "Good Reason," then in addition to the Accrued Obligations and the Hartsig Make-Whole Award Acceleration, Mr. Hartsig will receive: (i) cash severance pay equal to the sum of (x) Mr. Hartsig's then-current base salary and (y) his then-current target annual bonus, payable over the 12 months following his termination date, (ii) any earned but unpaid annual bonus for the fiscal year prior to the fiscal year in which the termination occurs, (iii) if such termination occurs in the last 6 months of the fiscal year in which the termination occurs, a portion of the annual bonus for such fiscal year (based on actual performance and prorated for the number of days in the performance period before Mr. Hartsig's termination), (iv) any portion of the Hartsig Retention Bonus that has not been paid as of the termination date, and (v) up to 52 weeks of COBRA benefits at active employee rates. Mr. Hartsig (or his estate or legal representative, in the event of Mr. Hartsig's death or disability) is required to deliver a formal release of all claims prior to, and as a condition of, his receipt of any of the severance payments, accelerated vesting, and other post-employment benefits under the Hartsig Employment Agreement.

In the event Mr. Hartsig's employment is terminated by the Company, and any compensation, payment or distribution by the Company would constitute an "excess parachute payment" as defined in Section 280G, payments would be subject to the Cutback.

The Hartsig Employment Agreement provides for non-competition and non-solicitation during the term of employment and for 12 months thereafter. The agreement also provides for non-disparagement and confidentiality during the term of employment and surviving the end of the term of employment.

### **employment agreement with Ms. Davis**

The Board appointed Cindy Davis Chief Brand Officer of the Company and President, Decorist, and in connection therewith, the Company entered into an employment agreement with Ms. Davis (the "Davis Employment Agreement") on April 30, 2020. The Davis Employment Agreement provides that in the event of a termination of Ms. Davis's employment due to her death or disability:

- the Company will pay Ms. Davis any Accrued Obligations; and
- the Davis Sign-On RSU Award (the number of RSUs subject to which were calculated using the 20-Day Volume-Weighted Average Determination), to the extent not previously vested, will immediately vest in full (the "Davis Sign-On Award Acceleration").

The Davis Employment Agreement provides that if the Company terminates Ms. Davis's employment as a result of non-renewal of the employment term or otherwise without "Cause," or in the event Ms. Davis terminates for "Good Reason," then in addition to the Accrued Obligations and the Davis Sign-On Award Acceleration, Ms. Davis will receive: (i) severance pay equal to the sum of (x) one times Ms. Davis's base salary and (y) her target annual bonus for the performance year in which the termination date occurs (payable over the 12 months following her termination date), (ii) any earned but unpaid annual bonus for the performance year prior to the year of termination, and (iii) up to 52 weeks of COBRA benefits at active employee rates. Severance pay will be paid in accordance with normal payroll; however, any amount due prior to the six months after termination of employment will be paid in a lump sum on the date following the six-month anniversary of termination of employment. Ms. Davis (or her estate or legal representative, in the event of Ms. Davis's death or disability) is required to deliver a formal release of all claims prior to, and as a condition of, her receipt of any of the severance payments, accelerated vesting, and other post-employment benefits under the Davis Employment Agreement.

The "Cause" definition in the Davis Employment Agreement generally aligns with the definition of "Cause" in Messrs. Hartmann's, Arnal's and Hartsig's employment agreements, except that Ms. Davis's employment will be deemed to have terminated for "Cause" if, on the date Ms. Davis's employment terminates, facts and circumstances exist that would have justified a termination for Cause, to the extent that such facts and circumstances are discovered following such termination.

The Davis Employment Agreement provides for non-competition and non-solicitation during the term of employment and for 12 months thereafter. The agreement also provides for non-disparagement and confidentiality during the term of employment and surviving the end of the term of employment.

### **employment agreement and other compensatory arrangements with Ms. D'Elia**

The employment agreement with Ms. D'Elia provides for severance pay equal to one year's salary (which was \$750,000 at the time of Ms. D'Elia's separation from the Company) if the Company terminates her employment other than for "Cause" (including by reason of death or disability) or upon a "constructive termination" (as defined below). Severance pay is payable in accordance with normal payroll; however, any amount due prior to the six months after termination of employment will be paid in a lump sum on the date following the six-month anniversary of termination of employment. "Cause" is defined in the employment agreement as when Ms. D'Elia has: (i) acted in bad faith or with dishonesty; (ii) willfully failed to follow reasonable and lawful directions of the CEO or the Board; (iii) performed her duties with gross negligence; or (iv) been convicted of a felony. "Constructive termination" is defined in the employment agreement as (i) the Company's relocation of Ms. D'Elia's place of employment by more than twenty-five miles or (ii) the Company's material breach of one or more terms of her employment agreement. Under the terms of Ms. D'Elia's employment agreement, upon a termination of Ms. D'Elia's employment by the Company for any reason other than for "Cause," upon a "constructive termination," or upon death or disability, all options that were not exercisable become exercisable, unvested time vested or performance vested restricted shares or incentive cash awards granted vest subject to attainment of any applicable performance goals (except as expressly provided otherwise in the applicable award agreement), and the unvested portion of Ms. D'Elia's deferred cash award immediately vests and become payable, subject to the execution and non-revocation of a release of claims. See footnote (10) to the Summary Compensation Table in this Proxy Statement. The agreement also provides for non-solicitation during the term of employment and for two years thereafter, and for non-competition during the term of employment and for one year thereafter, subject to the Company's ability to extend the non-competition period for an additional year provided the Company also extends her severance payments for such additional period. The agreement also provides for confidentiality during the term of employment and surviving the end of the term of employment.

On May 4, 2020, Ms. D'Elia ceased serving as Chief Financial Officer of the Company and continued to provide transitional services to the Company through May 8, 2020. On May 15, 2020, Ms. D'Elia and the Company entered into a separation and general release agreement with the Company (the "D'Elia Separation Agreement"), pursuant to which, subject to Ms. D'Elia's timely execution and non-revocation of a release of claims in favor of the Company (which execution did occur), her termination of employment was treated as a termination by the Company other than for "Cause," and Ms. D'Elia became entitled to receive those payments and benefits described above. Pursuant to the terms of Ms. D'Elia's employment agreement, as a result of her departure in the Company's 2020 fiscal year, her unvested incentive cash award (equal to \$64,286) and 6,712 shares of restricted stock vested.

Pursuant to the terms of her employment agreement and the applicable award agreement, the time-vesting component of the following awards held by Ms. D'Elia accelerated and remained subject to attainment of any performance goals and the certification of the applicable performance-based tests by the Compensation Committee, as provided under her award agreements and subject to the terms of the D'Elia Separation Agreement:

- 16,149 PSU awards granted in June 2018 subject to three-year performance goals (assuming target level of performance);
- 33,639 PSU awards granted in June 2019 subject to one-year performance goals (assuming target level of performance), subject to the reduction described immediately below; and
- 39,905 PSU awards, representing a portion of the PSU awards granted in June 2019 subject to three-year performance goals, prorated for the portion of the applicable performance period that Ms. D'Elia was employed by the Company (assuming target level of performance), which were further reduced as described immediately below.

The one-year performance goal applicable to Ms. D'Elia's PSUs granted in the Company's 2018 fiscal year was determined to have been attained, and the PSUs became fully vested. However, in connection with its review of the 2018 Performance Peer Group used for purposes of the PSUs granted to Ms. D'Elia in the Company's 2018 fiscal year, the Compensation Committee found that the Company's 2017 fiscal year performance peer group was used in determining the achievement of performance goals instead of the 2018 Performance Peer Group, which resulted in Ms. D'Elia receiving 3,499 additional shares in respect of her PSUs (the "D'Elia Additional Shares"). Accordingly, the target number of PSUs awarded to Ms. D'Elia in June 2019 was reduced by the number of D'Elia Additional Shares. Because the PSUs subject to three-year performance goals granted to Ms. D'Elia in June 2019 vested on a prorated basis in connection with her separation, pursuant to the D'Elia Separation Agreement, the Company reduced the number of outstanding PSUs granted to Ms. D'Elia by 1,586 PSUs, such that, following the reduction, Ms. D'Elia held (i) 32,846 PSUs granted in fiscal 2019 subject to a one-year performance goal, and (ii) 39,112 PSUs granted in fiscal 2019, comprised of PSUs subject to a cumulative Company EBIT goal, and PSUs subject to a three-year relative TSR goal (in each case, assuming 100% of the target level of performance). Per the Compensation Committee's certification of performance goal attainment, the three-year performance goal applicable to Ms. D'Elia's PSUs granted in the Company's 2018 fiscal year was determined not to have been attained, so none of such PSUs will vest. The one-year performance goal applicable to Ms. D'Elia's PSUs granted in June 2019 was determined not to have been attained, so such PSU awards granted to Ms. D'Elia also will not vest. The D'Elia Separation Agreement also entitles Ms. D'Elia to up to 18 months of COBRA benefits at active employee rates and a six month virtual employment service program and provides that the Company waives its rights to extend Ms. D'Elia's non-competition period by one additional year.

### **PSU and RSU Award Agreements**

The award agreements applicable to the PSUs and RSUs held by our NEOs provide for accelerated vesting upon certain termination events, including in connection with a change in control (as defined in the 2018 Plan). Upon a termination due to death or disability (as defined in an applicable employment agreement or, if not there defined, the 2012 Plan), the RSUs will immediately vest in full, and upon a termination by the Company without Cause or for Good Reason, subject to the NEO's timely execution, delivery, and non-revocation of a release of claims in favor of the Company, a pro-rated portion of the RSUs will vest on the original vesting date. In the event of a termination by the Company without Cause or for Good Reason, in each case, within ninety (90) days prior to, or two (2) years following, a change in control, subject to the NEO's timely execution, delivery, and non-revocation of a release of claims in favor of the Company, the RSUs will immediately vest in full.

The award agreements applicable to the PSUs held by our NEOs provide that (i) upon a termination due to the NEO's death, the awards will vest at target, (ii) upon a termination due to disability (as defined in an applicable employment agreement or, if not there defined, the 2012 Plan), the awards will remain outstanding and eligible to vest in full based on actual performance on the original vesting date, (iii) upon a termination by the Company without Cause or for Good Reason, subject to the NEO's timely execution, delivery, and non-revocation of a release of claims in favor of the Company, the awards will remain outstanding and eligible to vest based on actual performance on the original vesting date, prorated for the portion of the period during which the NEO was employed and (iv) upon a termination by the Company without Cause or for Good Reason within ninety (90) days prior to, or two (2) years following, a change in control, subject to the NEO's timely execution, delivery, and non-revocation of a release of claims in favor of the Company, the awards will immediately vest in full based on actual performance during the portion of the performance period ending on the date of such termination.

Table and related footnotes follow:

	Cash Severance <sup>(1)</sup>	Cash Award Acceleration <sup>(2)</sup>	PSU and RSU Acceleration <sup>(3)</sup>	COBRA Continuation <sup>(4)</sup>	Total <sup>(5)</sup>
<b>Mark J. Tritton</b>					
Termination due to death or disability <sup>(6)</sup>	\$ —	\$ —	\$30,034,771	\$ —	\$30,034,771
Termination without Cause or with Good Reason <sup>(7)</sup>	\$6,000,000	\$ —	\$15,278,189	\$21,266	\$21,299,455
Change in Control + Termination <sup>(8)</sup>	\$6,000,000	\$ —	\$30,034,771	\$21,266	\$36,056,037
<b>Gustavo Arnal</b>					
Termination due to death or disability <sup>(6)</sup>	\$ —	\$ —	\$9,116,875	\$ —	\$9,116,875
Termination without Cause or with Good Reason <sup>(7)</sup>	\$1,433,750	\$ —	\$7,921,283	\$ —	\$9,355,033
Change in Control + Termination <sup>(8)</sup>	\$1,433,750	\$ —	\$9,116,875	\$ —	\$10,550,625
<b>Cindy H. Davis</b>					
Termination due to death or disability <sup>(6)</sup>	\$ —	\$ —	\$7,624,694	\$ —	\$7,624,694
Termination without Cause or with Good Reason <sup>(7)</sup>	\$1,190,000	\$ —	\$5,042,282	\$6,089	\$6,238,371
Change in Control + Termination <sup>(8)</sup>	\$1,190,000	\$ —	\$7,624,694	\$6,089	\$8,820,783
<b>John Hartmann</b>					
Termination due to death or disability <sup>(6)</sup>	\$ —	\$ —	\$23,238,466	\$ —	\$23,238,466
Termination without Cause or with Good Reason <sup>(7)</sup>	\$3,375,000	\$ —	\$15,860,164	\$7,993	\$19,243,157
Change in Control + Termination <sup>(8)</sup>	\$3,375,000	\$ —	\$23,238,466	\$7,993	\$26,621,459
<b>Joseph Hartsig</b>					
Termination due to death or disability <sup>(6)</sup>	\$ —	\$ —	\$6,984,836	\$ —	\$6,984,836
Termination without Cause or with Good Reason <sup>(7)</sup>	\$980,000	\$420,000	\$3,295,674	\$5,566	\$4,701,240
Change in Control + Termination <sup>(8)</sup>	\$980,000	\$420,000	\$6,984,836	\$5,566	\$8,390,402

<sup>(1)</sup> Upon a termination without Cause or for Good Reason, Mr. Tritton would become entitled to a severance payment equal to two times the sum of his base salary and his target fiscal 2020 annual bonus. If terminated during the 30-day period preceding the Change in Control or 2 years following, the severance would be paid out in a lump sum within 30 days of the termination date or Change in Control date, whichever is later. If the termination is not in connection with a Change in Control, severance payments will be made in installments in accordance with the regular payroll payment schedule; provided that if severance payments are subject to Section 409A of the Code ("Section 409A"), certain payments may be delayed until six months following separation from the Company. Upon a termination without Cause or for Good Reason, Messrs. Arnal and Hartsig and Ms. Davis would become entitled to a severance payment equal to one time the sum of base salary and target fiscal 2020 annual bonus. Mr. Hartmann would be entitled to a severance payment equal to one and one-half times the sum of base salary and target fiscal 2020 annual bonus. Severance payments will be made in installments in accordance with the regular payroll payment schedule; provided that if severance payments are subject to Section 409A, certain payments may be delayed until six months following separation from the Company.

<sup>(2)</sup> Excludes the value of any earned but unpaid annual bonus. For Mr. Hartsig, represents a pro-rata portion of his 2020 Annual Bonus pursuant to his employment agreement and subject to the execution and non-revocation of a release of claims, on a termination by the Company other than for "Cause" or upon Mr. Hartsig's resignation with "Good Reason" on February 27, 2021.

<sup>(3)</sup> For Mr. Tritton, represents the value of accelerated vesting of the Tritton Make-Whole RSU Award and the Tritton Make-Whole PSU Award (at 100% of target level of performance) in the event of termination due to death, disability, termination by the Company without Cause or resignation with Good Reason on February 27, 2021, subject to the execution and non-revocation of a release of claims. The value of accrued dividend equivalents credited as of February 27, 2021 and included above (assuming that PSUs achieved target level of performance) were approximately \$138,275 for Mr. Tritton. For Mr. Arnal and Ms. Davis, represents the value of accelerated vesting of the Arnal Sign-On RSU Award and the Davis Sign-On RSU Award in the event of termination due to death, disability, termination by the Company without Cause or resignation with Good Reason on February 27, 2021, subject to the execution and non-revocation of a release of claims. For Messrs. Hartmann and Hartsig, represents the value of accelerated vesting of the Hartmann Make-Whole RSU Award and the Hartsig Make-Whole RSU Award in the event of termination due to death, disability, termination by the Company without Cause or resignation with Good Reason on February 27, 2021, subject to the execution and non-revocation of a release of claims.

<sup>(4)</sup> Represents the employer portion of COBRA continuation coverage at active employee rates. Mr. Tritton would be entitled to 24 months, Mr. Hartsig and Ms. Davis would be entitled to 12 months and Mr. Hartmann would be entitled to 18 months of benefit continuation. Because Mr. Arnal has elected not to receive coverage under the Company's health and welfare programs as of the last day of fiscal 2020, no amount would be payable or is reflected in respect of COBRA continuation coverage at active employee rates in the event of a termination of employment by Mr. Arnal as of the last date of fiscal 2020.

## EXECUTIVE COMPENSATION

- <sup>(5)</sup> Assumes for Messrs. Tritton, Hartmann and Hartsig that no Cutback applies.
- <sup>(6)</sup> In the event of termination by reason of death or disability, the 2020 outstanding RSU awards will vest in full. In the event of disability, the 2020 PSU awards will vest in full based on actual performance. For purposes of this analysis, the values above assume target performance. In the event of death, the 2020 PSU awards will vest in full based on target performance.
- <sup>(7)</sup> In the event of termination by the Company without Cause or due to resignation with Good Reason, subject to the execution and non-revocation of a release of claims, the 2020 outstanding RSU awards will vest pro-rata and the 2020 PSU awards will vest based on actual performance and prorated based on the portion of the performance period the NEO remained employed by the Company, at the time that such awards would have otherwise vested had the NEO remained employed up to the vesting date. For purposes of this analysis, the values above assume target performance. Mr. Arnal's 2020 outstanding RSU award will vest in full pursuant to the terms of his employment agreement.
- <sup>(8)</sup> In the event Mr. Tritton's employment is terminated by the Company without Cause or due to his resignation with Good Reason, in each case, within 30 days prior to or two years following a "change in control," subject to the execution and non-revocation of a release of claims, all of Mr. Tritton's other outstanding time-based equity awards will immediately vest in full, and any other outstanding performance-based equity awards will vest, based on actual performance and prorated based on the portion of the performance period that Mr. Tritton remained employed by the Company, at the time that such awards would have otherwise vested had Mr. Tritton remained employed up to the vesting date. For Mr. Tritton, the value of accelerated PSU and RSU awards includes dividend equivalents on the underlying shares of the applicable PSU and RSU award that are subject to the same vesting restrictions that apply to the entire PSU or RSU award. For the remaining NEOs, the 2020 RSU awards will vest in full, while the 2020 PSU awards will vest in full based on actual performance through the date of termination. For purposes of this analysis, the values above assume target performance.

## CEO pay ratio

The Company has prepared the following information required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, regarding the ratio of the compensation of our CEO to that of the Company's median employee, using certain permitted methodologies.

The median employee at the Company, not counting the CEO, was determined by:

- using our total employee population (whether employed on a full-time, part-time, seasonal or temporary basis), which as of February 27, 2021, the Company's fiscal year end, includes approximately 37,600 employees (of which more than 60% were part-time and more than 90% were hourly), comprised of approximately 35,800 US employees and approximately 1,800 non-US employees;
- using payroll records as of February 27, 2021, the Company's fiscal year end; and
- excluding, under the de minimis exemption to the pay ratio rule, 1,800 associates in Canada, or approximately 4.8%, of our total associate population, excluding the CEO.

The median employee was identified using total cash compensation, which, for this purpose, included base salary, bonus and commissions, per payroll records for the twelve months ended February 27, 2021 and pay for any permanent full-time and part-time associates (whether salaried or hourly) who were not employed for the full fiscal year was annualized.

The individual identified as the median employee is a part-time hourly associate working in a Bed Bath & Beyond store receiving a total annual compensation for fiscal 2020 of \$15,057. The identification of the median employee was influenced by the Company having a workforce significantly composed of part-time, hourly store associates.

The compensation of the Company's CEO for fiscal 2020 as reported in the Summary Compensation Table was \$12,926,952. The ratio of the annual total compensation of the Company's CEO to that of the median employee is estimated to be 859:1. This estimate was calculated in a manner consistent with the applicable SEC rules and guidance, based upon the payroll and employment records of the Company. The rules and guidance applicable to this disclosure permit a variety of methods and a range of reasonable estimates and assumptions to reflect compensation practices. Therefore, the pay ratio reported by other companies in similar industries may well not be comparable to the pay ratio reported above.

In connection with the preparation of the foregoing disclosure, management has provided the Compensation Committee with the analysis of the CEO to median employee pay ratio and accompanying contextual narrative, for its information when setting executive pay decisions.

# our shareholders

## security ownership of certain beneficial owners and management

The following table sets forth certain information regarding the beneficial ownership of shares of our common stock as of May 3, 2021 by (i) each person or group of affiliated persons known by us to beneficially own more than 5% of our common stock; (ii) our NEOs; (iii) each of our directors and nominees for director; and (iv) all of our directors and executive officers as a group. Ownership data with respect to our institutional shareholders is based upon information publicly available as described in the footnotes below.

The following table gives effect to the shares of common stock issuable within 60 days of May 3, 2021 upon the exercise of all options and other rights beneficially owned by the indicated shareholders on that date. Beneficial ownership is determined in accordance with Rule 13d-3 promulgated under Section 13 of the Exchange Act, and includes voting and investment power with respect to shares. Percentage of beneficial ownership is based on 106,632,647 shares of our common stock outstanding at May 3, 2021. Except as otherwise noted below, each person or entity named in the following table has sole voting and investment power with respect to all shares of our common stock that he, she or it beneficially owns.

Unless otherwise indicated, the address of each beneficial owner listed below is c/o Bed Bath & Beyond Inc., 650 Liberty Avenue, Union, New Jersey 07083.

Name	Position	Number of Shares of Common Stock Beneficially Owned and Percent of Class	
<b>BlackRock, Inc.</b>		23,181,494 <sup>(1)</sup>	21.7%
<b>FMR LLC</b>		18,901,232 <sup>(2)</sup>	17.7%
<b>The Vanguard Group</b>		12,688,100 <sup>(3)</sup>	11.9%
<b>D.E. Shaw &amp; Co., L.P.</b>		6,117,692 <sup>(4)</sup>	5.7%
<b>Contrarius Investment Management Limited</b>		6,097,786 <sup>(5)</sup>	5.7%
<b>Mark J. Tritton</b>	President and Chief Executive Officer and Director	273,753 <sup>(6)</sup>	*
<b>Gustavo Arnal</b>	Executive Vice President, Chief Financial Officer & Treasurer	67,971 <sup>(7)</sup>	*
<b>Robyn M. D'Elia</b>	Former Chief Financial Officer & Treasurer	15,543 <sup>(8)</sup>	*
<b>Cindy Davis</b>	Executive Vice President, Chief Brand Officer and President, Decorist LLC	53,419 <sup>(9)</sup>	*
<b>John Hartmann</b>	Executive Vice President, Chief Operating Officer and President, buybuy BABY, Inc.	170,664 <sup>(10)</sup>	*
<b>Joseph Hartsig</b>	Executive Vice President, Chief Merchandising Officer and President, Harmon Stores, Inc.	19,668 <sup>(11)</sup>	*
<b>Harriet Edelman</b>	Director	30,107	*
<b>John E. Fleming</b>	Director	21,516	*
<b>Sue E. Gove</b>	Director	50,516	*
<b>Jeffrey A. Kirwan</b>	Director	24,679	*
<b>Johnathan (JB) Osborne</b>	Director	20,602	*
<b>Harsha Ramalingam</b>	Director	16,516	*
<b>Virginia P. Rueterholz</b>	Director	27,276	*
<b>Joshua E. Schechter</b>	Director	24,016	*
<b>Andrea M. Weiss</b>	Director	20,025	*
<b>Mary A. Winston</b>	Director	102,363	*
<b>Ann Yerger</b>	Director	28,458	*
<b>All Directors and Executive Officers as a Group (20 persons)</b>		1,058,514	1.0%

\* Less than 1% of the outstanding common stock of the Company.

## EXECUTIVE COMPENSATION

- <sup>(1)</sup> Information regarding BlackRock, Inc. was obtained from a Schedule 13G filed with the SEC on January 25, 2021 by BlackRock, Inc. The Schedule 13G states that BlackRock, Inc. has sole voting power of 22,928,262 shares of common stock and sole dispositive power of 23,181,494 shares of common stock. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.
- <sup>(2)</sup> Information regarding FMR LLC was obtained from a Schedule 13G filed with the SEC on February 8, 2021 by FMR LLC. The Schedule 13G states that FMR LLC has sole voting power of 2,237,383 shares of common stock and sole dispositive power of 18,901,232 shares of common stock. The address of FMR LLC is 245 Summer Street, Boston, MA 02210.
- <sup>(3)</sup> Information regarding The Vanguard Group was obtained from a Schedule 13G filed with the SEC on February 10, 2021 by The Vanguard Group. The Schedule 13G states that The Vanguard Group has shared voting power of 130,854 shares of common stock, sole dispositive power of 12,456,195 shares of common stock and shared dispositive power of 231,905 shares of common stock. The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.
- <sup>(4)</sup> Information regarding D.E. Shaw & Co., L.P. was obtained from a Schedule 13G filed with the SEC on February 1, 2021 by D.E. Shaw & Co., L.P. The Schedule 13G states that D.E. Shaw & Co., L.P. has shared voting power of 6,037,692 shares of common stock and shared dispositive power of 6,117,692 shares of common stock. The address of D.E. Shaw & Co., L.P. is 1166 Avenue of the Americas, 9<sup>th</sup> Floor New York, NY 10036.
- <sup>(5)</sup> Information regarding Contrarius Investment Management Limited was obtained from a Schedule 13G filed with the SEC on February 12, 2021 by Contrarius Investment Management Limited. The Schedule 13G states that Contrarius Investment Management Limited has shared voting power of 6,097,786 shares of common stock and shared dispositive power of 6,097,786 shares of common stock. The address of Contrarius Investment Management Limited is 2 Bond Street, St. Helier, Jersey JE2 3NP, Channel Islands.
- <sup>(6)</sup> The shares reported as being owned by Mr. Tritton are owned by him individually.
- <sup>(7)</sup> The shares reported as being owned by Mr. Arnal include (a) 20,000 shares owned by him individually; and (b) 47,971 RSUs that will vest within 60 days of the reporting date.
- <sup>(8)</sup> The shares reported as beneficially owned by Ms. D'Elia are based on the amount disclosed in her most recent filing on Form 4 filed on May 14, 2019.
- <sup>(9)</sup> The shares reported as being owned by Ms. Davis include 53,419 RSUs that will vest within 60 days of the reporting date.
- <sup>(10)</sup> The shares reported as being owned by Mr. Hartmann include 170,664 RSUs that will vest within 60 days of the reporting date.
- <sup>(11)</sup> The shares reported as being owned by Mr. Hartsig are owned by him individually.



# other matters

## frequently asked questions

These proxy materials are delivered in connection with the solicitation by the Board of Bed Bath & Beyond Inc., a New York corporation, of proxies to be voted at the Annual Meeting and at any adjournment or adjournments.

This Proxy Statement, the proxy card and our 2020 Annual Report are being mailed starting on or about May 17, 2021.

The information regarding stock ownership and other matters in this Proxy Statement is as of the record date, May 3, 2021, unless otherwise indicated.

### What may I vote on?

You may vote on the following proposals:

- election of ten directors to hold office until the Annual Meeting in 2022 or until their respective successors have been elected and qualified (Proposal 1);
- ratification of the appointment of KPMG LLP as independent auditors for fiscal 2021 (Proposal 2); and
- the approval, by non-binding vote, of the 2020 compensation paid to the Company's NEOs (commonly known as a "say-on-pay" proposal) (Proposal 3).

#### THE BOARD RECOMMENDS THAT YOU VOTE:

- FOR the election of the ten directors;
- FOR the ratification of the appointment of auditors; and
- FOR the say-on-pay proposal.

### Who may vote?

Shareholders of record of the Company's common stock at the close of business on May 3, 2021 are entitled to receive this notice and to vote their shares at the Annual Meeting. As of that date, there were 106,632,647 shares of common stock outstanding. Each share of common stock is entitled to one vote on each matter properly brought before the Annual Meeting.

### Where will the Annual Meeting be held?

During this extraordinary time, we must all do our part to stop the spread of COVID-19. Due to concerns regarding the COVID-19 pandemic and to assist in protecting the health and well-being of our shareholders and our associates, this year's Annual Meeting will be held virtually. We have scheduled the Annual Meeting to be held online at [www.virtualshareholdermeeting.com/BBBY2021](http://www.virtualshareholdermeeting.com/BBBY2021) on Thursday, June 17, 2021 at 10:00 A.M. Eastern Daylight Time. There will not be a physical location for the Annual Meeting and you will not be able to attend the meeting in person. Shareholders will be able to listen, vote and submit questions via the internet by visiting [www.virtualshareholdermeeting.com/BBBY2021](http://www.virtualshareholdermeeting.com/BBBY2021). Please retain the 16-digit control number included on your proxy card or in the voting instructions that accompanied your proxy materials as you will need this number to attend the meeting virtually. We have designed the virtual meeting to offer the same participation opportunities as an in-person meeting.

Although we intend to hold our Annual Meeting virtually, in the event that New York State law does not allow virtual-only meetings at the time of our Annual Meeting, we will also hold an in-person meeting at the same date and time at our principal executive office at 650 Liberty Avenue, Union, NJ 07083 in addition to the virtual meeting. In such case, we will announce the decision to do so at least one week in advance of the Annual Meeting, by press release and in a filing with the SEC, as well as in materials made available at [www.bedbathandbeyond.com/annualmeeting2021](http://www.bedbathandbeyond.com/annualmeeting2021), and we strongly encourage you to check this website prior to the Annual Meeting. Note that the decision to proceed with a virtual-only meeting this year does not necessarily mean that we will utilize a virtual-only format or any means of remote communication for future annual meetings.

## Who is entitled to attend the Annual Meeting?

All of our shareholders of record as of the close of business on the record date, or their duly appointed proxy holders, may attend the Annual Meeting online at [www.virtualshareholdermeeting.com/BBBY2021](http://www.virtualshareholdermeeting.com/BBBY2021). If you are not a shareholder of record but hold shares through a broker, bank or other nominee, you should contact your broker, bank, or other nominee as soon as possible, so that you can be provided with a control number and gain access to the meeting.

## How do I attend the Annual Meeting and submit questions or make comments?

If you are a registered holder of the Company's common stock, you do not need to register in advance to attend the Annual Meeting. To be admitted to the Annual Meeting at [www.virtualshareholdermeeting.com/BBBY2021](http://www.virtualshareholdermeeting.com/BBBY2021), you must enter the control number found on your proxy card. If you hold your shares in street name, contact your broker, bank, or other nominee as soon as possible, so that you can be provided with a control number and gain access to the meeting. Shareholders may vote electronically and submit questions online while attending the Annual Meeting.

If you wish to submit a question or make a comment during the Annual Meeting, you may log into the virtual meeting at [www.virtualshareholdermeeting.com/BBBY2021](http://www.virtualshareholdermeeting.com/BBBY2021) and type a question into the "Ask a Question" field and click "Submit." This year, shareholders may also submit questions in advance of the meeting by visiting [www.proxyvote.com](http://www.proxyvote.com) and selecting the "Submit Questions" option. Please have your control number available as you will need it when accessing [www.proxyvote.com](http://www.proxyvote.com). Questions that are substantially similar may be grouped and answered to avoid repetition.

Questions or comments pertinent to meeting matters will be addressed during the Annual Meeting, subject to time constraints. Questions or comments that relate to proposals that are not properly before the Annual Meeting, relate to matters that are not proper subject for action by shareholders, are irrelevant to the Company's business, relate to material non-public information of the Company, relate to personal concerns or grievances, are derogatory to individuals or that are otherwise in bad taste, are in substance repetitious of a question or comment made by another shareholder, or are not otherwise suitable for the conduct of the Annual Meeting as determined in the sole discretion of the Company, will not be answered.

## What if I have trouble accessing the Annual Meeting?

Technical support will be available by phone to address any technical difficulties beginning 15 minutes before the start time of the Annual Meeting and will remain available until the meeting has ended. The phone numbers for contacting technical support will be posted on the log-in page for the virtual meeting at [www.virtualshareholdermeeting.com/BBBY2021](http://www.virtualshareholdermeeting.com/BBBY2021).

## How do I vote?

The Company encourages you to use the electronic means available to you to vote your shares. How you vote will depend on how you hold your shares of Bed Bath & Beyond Inc. common stock.

## Shareholder of Record

If your shares are registered directly in your name with Bed Bath & Beyond Inc.'s transfer agent, American Stock Transfer & Trust Company, you are considered the shareholder of record with respect to those shares, and these proxy materials are being sent directly to you. If you hold restricted stock under the 2012 Plan, you are also considered the shareholder of record with respect to those shares. As the shareholder of record, you have the right to vote by proxy through any of the below methods.



**Vote by Internet**  
www.proxyvote.com



**Vote by Phone**  
1-800-690-6903



**Vote by Mail**  
Vote Processing,  
c/o Broadridge, 51 Mercedes  
Way, Edgewood, NY 11717

Voting by any of these methods will not affect your right to attend the Annual Meeting and vote online at [www.virtualshareholdermeeting.com/BBBY2021](http://www.virtualshareholdermeeting.com/BBBY2021). However, for those who will not be voting at the Annual Meeting, your proxy must be received by no later than 11:59 P.M. Eastern Daylight Time on June 16, 2021.

## Beneficial Owner

Most shareholders of Bed Bath & Beyond Inc. hold their shares through a stockbroker, bank or other nominee, rather than directly in their own name. If you hold your shares in one of these ways, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your broker on how to vote. Your broker or nominee has enclosed a voting instruction form for you to use in directing the broker or nominee on how to vote your shares. If you hold your shares through a New York Stock Exchange member brokerage firm, such member brokerage firm has the discretion to vote shares held on your behalf with respect to the appointment of the Company's auditors, but not with respect to any other proposal, as more fully described under "What is a broker 'non-vote'?"

## Can I change my vote?

Yes. If you are the shareholder of record, you may revoke your proxy before it is exercised by doing any of the following:

- sending a letter to the Company stating that your proxy is revoked;
- signing a new proxy and sending it to the Company; or
- attending the Annual Meeting virtually and voting by ballot.

Beneficial owners should contact their broker or nominee for instructions on changing their vote.

## How many votes must be present to hold the Annual Meeting?

A "quorum" is necessary to hold the Annual Meeting. A quorum is a majority of the votes entitled to be cast by the shareholders entitled to vote at the Annual Meeting. They may be present at the Annual Meeting or represented by proxy. Abstentions and broker "non-votes" are counted as present and entitled to vote for purposes of determining a quorum but are not counted for purposes of determining any of the proposals to be voted on.

## How many votes are needed to approve the proposals?

At the Annual Meeting, a “FOR” vote by a majority of votes cast is required to (i) elect each nominee for director (Proposal 1), (ii) ratify the selection of KPMG LLP as the Company’s independent auditors for fiscal 2021 (Proposal 2) and (iii) approve, by non-binding vote, the say-on-pay proposal (Proposal 3).

A “FOR” vote by a “majority of votes cast” means that the number of shares voted “FOR” exceeds the number of votes “AGAINST.” Abstentions and broker non-votes shall not constitute votes “FOR” or votes “AGAINST.”

With respect to Proposal 1, the election of directors, if a nominee who is an incumbent director fails to receive a “FOR” vote by a majority of votes cast, then such nominee must immediately tender his or her resignation, and the Board will decide, through a process managed by the Nominating and Corporate Governance Committee (excluding from the process such nominee), whether to accept the resignation. In the event of such a situation, the Board intends to complete this process promptly after the Annual Meeting but no later than 90 days from the date of the certification of the election results. The Company will file a Form 8-K to disclose its decision and an explanation of such decision.

## What is an abstention?

An abstention is a properly signed proxy card which is marked “abstain.”

## What is a broker “non-vote”?

A broker “non-vote” occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Under current applicable rules, Proposal 2 is a “discretionary” item upon which brokers that hold shares as nominee may vote on behalf of the beneficial owners if such beneficial owners have not furnished voting instructions by the tenth day before the Annual Meeting.

However, brokers that hold shares as nominee may not vote on behalf of the beneficial owners on the following proposals unless you provide voting instructions: Proposal 1, the election of directors; and Proposal 3, the say-on-pay proposal. Therefore, if your shares are held by such nominee, please instruct your broker regarding how to vote your shares on each of these proposals. This will ensure that your shares are counted with respect to each of these proposals.

## What if I receive more than one proxy card and/or voting instruction card?

This means that you have multiple accounts holding shares of the Company. These may include: accounts with our transfer agent; shares held by the administrator of our employee stock purchase plan; and accounts with a broker, bank or other holder of record. In order to vote all of the shares held by you in multiple accounts, you will need to vote the shares held in each account separately. Please follow the voting instructions provided on each proxy card to ensure that all of your shares are voted.

## Will any other matters be acted on at the Annual Meeting?

If any other matters are properly presented at the Annual Meeting or any adjournment, the persons named in the proxy will have discretion to vote on those matters. As of April 15, 2021, which is the date by which any proposal for consideration at the Annual Meeting submitted by a shareholder must have been received by the Company to be presented at the Annual Meeting, and as of the date of this Proxy Statement, the Company did not know of any other matters to be presented at the Annual Meeting.

## Who pays for this proxy solicitation?

The Company will pay the expenses of soliciting proxies. In addition to solicitation by mail, proxies may be solicited in person or by telephone or other means by directors or associates of the Company. The Company will also reimburse brokerage firms and other nominees, custodians and fiduciaries for costs incurred by them in mailing proxy materials to the beneficial owners of shares held of record by such persons.

## Whom should I contact with other questions?

If you have additional questions about this Proxy Statement or the Annual Meeting or would like additional copies of this document or our 2020 Annual Report on Form 10-K, please contact: Bed Bath & Beyond Inc., 650 Liberty Avenue, Union, NJ 07083, Attention: Investor Relations Dept., Email: [ir@bedbath.com](mailto:ir@bedbath.com). These documents are also available in the Investor Relations section of the Company's website at [www.bedbathandbeyond.com](http://www.bedbathandbeyond.com).

## householding

Unless we have received contrary instructions, we are mailing one copy of the proxy materials (other than the proxy card) to record holders who have the same address and last name. Such record holders will continue to receive separate proxy cards. We refer to this practice as householding.

If you are a record holder who participates in householding and wish to receive separate copies of the proxy materials for the 2021 Annual Meeting or future Annual Meetings, then please contact the Company's Investor Relations Department at 650 Liberty Avenue, Union, New Jersey 07083, or by emailing [ir@bedbath.com](mailto:ir@bedbath.com). We will promptly deliver separate copies of the proxy materials for the 2021 Annual Meeting upon receiving your request.

If you are a record holder who is eligible for householding and do not currently participate in the program but would like to, then please contact Investor Relations at the address or phone number indicated above.

If you are a beneficial owner, then please contact your stockbroker, bank or other holder of record to receive one or separate copies of the proxy materials.

## next year's annual meeting

Proposals that shareholders intend to be eligible for inclusion in the Company's proxy materials for the 2022 Annual Meeting of Shareholders pursuant to the SEC's proxy rules (i.e., Rule 14a-8) must be received by the Company no later than January 17, 2022.

Any shareholder intending to include a director nominee in the Company's proxy materials for the 2022 Annual Meeting of Shareholders pursuant to Article II, Section 11 of the Company's Amended and Restated Bylaws (i.e. proxy access) should carefully review the requirements for using proxy access, as described in such Section. The Company must receive a shareholder's nomination, with all required information, between the close of business on December 18, 2021 and the close of business on January 17, 2022.

Under the Company's Amended and Restated Bylaws, any proposal for consideration at the 2022 Annual Meeting of Shareholders submitted by a shareholder other than pursuant to the two methods described above will be considered timely only if it is received by the Company between the close of business on February 17, 2022 and the close of business on March 19, 2022, and is otherwise in compliance with the requirements set forth in the Company's Amended and Restated Bylaws. If the date of the 2022 Annual Meeting of Shareholders is more than 30 days before or more than 60 days after the anniversary date of the 2021 Annual Meeting of Shareholders, notice must be received no earlier than the close of business on the 120th day prior to the 2022 Annual Meeting of Shareholders and not later than the close of business on the 90th day prior to the 2022 Annual Meeting of Shareholders, or if the first public announcement of the date of the 2022 Annual Meeting of Shareholders is less than 100 days prior to the date of the 2022 Annual Meeting of Shareholders, the 10th day following the date on which notice of the date of the meeting is given to shareholders or made public, whichever occurs first.

Any information required to be received by the Company, as described above, should be sent to the Company's Corporate Secretary at 650 Liberty Avenue, Union, New Jersey 07083, Attn: c/o Corporate Secretary.

## cautionary note regarding forward-looking statements

This proxy statement and related materials contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") about future events and expectations that are inherently uncertain. These forward looking statements include, but are not limited to, our progress and anticipated progress towards our long-term strategic objectives. Many of these forward-looking statements can be identified by use of words such as "may," "will," "expect," "anticipate," "approximate," "estimate," "assume," "continue," "model," "project," "plan," "goal" or similar expressions. We caution you that a number of important factors could cause our actual results and future financial condition to differ materially from the plans, targets, goals, expectations, estimates and intentions expressed in such forward-looking statements. Such factors include, without limitation: general economic factors beyond our control, including the impact of the COVID-19 pandemic, and changes in the economic climate and related changes in the retail environment; competition from existing and potential competitors and the use of emerging technologies and unanticipated changes in the pricing and other practices of competitors in our industry; changes in consumer preferences, spending habits and adoption of new technologies; demographics and other macroeconomic factors that may impact the level of spending for the types of merchandise we sell; challenges in executing our omnichannel strategy and expanding our ecommerce operations; our ability to establish and maintain the appropriate mix of digital and physical presence in the markets we serve; and our ability to successfully execute our store network optimization strategies and divestiture activities. A further description of these and other risks and uncertainties can be found in the Company's Annual Report on Form 10-K for the year ended February 27, 2021 and the Company's other filings with the SEC. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update or revise any forward-looking statements.

# appendix A

## non-GAAP financial measures

The Company reports its financial results in accordance with GAAP. The Company also reports certain non-GAAP financial measures that it believes provide management, analysts, investors and other users of the Company's financial information with meaningful supplemental information regarding the performance of the Company's business. These non-GAAP financial measures include, but are not limited to, adjusted earnings before interest, income taxes, depreciation and amortization ("EBITDA") and adjusted Selling, General and Administrative expenses ("SG&A"). The Company also uses certain non-GAAP financial measures in its short term annual incentive compensation program ("STIP"). These non-GAAP financial measures should not be considered superior to, but rather in addition to other financial measures prepared by the Company in accordance with GAAP. The Company's method of determining these non-GAAP financial measures may be different from other companies' methods and, therefore, may not be comparable to those used by other companies and the Company does not recommend the sole use of these non-GAAP measures to assess its financial and earnings performance.

### NON-GAAP RECONCILIATION RECONCILIATION OF NET (LOSS) INCOME TO EBITDA AND ADJUSTED EBITDA

(IN MILLIONS)  
(UNAUDITED)

	Twelve Months Ended February 27, 2021									
	Reported	Excluding								Total Adjusted
		Loss on sale of businesses	Restructuring and transformation expenses	Impairment Charges	Benefit from reduction of incremental markdown reserves	Gain on extinguishment of debt	Total income tax impact	Total impact		
Net (loss) income	\$(151)	\$ 1	\$ 150	\$ 127	\$(67)	\$(77)	\$(106)	\$ 28	\$(123)	
Depreciation and amortization	341	—	(18)	—	—	—	—	(18)	323	
Gain on extinguishment of debt	(77)	—	—	—	—	77	—	77	—	
Interest expense	77	—	—	—	—	—	—	—	77	
(Benefit) provision for income taxes	(186)	—	—	—	—	—	106	106	(80)	
<b>EBITDA</b>	<b>\$ 4</b>	<b>\$ 1</b>	<b>\$ 132</b>	<b>\$ 127</b>	<b>\$(67)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 193</b>	<b>\$ 197</b>	

### SG&A RECONCILIATION

(IN MILLIONS)

	Twelve Months Ended		
	February 27, 2021	February 29, 2020	Savings
<b>Reported SG&amp;A</b>	<b>\$3,224</b>	<b>\$3,732</b>	<b>\$508</b>
Adjustments for one time items excluded for STIP purposes <sup>(a)</sup>			122
<b>Adjusted SG&amp;A for STIP purposes</b>			<b>\$630</b>

<sup>(a)</sup> In accordance with the defined metrics of the STIP, reported SG&A is adjusted for certain one-time Non-GAAP items for both fiscal 2019 and 2020, and also excludes the change in the distribution and fulfillment costs which are reclassified to gross profit for financial reporting purposes.

**BED BATH &  
BEYOND**

# **2020 annual report**



# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## OVERVIEW

---

We are an omnichannel retailer that makes it easy for our customers to feel at home. We sell a wide assortment of merchandise in the Home, Baby, Beauty & Wellness markets and operate under the names Bed Bath & Beyond ("BBB"), buybuy BABY ("BABY"), and Harmon, Harmon Face Values, or Face Values (collectively, "Harmon"). We also operate Decorist, an online interior design platform that provides personalized home design services. In addition, we are a partner in a joint venture, which operates retail stores in Mexico under the name Bed Bath & Beyond.

For fiscal 2020, 2019 and 2018, we accounted for our operations as two operating segments: North American Retail and Institutional Sales, the latter of which did not meet the quantitative thresholds under GAAP and, therefore, was not a reportable segment. The Institutional Sales operating segment was comprised of Linen Holdings, which was divested in October 2020. We will continue to account for our operations as one North American Retail reporting segment going forward.

We have undertaken significant changes over the past year, including extensive changes to executive leadership, as well as development of essential strategies and plans to focus on positioning our business for long-term success. During the past year, as the world responded to the unparalleled challenge of the COVID-19 pandemic, we have taken aggressive and thoughtful steps to safeguard our people and communities while we continue to serve our customers. Similar to many other businesses, the COVID-19 pandemic served as a catalyst to accelerate the pace of change and innovation across our Company, advancing ongoing efforts to reset our cost structure and build a modern, durable model for long-term profitable growth.

We are driving a digital-first, omni-always growth strategy and optimizing our digital and physical store channels to provide our customers with a seamless omni-channel shopping experience. Digital purchases, including web and mobile, can be shipped to a customer from our distribution facilities, directly from vendors, or from a store. Store purchases are primarily fulfilled from that store's inventory or may also be shipped to a customer from one of our distribution facilities, from a vendor, or from another store. Customers can also choose to pick up orders using our newly introduced Buy Online Pickup In Store ("BOPIS") and contactless Curbside Pickup services, as well as return online purchases to a store. Customers can also make purchases through one of our customer contact centers and in-store through The Beyond Store, our proprietary web-based platform. These capabilities allow us to better serve our customers across various channels.

### *Restructuring and Business Transformation*

As part of our business transformation plan, we are pursuing a comprehensive cost restructuring program, to drive improved financial performance over the next two-to-three years. We expect to reinvest a portion of the expected cost savings into future growth initiatives. Key components of the expected financial improvement include:

- Approximately \$100 million in annual savings from our previously disclosed store network optimization project which includes the planned closure of approximately 200 mostly BBB stores by the end of fiscal 2021. During fiscal 2020, we closed 144 BBB stores. We continue to believe that our physical store channel is an asset for our transformation into a digital-first company, especially with new omni-fulfillment capabilities in BOPIS, Curbside Pickup and Same Day Delivery;
- Approximately \$200 million in annual savings from product sourcing, through renegotiations with existing vendors; and
- Approximately \$100 to \$150 million in annual selling, general and administrative expense savings from continued optimization of our corporate overhead cost structure and reductions in other discretionary expense. During the second quarter of fiscal 2020, we implemented a workforce reduction of approximately 2,800 roles from across our corporate headquarters and retail stores, designed to further reduce layers at the corporate level, significantly reposition field operations to better serve customers in a digital-first environment, and realign technology, supply chain and merchandising teams to support our strategic growth initiatives.

In connection with the above restructuring and transformation initiatives, we recorded \$149.3 million within cost of sales and restructuring and transformation initiative expenses in our consolidated statements of operations for fiscal 2020 for costs associated with our planned store closures as part of the network optimization program for which the store closure process has commenced, workforce reduction and other transformation initiatives. At this point, we are unable to estimate the amount or range of amounts expected to be incurred in connection with future store closures and will provide such estimates as they become available.

## *Divestitures and Other Cash Generating Activities*

On December 14, 2020, we announced that we entered into a definitive agreement to sell Cost Plus World Market to Kingswood Capital Management, a Los Angeles-based private equity firm. The transaction closed during the fourth quarter of fiscal 2020, generating approximately \$63.7 million in proceeds, subject to certain working capital and other adjustments.

On October 11, 2020, we entered into definitive agreements to sell Christmas Tree Shops ("CTS") to Handil Holdings LLC and to sell one of the CTS distribution facilities to an institutional buyer, with a leaseback term of nine months, to provide business continuity for some of our operations currently using the facility. These transactions were completed during the third quarter of fiscal 2020, generating approximately \$233.3 million in proceeds, subject to certain working capital and other adjustments.

On October 11, 2020, we entered into a definitive agreement to sell Linen Holdings to The Linen Group, LLC, an affiliate of Lion Equity Partners. On October 24, 2020, we completed the sale of Linen Holdings for approximately \$10.1 million, subject to certain working capital and other adjustments.

On February 14, 2020, we entered into a definitive agreement to sell PersonalizationMall.com ("PMall") to 1-800-FLOWERS.COM for \$252 million, subject to certain working capital and other adjustments. The buyer was required to close the PMall transaction on March 30, 2020, but failed to do so. Accordingly, we filed an action to require the buyer to close the transaction. On July 20, 2020, we entered into a settlement agreement with respect to the litigation. Under this agreement, 1-800-FLOWERS.COM agreed to move forward with its purchase of PMall for \$244.6 million, subject to certain working capital and other adjustments. The transaction closed on August 3, 2020.

During the first quarter of fiscal 2020, we also sold One Kings Lane to a third party for an amount that was not material.

During the fiscal 2019 fourth quarter, we completed a sale-leaseback transaction with respect to approximately 2.1 million square feet of owned real estate, generating over \$250 million in net proceeds.

The net proceeds from these transactions and any other potential cash-generating transactions are expected to be used to reinvest in our core business operations to drive growth, fund share repurchases, reduce our outstanding debt, or some combination of these uses.

## *Impact of the COVID-19 Pandemic*

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The pandemic has materially disrupted our operations to date. In compliance with relevant government directives, we temporarily closed all of our retail banner stores across the U.S. and Canada as of March 23, 2020, except for most stand-alone BABY and Harmon stores, which were categorized as essential given the nature of their products. In May 2020, we announced a phased approach to reopen our stores in compliance with relevant government directives, and as of the end of July 2020, nearly all of our stores reopened. We cannot predict, however, whether reopened stores will remain open, particularly as the regions in which we operate are experiencing a resurgence of reported new cases of COVID-19 and hospitalizations. In response to the health risks caused by the COVID-19 pandemic, we expanded our recently rolled out BOPIS, contactless Curbside Pickup and Same Day Delivery services to cover the vast majority of our stores.

In conjunction with the temporary store closures, we implemented additional cost reductions, including a furlough of the majority of store associates and a portion of corporate associates. We provided impacted store associates with applicable pay and benefits through April 3, 2020, and impacted corporate associates with pay and benefits through April 18, 2020. In addition, we had continued to pay 100% of the cost of healthcare premiums for all associates who participated in our health plan. Nearly all of the associates who were subject to furlough returned to work as of the third quarter of fiscal 2020. We also implemented a temporary reduction in salaries of our executive team by 30% through May 16, 2020, and a temporary reduction in the quarterly cash compensation of the independent members of the Board of Directors by 30% for the first quarter of fiscal 2020. We also modified our fiscal 2020 capital investment plan, focusing on our core business and key projects that support our digital and omni fulfillment capabilities, including the introduction of BOPIS and contactless Curbside Pickup services, omni inventory management, and digital marketing and personalization.

We have and will continue to seek opportunities to mitigate the impact of the COVID-19 pandemic, including, among others, renegotiating payment terms for goods, services and rent, managing inventory levels, and reducing discretionary spending such as business travel and advertising and expense associated with the maintenance of stores that were temporarily closed. The COVID-19 pandemic materially adversely impacted our results of operations and cash flows in fiscal 2020, and could

continue to materially impact results of operations and cash flows as well as our financial condition. Given the uncertainties regarding the spread of the virus, the timing of the economic recovery and the resurgence of the virus, the related financial impact cannot be reasonably predicted or estimated at this time.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted in the United States. The CARES Act is an emergency economic aid package to help mitigate the impact of the COVID-19 pandemic. Among other things, the CARES Act provides certain changes to tax laws, which may impact our results of operations, financial position and cash flows. We are currently implementing certain provisions of the CARES Act, such as deferring employer payroll taxes and utilizing the ability to carry back and deduct losses to offset prior income in previously filed tax returns. As of February 27, 2021, we have deferred \$3.1 million of employer payroll taxes, of which 50% are required to be deposited by December 2021 and the remaining 50% by December 2022. During the fiscal year ended February 27, 2021, under the CARES Act, we recorded an additional \$41.0 million benefit as a result of the fiscal 2019 net operating losses and a \$111.0 million benefit as a result of the fiscal 2020 net operating losses, both of which can now be carried back to prior years during which the federal tax rate was 35%. In addition, we recorded a credit of \$33.3 million as an offset to selling, general and administrative expenses as a result of the employee retention credits made available under the CARES Act for U.S. employees and under the Canada Emergency Wage Subsidy for Canadian employees during fiscal 2020.

### *Summary of Financial Performance*

The following represents an overview of our financial performance for the periods indicated, all of which were comprised of fifty-two weeks:

- Net sales in fiscal 2020 decreased approximately 17.3% to \$9.233 billion over net sales of \$11.159 billion in fiscal 2019; net sales in fiscal 2019 decreased approximately 7.2% to \$11.159 billion over net sales of \$12.029 billion in fiscal 2018. As noted above, the majority of our stores were temporarily closed beginning March 23, 2020, except for most stand-alone BABY and Harmon stores, which remained open through July 2020, subject to state and local regulations. Nearly all stores reopened as of July 2020. The decline in net sales in fiscal 2020 also reflected the impact of the business divestitures and store closures described above.
- Net sales consummated through digital channels increased approximately 83% and 2%, respectively, and net sales consummated in-store declined approximately 34% and 14%, respectively, in fiscal 2020 and 2019, relative to the previous year. Net sales consummated through digital channels represented approximately 38% of our net sales for fiscal 2020, approximately 17% of our net sales for fiscal 2019, and approximately 16% of our net sales for fiscal 2018.
- As a result of the extended closure of the majority of our stores due to the COVID-19 pandemic and our policy of excluding extended store closures from our comparable sales calculation, we believe that comparable sales was not a meaningful metric for the first quarter of fiscal 2020 and, therefore, not a meaningful metric for fiscal 2020. Comparable sales decreased approximately 6.8% for fiscal 2019 and approximately 1.1% for fiscal 2018.

Comparable sales include sales consummated through all retail channels that have been operating for twelve full months following the opening period (typically four to six weeks). As an omnichannel retailer, customers are able to use more than one channel when making a purchase, including in-store, online, with a mobile device or through a customer contact center, and have it fulfilled, in most cases, either through in-store customer pickup or by direct shipment to the customer from one of our distribution facilities, stores or vendors.

Sales consummated on a mobile device while physically in a store location and BOPIS orders are recorded as customer facing digital channel sales. Customer orders taken in-store by an associate through The Beyond Store, our proprietary, web-based platform, are recorded as in-store sales. Prior to implementation of BOPIS and contactless Curbside Pickup services, customer orders reserved online and picked up in a store were recorded as in-store sales. Sales originally consummated from customer facing digital channels and subsequently returned in-store are recorded as a reduction of in-store sales.

Stores relocated or expanded are excluded from comparable sales if the change in square footage would cause meaningful disparity in sales over the prior period. In the case of a store to be closed, such store's sales are not considered comparable once the store closing process has commenced. Stores impacted by unusual and unexpected events outside our control, including the COVID-19 pandemic, severe weather, fire or floods, are excluded from comparable sales for the period of time that such event would cause a meaningful disparity in sales over the prior period. Due to their divestitures, One Kings Lane and PMall are excluded from the comparable sales calculation beginning in the second quarter of fiscal 2020, Christmas Tree Shops is excluded from the comparable sales calculation beginning in fiscal November 2020, and Cost Plus World Market is excluded from the comparable sales calculation beginning in fiscal January 2021. Linen Holdings has always been excluded from the comparable sales calculation, as it represents non-retail activity.

- Gross profit for fiscal 2020 was \$3.118 billion or 33.8% of net sales, compared with \$3.542 billion or 31.7% of net sales for fiscal 2019 and \$4.104 billion or 34.1% of net sales for fiscal 2018.
- SG&A for fiscal 2020 was \$3.224 billion or 34.9% of net sales, compared with \$3.732 billion or 33.4% of net sales for fiscal 2019 and \$3.681 billion or 30.6% of net sales for fiscal 2018.
- Goodwill and other impairments for fiscal 2020 were \$127.3 million or 1.4% of net sales compared with \$509.2 million or 4.6% of net sales for fiscal 2019 and \$509.9 million or 4.2% of net sales for fiscal 2018.
- Restructuring and transformation initiative expenses for fiscal 2020 were \$102.2 million, or 1.1% of net sales.
- Loss on sale of businesses, including impairment of assets held for sale, for fiscal 2020 was \$1.1 million and represented the total net loss recognized on divestiture of our One Kings Lane, PMall, Linen Holdings, Christmas Tree Shops, and Cost Plus World Market businesses, which is inclusive of a \$54.0 million loss recorded upon classification of certain assets of Cost Plus World Market as held for sale during the third quarter of fiscal 2020.
- Interest expense, net was \$76.9 million, \$64.8 million, and \$69.5 million in fiscal 2020, 2019 and 2018, respectively.
- Gain on extinguishment of debt of \$77.0 million in fiscal 2020 related to partial repayment of senior unsecured notes in August 2020.
- The effective tax rate was 55.2%, 19.7%, and 12.4% for fiscal years 2020, 2019 and 2018, respectively. For fiscal 2020, the effective tax rate includes the impact of a number of items, including tax planning strategies we deployed in order to increase our expected net operating loss carryback for fiscal 2020, the benefits relating to the divestitures of CTS, Linen Holdings and Cost Plus, partially offset by the impact of impairment charges for tradename and certain store-level assets and the gain on the divestiture of PMall. The effective tax rate for fiscal 2020 also includes a benefit related to fiscal 2019 net operating loss carry-back under the CARES Act. For fiscal 2019, the effective tax rate reflects the impact of charges, portions of which are non-deductible for tax purposes, for goodwill and other impairments, an incremental charge for markdowns, severance costs, shareholder activity costs and a loss from a sale-leaseback transaction, including transaction costs. For fiscal 2018, the effective tax rate reflects the impact of charges, portions of which are non-deductible for tax purposes, for goodwill and other impairments, severance costs and a gain from the sale of a building.

For fiscal 2020, 2019 and 2018, the effective tax rate included net benefit of approximately \$2.1 million, net expense of approximately \$4.3 million and net benefits of approximately \$12.1 million, respectively, due to the recognition of discrete federal and state tax items.

- For fiscal 2020, net loss per diluted share was \$1.24 (\$150.8 million) and included the unfavorable impact of \$0.23 per diluted share related to restructuring and transformation initiative expenses, non-cash impairment charges related to tradename and certain store-level assets and the net loss on sales of businesses, partially offset by the gain on extinguishment of debt and a benefit from the reduction of non-recurring inventory reserves. For fiscal 2019, net loss per diluted share was \$4.94 (\$613.8 million) and included the unfavorable impact of approximately \$5.40 per diluted share from goodwill and other impairments, an incremental charge for markdowns, severance costs, shareholder activity costs and a loss from a sale-leaseback transaction, including transaction costs. For fiscal 2018, net earnings per diluted share was \$1.02 (\$137.2 million) and included the unfavorable impact of approximately \$2.99 per diluted share from goodwill and other impairments, severance costs and a gain from the sale of a building.

For fiscal 2020, the decrease in net loss per diluted share is a result of the decrease in net loss due to the items described above, partially offset by the impact of repurchases of our common stock. For fiscal 2019, the increase in net loss per diluted share was a result of the increase in net loss due to the items described above, partially offset by the impact of repurchases of our common stock.

Capital expenditures for fiscal 2020, 2019 and 2018 were \$183.1 million, \$277.4 million and \$325.4 million, respectively. Approximately 60% of the current year capital expenditures related to pre-planned technology projects, including inventory and warehouse management capabilities such as advanced allocation logic and replenishment strategies to meet changing customer needs. The remaining capital expenditures were primarily related to investments in existing stores.

We continue to review and prioritize our capital needs and remain committed to making the required investments in our infrastructure to help position us for continued growth and success. Key areas of investment include: continuing to improve the presentation and content as well as the functionality, general search and navigation across our customer facing digital channels; improving customer data integration and customer relations management capabilities; continuing to enhance service offerings to our customers; continuing to strengthen and deepen our information technology, analytics, marketing and e-commerce groups; and creating more flexible fulfillment options designed to improve our delivery capabilities and lower our shipping costs. These and other investments are expected to, among other things, provide a seamless and compelling customer experience across our omnichannel retail platform. As a result of the COVID-19 pandemic, we are

prioritizing essential capital expenditures for fiscal 2020 to drive strategic growth plans, including investments in digital, BOPIS and Curbside Pickup service offerings, and have postponed certain previously planned capital expenditures, including some store remodels.

During fiscal 2020, we opened a total of nine new stores and closed 144 stores. We plan to continue to actively manage our real estate portfolio in order to permit store sizes, layouts, locations and offerings to evolve over time to optimize market profitability and will renovate or reposition stores within markets when appropriate. Over the past several years, the pace of our store openings has slowed, and we have increased the number of store closings. We have more than 120 store leases up for renewal in fiscal 2021, which provide the opportunity to evaluate additional store closures and relocations. Some portion of these stores will be included in our store network optimization program discussed above.

During fiscal 2016, our Board of Directors authorized a quarterly dividend program. During fiscal 2020, 2019 and 2018, total cash dividends of \$23.1 million, \$85.5 million and \$86.3 million were paid, respectively. In March 2020, we suspended our future quarterly declarations of cash dividends as a result of the COVID-19 pandemic. Any future quarterly cash dividend payments on our common stock will be subject to the determination by the Board of Directors, based on an evaluation of our earnings, financial condition and requirements, business conditions and other factors, including the restrictions on the payment of dividends under the secured asset-based revolving credit facility (see "Long Term Debt," Note 7 to the accompanying consolidated financial statements).

In October 2020, we entered into an accelerated share repurchase agreement ("ASR Agreement") with JPMorgan Chase Bank, National Association ("JP Morgan") to repurchase \$225.0 million of our common stock. Pursuant to the ASR Agreement, we paid \$225.0 million to JP Morgan and received an initial delivery of approximately 4.5 million shares of common stock. In the fourth quarter of fiscal 2020, we received an additional 6.3 million shares under this ASR Agreement. In January 2021, we entered into a second accelerated share repurchase agreement ("ASR Agreement 2") to repurchase an aggregate of \$150.0 million of our common stock, subject to market conditions. Pursuant to ASR Agreement 2, we paid \$150.0 million to JP Morgan, and received an initial delivery of 5.0 million shares, which was accounted for as a treasury stock transaction and resulted in a \$102.5 million increase in treasury stock and reduced the weighted average shares outstanding. We also recorded a \$47.6 million decrease in additional paid in capital upon the inception of ASR Agreement 2. Subsequent to the end of fiscal 2020, final settlement under ASR Agreement 2 occurred and we received an additional 0.2 million shares. In addition, subsequent to the end of fiscal 2020, our Board of Directors expanded the existing share repurchase authorization by an additional \$175 million, which increased the total share repurchase authorization to \$12.950 billion.

In addition, during fiscal 2020, we repurchased approximately 0.6 million shares of our common stock to cover employee related taxes withheld on vested restricted stock, restricted stock units and performance stock unit awards, at a total cost of approximately \$5.1 million. During fiscal 2019 and 2018, we repurchased 6.8 million, and 9.1 million shares, respectively, of our common stock at a total cost of approximately \$99.7 million and \$148.1 million, respectively.

Decisions regarding share repurchases are within the discretion of the Board of Directors, and are influenced by a number of factors, including the price of our common stock, general business and economic conditions, our financial condition and operating results, the emergence of alternative investment or acquisition opportunities, changes in business strategy and other factors. Our share repurchase program could change, and could be influenced by several factors, including business and market conditions, such as the impact of the COVID-19 pandemic on our stock price. We review our alternatives with respect to our capital structure on an ongoing basis. Any future share repurchases will be subject to the determination of the Board of Directors, based on an evaluation of our earnings, financial condition and requirements, business conditions and other factors, including the restrictions on share repurchases under the secured asset-based revolving credit facility (see "Long Term Debt," Note 7 to the accompanying consolidated financial statements).

Operating in the highly competitive retail industry, our performance, along with other retail companies, is influenced by a number of factors including, but not limited to: general economic conditions including the housing market, unemployment levels and commodity prices; the overall macroeconomic environment and related changes in the retailing environment; consumer preferences, spending habits and adoption of new technologies; unusual weather patterns and natural disasters, including pandemics; competition from existing and potential competitors across all channels; potential supply chain disruption; the ability to find suitable locations at acceptable occupancy costs and other terms to support our plans for new stores; and the ability to assess and implement technologies in support of our development of our omnichannel capabilities. We cannot predict whether, when or the manner in which these factors could affect our operating results.

## RESULTS OF OPERATIONS

The fiscal years discussed below were each comprised of 52 weeks. The following table sets forth for the periods indicated (i) selected statement of operations data expressed as a percentage of net sales and (ii) the percentage change in dollar amounts from the prior year in selected statement of operations data:

	Fiscal Year Ended				
	Percentage of Net Sales			Percentage Change from Prior Year	
	February 27, 2021	February 29, 2020	March 2, 2019	February 27, 2021	February 29, 2020
Net sales	100.0%	100.0%	100.0%	(17.3)%	(7.2)%
Cost of sales	66.2	68.3	65.9	(19.7)	(3.9)
Gross profit	33.8	31.7	34.1	(12.0)	(13.7)
Selling, general and administrative expenses	34.9	33.4	30.6	(13.6)	1.4
Goodwill and other impairments	1.4	4.6	4.2	(75.0)	(0.1)
Restructuring and transformation initiative costs	1.1	—	—	100.0	—
Loss on sale of businesses, including impairment of assets held for sale <sup>(1)</sup>	—	—	—	100.0	—
Operating loss	(3.6)	(6.3)	(0.7)	(51.9)	703.4
Interest expense, net	0.8	0.6	0.6	18.7	(6.7)
Gain on extinguishment of debt	(0.8)	—	—	100.0	—
Loss before provision for income taxes	(3.6)	(6.9)	(1.3)	(56.0)	388.4
Benefit from income taxes	(2.0)	(1.4)	(0.2)	23.1	679.1
Net loss	(1.6)	(5.5)	(1.1)	(75.4)	347.3

<sup>(1)</sup> As a percentage of sales, loss on sale of businesses, including impairment of assets held for sale, is less than 0.1% for the year ended February 27, 2021.

### Net Sales

Net sales in fiscal 2020 were \$9.233 billion, a decrease of \$1.926 billion or approximately 17.3%, compared to \$11.159 billion of net sales in fiscal 2019, which decreased \$870.2 million or 7.2% from \$12.029 billion of net sales in fiscal 2018. The decrease in net sales for fiscal 2020 was primarily due to the temporary nationwide closure of the majority of our stores beginning on March 23, 2020 due to the COVID-19 pandemic, except for most stand-alone BABY and Harmon stores, which remained open during such period, subject to state and local regulations. Nearly all of our stores reopened as of July 2020. The declines in net sales in fiscal 2020 also reflected the impacts of the business divestitures and store closures described above. For fiscal 2019, the decrease in net sales was primarily attributable to a decrease in comparable sales.

During fiscal 2020 and fiscal 2019, net sales consummated through digital channels increased approximately 83% and 2%, respectively, and net sales consummated in-store declined approximately 34% and 14%, respectively from the corresponding period in the prior year. Net sales consummated through digital channels represented approximately 38% of our net sales for fiscal 2020, approximately 17% of our net sales for fiscal 2019, and approximately 16% of our net sales for fiscal 2018.

As a result of the extended closure of the majority of our stores due to the COVID-19 pandemic and our policy of excluding extended store closures from our comparable sales calculation, we believe that comparable sales was not a meaningful metric for the first quarter of fiscal 2020 and, therefore, are not a meaningful metric for fiscal 2020. Comparable sales decreased approximately 6.8% for fiscal 2019.

Our comparable sales metric considers sales consummated through all retail channels – in-store, online, with a mobile device or through a customer contact center. Our omnichannel environment allows our customers to use more than one channel when making a purchase. We believe in an integrated and seamless customer experience. A few examples are: a customer may be assisted by an in-store associate to create a wedding or baby registry, while the guests may ultimately purchase a gift from our websites; or a customer may research a particular item, and read other customer reviews on our websites before visiting a store to consummate the actual purchase; or a customer may buy an item online for in-store or curbside pickup; or while in a store, a customer may make the purchase on a mobile device for in home delivery from either a distribution facility, a store or directly from a vendor. In addition, we accept returns in-store without regard to the channel in which the purchase was consummated, therefore resulting in reducing store sales by sales originally consummated through customer facing digital channels. As our retail operations are integrated and we cannot reasonably track the channel in which the ultimate sale is initiated, we can however, provide directional information on where the sale was consummated.

Domestics merchandise includes categories such as bed linens and related items, bath items and kitchen textiles. Home furnishings include categories such as kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings (including furniture and wall décor), consumables and certain juvenile products. Sales of domestics merchandise accounted for approximately 34.7%, 35.2% and 35.4%, of net sales in fiscal 2020, 2019, and 2018, respectively, of which we estimate that bed linens accounted for approximately 11% of net sales in each of fiscal 2020, 2019 and 2018. The remaining net sales in fiscal 2020, 2019 and 2018 of 65.3%, 64.8%, and 64.6%, respectively, represented sales of home furnishings. No other individual product category accounted for 10% or more of net sales during fiscal 2020, 2019, and 2018.

### *Gross Profit*

Gross profit in fiscal 2020, 2019 and 2018 was \$3.118 billion or 33.8% of net sales, \$3.542 billion or 31.7% of net sales, and \$4.104 billion or 34.1% of net sales, respectively. The increase in the gross profit margin as a percentage of sales between fiscal 2020 and fiscal 2019 was primarily attributable to the increase in product mix and the leverage of distribution and fulfillment costs, partially offset by the impact of channel mix, including higher net-direct-to-customer shipping expense. In addition, our gross margin for fiscal 2020 included a net benefit of \$20.2 million from the reduction of incremental markdown reserves taken in the prior year, partially offset by restructuring and transformation initiatives. Our gross profit margin in the prior year reflected an incremental reserve for future markdowns of approximately \$169.8 million related to our transformation initiatives, which was an incremental charge to the actual markdowns recorded in the second and third quarters of fiscal 2019.

In addition, our cost of sales includes cost of merchandise, buying costs and costs of our distribution network, including inbound freight charges, distribution facility costs, receiving costs, internal transfer costs and shipping and handling costs. During the first quarter of fiscal 2020, we reevaluated the costs included in cost of sales as we continue our focus on our digital and omni fulfillment capabilities, including the introduction of BOPIS and contactless Curbside Pickup services. The reevaluation of the costs included in cost of sales favorably impacted the change in gross profit margin as a percentage of net sales by approximately 200 basis points during fiscal 2020. This favorable impact was fully offset by a corresponding unfavorable impact in the change in SG&A as a percentage of net sales and resulted in no net impact to the consolidated statement of operations.

The decrease in the gross profit margin as a percentage of net sales between fiscal 2019 and fiscal 2018 was primarily attributable to a decrease in merchandise margin, as a result of promotional activity and the above-mentioned charge of approximately \$169.8 million for incremental markdowns related to our transformation initiatives. This incremental charge for markdowns was the result of our strategic decision to reduce inventory by up to \$1.0 billion at retail from the end of the second quarter of fiscal 2019 through the end of fiscal 2020, driven by our inventory rationalization efforts, including reductions of aged and duplicative SKUs within our assortment. This action was taken to reset our inventory levels in both stores and distribution centers, as well as refresh our assortment, providing for newness and higher-margin products, all in an effort to drive customer traffic and support top-line performance.

### *Selling, General and Administrative Expenses*

SG&A was \$3.224 billion or 34.9% of net sales in fiscal 2020, \$3.732 billion or 33.4% of net sales in fiscal 2019, and \$3.681 billion or 30.6% of net sales in fiscal 2018. The increase in SG&A as a percentage of net sales was primarily attributable to increases in fixed costs such as rent and occupancy and depreciation, and consulting costs related to our strategic initiatives, partially offset by decreases in payroll and payroll-related expenses and advertising.

The increase in SG&A as a percentage of net sales between 2019 and 2018 was primarily attributable to, in order of magnitude, increases in payroll and payroll-related expenses (primarily due to severance expense); technology-related expenses, including depreciation; advertising, due in part to the growth in digital advertising; and occupancy expense. Fixed costs, such as occupancy and technology-related expenses, including depreciation, as a percentage of net sales were impacted by the lower sales base in fiscal 2019.

### *Goodwill and Other Impairments*

Goodwill and other impairments were \$127.3 million in fiscal 2020, \$509.2 million in fiscal 2019, and \$509.9 million in fiscal 2018. For fiscal 2020, impairment charges included \$92.9 million related to certain store-level assets (including leasehold improvements and operating lease assets) and tradename impairments of \$35.1 million. For fiscal 2019, impairment charges included goodwill impairments of \$391.1 million, tradename impairments of \$41.8 million, long-lived assets impairments of \$75.1 million and other impairments of \$1.2 million. For fiscal 2018, goodwill impairments were \$325.2 million, tradename impairments were \$161.7 million and long-lived assets impairments were \$23.0 million. The non-cash pre-tax goodwill impairment charges were primarily the result of a sustained decline in our market capitalization.

### *Restructuring and Transformation Initiative Expenses*

During fiscal 2020, we recorded charges of \$102.2 million in connection with our restructuring and transformation initiatives, primarily related to severance costs recorded in connection with the workforce reduction and store network optimization programs described above as well as other restructuring activities. (see "Restructuring Activities," Note 3 to the accompanying consolidated financial statements).

### *Loss on Sale of Businesses, Including Impairment of Assets Held for Sale*

Total net loss recognized on the sale of businesses during fiscal 2020 was \$1.1 million, comprised of the following transactions:

- On April 13, 2020, we completed the sale of One Kings Lane. Proceeds from the sale were not material.
- On August 3, 2020, we completed the sale of PMall for approximately \$244.6 million in proceeds, and recognized a gain on the sale of \$189.3 million.
- On October 24, 2020, we completed the sale of Linen Holdings for approximately \$10.1 million in proceeds, and recognized a loss on the sale of \$64.6 million.
- During the third quarter of fiscal 2020, we completed the sale of Christmas Tree Shops for approximately \$233.3 million in proceeds, and recognized a loss on the sale of approximately \$53.8 million.
- On January 15, 2021, we completed the sale of Cost Plus World Market for approximately \$63.7 million in proceeds, and recognized a loss on the sale of \$72.0 million, which is inclusive of a \$54.0 million charge recorded during the third quarter of fiscal 2020 to remeasure the disposal group that was classified as held for sale to the lower of carrying value or fair value less costs to sell.

### *Operating Loss*

Operating loss for fiscal 2020 was \$336.9 million or 3.6% of net sales, \$700.1 million or 6.3% of net sales for fiscal 2019, and \$87.1 million or 0.7% of net sales in fiscal 2018. The favorable change in operating loss as a percentage of net sales between fiscal 2020 and fiscal 2019 was primarily due to an increase in the gross margin, lower goodwill and other impairments compared to the prior year period, partially offset by increased SG&A expenses and restructuring and transformation initiative expenses. The current year reductions of net sales reflected the impact of the temporary nationwide closure of the majority of our stores due to COVID-19, nearly all of which reopened as of July 2020, as well as the impact of the divestitures.

The increase in operating loss as a percentage of net sales between fiscal 2019 and 2018 was the result of the reductions in gross profit margin, the increase in SG&A as a percentage of net sales and goodwill and other impairments, as described above.



### *Interest Expense, net*

Interest expense, net was \$76.9 million, \$64.8 million and \$69.5 million in fiscal 2020, 2019 and 2018, respectively. For fiscal 2020, the increase in interest expense, net was primarily driven by lower interest income on investments and increased interest costs attributable to our revolving credit facilities, primarily relating to the new ABL Facility, partially offset by lower interest expense primarily related to the repurchase of a portion of the senior unsecured notes in August 2020. For fiscal 2019 and 2018, interest expense, net primarily related to interest on the senior unsecured notes issued in July 2014. Included in interest expense, net was an expense of \$2.7 million for fiscal 2018 related to changes in our nonqualified deferred compensation plan ("NQDC") investments, which was fully offset by the corresponding change in the NQDC liability recorded in SG&A, with no net impact to the consolidated statement of earnings. On December 27, 2017, we terminated our nonqualified deferred compensation plan and during fiscal 2018, all participants' balances were liquidated and disbursed to those participants.

### *Gain on Extinguishment of Debt*

During fiscal 2020, we recorded a \$77 million gain on the repurchase of \$75 million principal amount of 4.915% senior unsecured notes due August 1, 2034 and \$225 million principal of 5.165% senior unsecured notes due August 1, 2044 (see "Long Term Debt," Note 7 to the accompanying consolidated financial statements).

### *Income Taxes*

The effective tax rate was 55.2% for fiscal 2020, 19.7% for fiscal 2019 and 12.4% for fiscal 2018.

For fiscal 2020, the effective tax rate reflects our expectation to carry back the net operating loss to a year in which the tax rate was 35%, and includes the impact of the benefit of certain tax planning strategies the Company deployed, in addition to the losses from the divestitures of CTS, Linen Holdings and Cost Plus, partially offset by the impact of impairment charges for tradename and certain store-level assets, the gain on the divestiture of PMall, a benefit related to fiscal 2019 net operating loss carry-back under the CARES Act, and other discrete tax items resulting in net after tax benefits.

For fiscal 2019, the effective tax rate reflects the impact of charges, portions of which are non-deductible for tax purposes, for goodwill and other impairments, an incremental charge for markdowns, severance costs, shareholder activity costs and a loss from a sale-leaseback transaction, including transaction costs. For fiscal 2018, the effective tax rate reflects the impact of charges, portions of which are non-deductible for tax purposes, for goodwill and other impairments, severance costs and a gain from the sale of a building.

For fiscal 2020, 2019 and 2018, the effective tax rate included net benefit of approximately \$2.1 million, net expense of approximately \$4.3 million and net benefit of approximately \$12.1 million, respectively, due to the recognition of discrete federal and state tax items.

Potential volatility in the effective tax rate from year to year may occur as we are required each year to determine whether new information changes the assessment of both the probability that a tax position will effectively be sustained and the appropriateness of the amount of recognized benefit.

### *Net Loss*

As a result of the factors described above, the net loss for fiscal 2020, 2019 and 2018, was \$150.8 million, \$613.8 million and \$137.2 million, respectively.

### *Transformation*

We are executing on a comprehensive plan to transform our business and position us for long-term success under the leadership of our President and CEO Mark Tritton, who joined the Company on November 4, 2019. Mr. Tritton has been assessing our operations, portfolio, capabilities and culture and is developing and implementing the initial stages of a strategic plan designed to re-establish our leading position as the preferred omnichannel home destination, which is grounded in five key pillars: product, price, promise, place and people. With these five pillars as our framework, and a singular purpose to make it easy for customers to feel at home, we are embracing a commitment to build and manage a modern, durable omnichannel model.

Early actions include the extensive restructure of our leadership team. Interim leaders were appointed in merchandising, marketing, digital, stores, operations, finance, legal and human resources. During fiscal 2020, we announced the hiring of a new leadership team, consisting of the following:

- On March 4, 2020, Joe Hartsig joined the Company as Executive Vice President, Chief Merchandising Officer of the Company and President of Harmon Stores Inc.;
- On May 4, 2020, Gustavo Arnal joined the Company as Executive Vice President, Chief Financial Officer and Treasurer;
- On May 11, 2020, Rafeh Masood joined the Company as Executive Vice President, Chief Digital Officer;
- On May 11, 2020, Gregg Melnick assumed the role of Executive Vice President, Chief Stores Officer. Previously, Mr. Melnick served as the Company's interim Chief Digital Officer;
- On May 18, 2020, John Hartmann joined the Company as Chief Operating Officer of the Company and President, buybuy BABY;
- On May 18, 2020, Arlene Hong joined the Company as Executive Vice President, Chief Legal Officer and Corporate Secretary;
- On May 26, 2020, Cindy Davis joined the Company as Executive Vice President, Chief Brand Officer of the Company and President, Decorist; and
- On September 28, 2020, Lynda Markoe joined the Company as Executive Vice President, Chief People and Culture Officer.

As discussed in "Overview" above, as part of our business transformation, we are also pursuing deliberate actions as part of our restructuring program to drive profit improvement over the next two-to-three years. We expect to reinvest a portion of the expected cost savings into future growth initiatives.

## LIQUIDITY AND CAPITAL RESOURCES

---

We have been able to finance our operations, including our growth and acquisitions, substantially through internally generated funds. As previously described, we began temporary store closures in March 2020 and the majority of our stores were temporarily closed during the first quarter 2020. Subsequently, we began a measured approach to re-opening our stores, subject to state and local regulations, and nearly all of our stores reopened as of July 2020. During the first quarter of fiscal 2020, we elected to draw down the remaining \$236.4 million of available funds under our \$250 million revolving credit facility (the "Revolver"), which was refinanced with our \$850 million secured asset-based revolving credit facility entered into on June 19, 2020 (the "ABL Facility"). These borrowings were subsequently repaid during the second quarter of fiscal 2020. The new ABL Facility matures on June 19, 2023 and provides us with additional liquidity. Our ability to borrow under the ABL Facility is based upon a specified borrowing base consisting of a percentage of our eligible inventory and credit card receivables as defined in the ABL Facility, net of applicable reserves (See "Long Term Debt," Note 7 to the accompanying consolidated financial statements).

During fiscal 2020, we divested of One Kings Lane, PMall, CTS, Linen Holdings and Cost Plus World Market, generating aggregate net proceeds of approximately \$534 million, which are expected be used to reinvest in our core business operations to drive growth, fund share repurchases, reduce our outstanding debt, or some combination of these.

During the second quarter of fiscal 2020, we paid approximately \$220.9 million to repurchase \$300 million aggregate principal amount of our outstanding 4.915% Senior Notes due 2034 and 5.165% Senior Notes due 2044.

In October 2020, we entered into an accelerated share repurchase agreement ("ASR Agreement") with JP Morgan to repurchase \$225.0 million of our common stock. Pursuant to the ASR Agreement, we paid \$225.0 million to JP Morgan and received an initial delivery of approximately 4.5 million shares of common stock. In the fourth quarter of fiscal 2020, we received an additional 6.3 million shares under this ASR Agreement. In January 2021, we entered into a second accelerated share repurchase agreement ("ASR Agreement 2") to repurchase an aggregate of \$150.0 million of our common stock, subject to market conditions. Pursuant to ASR Agreement 2, we paid \$150.0 million to JP Morgan, and received an initial delivery of 5.0 million shares, which was accounted for as a treasury stock transaction and resulted in a \$102.5 million increase in treasury stock and reduced the weighted average shares outstanding. We also recorded a \$47.6 million decrease in additional paid in capital upon the inception of ASR Agreement 2. Subsequent to the end of fiscal 2020, final settlement under ASR Agreement 2 occurred and we received an additional 0.2 million shares. In addition, subsequent to the end of fiscal 2020, our Board of Directors expanded the existing share repurchase authorization by an additional \$175 million, which increased the total share repurchase authorization to \$12.950 billion.

We ended fiscal 2020 in a strong cash position, which we anticipate maintaining, to provide us the flexibility to fund our ongoing initiatives and act upon other opportunities that may arise. As of February 27, 2021, we had approximately \$1.373 billion in cash and investment securities, a decrease of approximately \$33.9 million compared with \$1.406 billion as of February 29, 2020. We believe that we can continue to finance our operations through existing and internally generated funds for the next twelve months. In addition, if necessary, we have the ability to borrow under our ABL Facility, subject to customary conditions, including no default, the accuracy of representations and warranties, and borrowing base availability. The ABL Facility contains an anti-cash hoarding provision which limits the availability of loans under the credit facility to \$600 million (plus the amount of any incremental first-in-last-out loans) if, after giving effect to any borrowing and the application of proceeds thereof, we have greater than \$100 million in unrestricted cash or cash equivalents in the aggregate as of the date of such borrowing. In addition, as a result of the COVID-19 pandemic, for fiscal 2020, we have and continue to take measures to preserve our liquidity, including the suspension of the payment of dividends; postponement of certain capital expenditures and, among other things, renegotiating payment terms for goods, services and rent, managing to lower inventory levels, and reducing discretionary spend such as business travel, advertising and expense associated with the maintenance of stores that were temporarily closed. Similar to other retailers, we withheld portions of and/or delayed payments to certain of our business partners as we seek to renegotiate payment terms, in order to further maintain liquidity given the temporary store closures. In some instances, the renegotiations of lease terms have led to agreements with landlords for rent abatements or rental deferrals. Total payments withheld and/or delayed or deferred as of February 27, 2021 were approximately \$9.6 million and are included in current liabilities. During fiscal 2020, we recognized reduced rent expense of \$10.3 million related to rent abatement concessions. Additional negotiations of payment terms are still in process, and there can be no assurance that we will be able to successfully renegotiate payment terms with all such business partners, and the ultimate outcome of these activities including the responses of certain business partners are not yet known. We are also executing on our business transformation program, which is designed to improve our profitability and includes the planned closure of 200 mostly Bed Bath & Beyond stores under our store network optimization program and workforce reductions as part of our restructuring program.

### *Fiscal 2020 compared to Fiscal 2019*

Net cash provided by operating activities in fiscal 2020 was \$268.1 million, compared with \$590.9 million in fiscal 2019. The year-over-year decrease in cash provided by operating activities was primarily due to the net decrease in cash provided by components of working capital (primarily merchandise inventories and other current assets, partially offset by accounts payable). This decrease was partially offset by a decrease in net loss, adjusted for non-cash expenses.

Retail inventory, which includes inventory in our distribution facilities for direct to customer shipments, was approximately \$1.7 billion at February 27, 2021, a decrease of approximately 18.0% compared to retail inventory at February 29, 2020, which is primarily related to the fiscal 2020 divestitures. We continue to focus on our inventory optimization strategies.

Net cash provided by investing activities in fiscal 2020 was \$737.9 million, compared with \$91.4 million net cash used in fiscal 2019. In fiscal 2020, net cash provided by investing activities included \$386.5 million of redemptions of investment securities and \$534.5 million in proceeds from sale of businesses, partially offset by \$183.1 million of capital expenditures. In fiscal 2019, net cash provided by investing activities was primarily due to \$267.3 million of proceeds from a sale-leaseback transaction and \$101.5 million of redemptions of investment securities, net of purchases, partially offset by \$277.4 million of capital expenditures.

Net cash used in financing activities for fiscal 2020 was \$632.3 million, compared with \$182.8 million in fiscal 2019. The increase in net cash used in financing activities was primarily due to net debt repayments of \$221.4 million, primarily associated with the repurchase of a portion of the outstanding senior notes during the second quarter of fiscal 2020, an increase of \$232.8 million in treasury stock repurchases, and an increase of \$47.6 million related to prepayment under share repurchase agreement, partially offset by lower dividend payments of \$62.4 million.

### *Fiscal 2019 compared to Fiscal 2018*

Net cash provided by operating activities in fiscal 2019 was \$590.9 million, compared with \$918.3 million in fiscal 2018. Year over year, we experienced a decrease in net earnings and an increase in cash provided by the net components of working capital (primarily merchandise inventories and accrued expenses and other current liabilities, partially offset by trading investment securities and other current assets).

Retail inventory, which includes inventory in our distribution facilities for direct to customer shipments, was approximately \$2.1 billion at February 29, 2020, a decrease of approximately 20.0% compared to retail inventory at March 2, 2019, as we continued our focus on our inventory optimization strategies.

Net cash provided by investing activities in fiscal 2019 was \$91.4 million, compared with \$509.7 million net cash used in fiscal 2018. In fiscal 2019, net cash provided by investing activities was primarily due to \$267.3 million of proceeds from a sale-leaseback transaction and \$101.5 million of redemptions of investment securities, net of purchases, partially offset by \$277.4 million of capital expenditures. In fiscal 2018, net cash used in investing activities was primarily due to \$325.4 million of capital expenditures and \$195.5 million of purchases of investment securities, net of redemptions.

Net cash used in financing activities for fiscal 2019 was \$182.8 million, compared with \$238.6 million in fiscal 2018. The decrease in net cash used in financing activities was primarily due to a year over year decrease in common stock repurchases of \$48.4 million.

### Other Fiscal 2020 Information

Between December 2004 and December 2020, our Board of Directors authorized, through several share repurchase programs, the repurchase of \$12.775 billion of our common stock. Since 2004 through the end of fiscal 2020, we have repurchased approximately \$11.0 billion of our common stock through share repurchase programs. We have approximately \$1.7 billion remaining of authorized share repurchases as of February 27, 2021. Subsequent to the end of fiscal 2020, our Board of Directors expanded the existing share repurchase authorization by an additional \$175 million, which increased the total share repurchase authorization to \$12.950 billion. Our share repurchase program could change, and any future share repurchases will be subject to the determination of the Board of Directors, based on an evaluation of our earnings, financial condition and requirements, business conditions and other factors, including the restrictions on share repurchases under the Credit Agreement (see "Long Term Debt" Note 7 to the accompanying consolidated financial statements)

During fiscal 2016, our Board of Directors authorized a quarterly dividend program. During fiscal 2020, 2019 and 2018, total cash dividends of \$23.1 million, \$85.5 million and \$86.3 million were paid, respectively. In March 2020, we suspended our future quarterly declarations of cash dividends as a result of the COVID-19 pandemic. Any future quarterly cash dividend payments on our common stock will be subject to the determination by the Board of Directors, based on an evaluation of our earnings, financial condition and requirements, business conditions and other factors, including the restrictions on the payment of dividends under the secured asset-based revolving credit facility (see "Long Term Debt," Note 7 to the accompanying consolidated financial statements).

We have contractual obligations consisting mainly of principal and interest related to the senior unsecured notes, operating leases for stores, offices, distribution facilities and equipment, purchase obligations, and other long-term liabilities which we are obligated to pay as of February 27, 2021 as follows:

(in thousands)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Senior unsecured notes <sup>(1)</sup>	\$ 1,195,387	\$ —	\$ —	\$ 295,377	\$ 900,010
Interest on senior unsecured notes <sup>(1)</sup>	1,007,362	56,997	113,994	97,383	738,988
Operating lease obligations <sup>(2)</sup>	2,357,302	462,257	752,567	507,143	635,335
Purchase obligations <sup>(3)</sup>	988,765	988,765	—	—	—
Other long-term liabilities <sup>(4)</sup>	171,902	171,902	—	—	—
<b>Total Contractual Obligations</b>	<b>\$ 5,720,718</b>	<b>\$ 1,679,921</b>	<b>\$ 866,561</b>	<b>\$ 899,903</b>	<b>\$ 2,274,333</b>

<sup>(1)</sup> On July 17, 2014, we issued \$300 million aggregate principal amount of 3.749% senior unsecured notes due August 1, 2024, \$300 million aggregate principal amount of 4.915% senior unsecured notes due August 1, 2034 and \$900 million aggregate principal amount of 5.165% senior unsecured notes due August 1, 2044. In fiscal 2020, we purchased and retired approximately \$75.0 million of the 4.915% senior unsecured notes due 2034 and approximately \$225.0 million of the 5.165% senior unsecured notes due 2044.

- <sup>(2)</sup> The amounts presented represent the undiscounted future minimum lease payments under non-cancelable operating leases, inclusive of a financing obligation in the amount of \$20.6 million related to operating leases entered into as a result of a sale-leaseback transaction completed during fiscal 2019. In addition to minimum rent, certain of the Company's leases require the payment of additional variable costs for insurance, maintenance and other costs. These additional amounts are not included in the table of contractual commitments as the timing and/or amounts of such payments are not known. As of February 27, 2021, we have entered leases which have not yet commenced for two new or relocated locations planned for opening in fiscal 2021, for which aggregate minimum rental payments over the term of the leases are approximately \$7.7 million. Such amounts are included in the table above, but have not been recorded in the consolidated balance sheet as of February 27, 2021.
- <sup>(3)</sup> Purchase obligations primarily consist of purchase orders for merchandise.
- <sup>(4)</sup> Other long-term liabilities are primarily comprised of income taxes payable, workers' compensation and general liability reserves and various other accruals and are recorded as Other Liabilities and Income Taxes Payable in the consolidated balance sheet as of February 27, 2021. The amounts associated with these other long-term liabilities have been reflected only in the total column in the table above as the timing and / or amount of any cash payment is uncertain.

## SEASONALITY

---

Our business is subject to seasonal influences. Generally, our sales volumes are higher in the calendar months of August, November, and December, and lower in February.

## INFLATION

---

We do not believe that our operating results have been materially affected by inflation during the past year. There can be no assurance, however, that our operating results will not be affected by inflation in the future.

## CRITICAL ACCOUNTING POLICIES

---

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires us to establish accounting policies and to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We base our estimates on historical experience and on other assumptions that we believe to be relevant under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. In particular, judgment is used in areas such as inventory valuation, impairment of long-lived assets, goodwill and other indefinite lived intangible assets, accruals for self-insurance and income and certain other taxes. Actual results could differ from these estimates.

*Inventory Valuation:* Merchandise inventories are stated at the lower of cost or market. Inventory costs are primarily calculated using the weighted average retail inventory method.

Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to the retail values of inventories. The inputs associated with determining the cost-to-retail ratio include: merchandise purchases, net of returns to vendors, discounts and volume and incentive rebates; inbound freight expenses; duty, insurance and commissions.

The retail inventory method contains certain management judgments that may affect inventory valuation. At any one time, inventories include items that have been written down to our best estimate of their realizable value. Judgment is required in estimating realizable value and factors considered are the age of merchandise, anticipated demand based on factors such as customer preferences and fashion trends, as well as anticipated markdowns to reduce the price of merchandise from its recorded retail price to a retail price at which it is expected to be sold in the future. These estimates are based on historical experience and current information about future events which are inherently uncertain. Actual realizable value could differ materially from this estimate based upon future customer demand or economic conditions, including the duration and severity of the COVID-19 pandemic.

We estimate our reserve for shrinkage throughout the year based on historical shrinkage and any current trends, if applicable. Actual shrinkage is recorded at year end based upon the results of our physical inventory counts for locations at which counts were conducted. For locations where physical inventory counts were not conducted in the fiscal year, an estimated shrink reserve is recorded based on historical shrinkage and any current trends, if applicable. Historically, our shrinkage has not been volatile.

We accrue for merchandise in transit once we take legal ownership and title to the merchandise; as such, an estimate for merchandise in transit is included in our merchandise inventories.

*Impairment of Long-Lived Assets:* We review long-lived assets for impairment when events or changes in circumstances indicate the carrying value of these assets may exceed their current fair values. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the assets. Judgment is required in estimating the fair value of the assets including assumptions related to sales growth rates and market rental rates. These estimates are based on historical experience and current information about future events which are inherently uncertain. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

In fiscal 2020 and 2019, we recorded \$92.9 million and \$75.1 million, respectively, of non-cash pre-tax impairment charges within goodwill and other impairments in the consolidated statement of operations for certain store-level assets, including leasehold improvements and operating lease assets. In fiscal 2018, we recorded a \$23.0 million non-cash pre-tax impairment charge within goodwill and other impairments in the consolidated statement of operations for certain store-level assets. Of the stores impaired during fiscal 2020, partial impairments were recorded at 136 stores, of which 41 were subsequently divested during 2020, resulting in a remaining net book value of long-lived assets at risk of \$89.7 million as of February 27, 2021, inclusive of leasehold improvements and right-of-use assets. We will continue to monitor these stores closely. If actual results differ from the estimated undiscounted future cash flows or the estimated price market participants would be willing to pay to sublease store operating leases and acquire remaining store assets, which among other factors, may be impacted by the duration and severity of the COVID-19 pandemic, we may be exposed to additional impairment losses that may be material. If events or market conditions affect the estimated fair value to the extent that a long-lived asset is impaired, we will adjust the carrying value of these long-lived assets in the period in which the impairment occurs.

*Goodwill and Other Indefinite Lived Intangible Assets:* We review goodwill and other intangibles that have indefinite lives for impairment annually as of the end of the fiscal year or when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. Impairment testing is based upon the best information available, including estimates of fair value which incorporate assumptions marketplace participants would use in making their estimates of fair value. Significant assumptions and estimates are required, including, but not limited to, projecting future cash flows, determining appropriate discount rates, margins, growth rates, and other assumptions, to estimate the fair value of goodwill and indefinite lived intangible assets. Although we believe that the assumptions and estimates made are reasonable and appropriate, different assumptions and estimates could materially impact our reported financial results. In addition, sustained declines in our stock price and related market capitalization could impact key assumptions in the overall estimated fair values of our reporting units and could result in non-cash impairment charges that could be material to our consolidated balance sheet or result of operations. Prior to fiscal 2018, we had not recorded an impairment to our goodwill and other indefinite lived intangible assets.

In fiscal 2018, we recognized non-cash pre-tax goodwill impairment charges of \$285.1 million and \$40.1 million for the North American Retail and Institutional Sales reporting units, respectively. As of June 1, 2019, we completed a quantitative impairment analysis of goodwill related to our reporting units by comparing the fair value of a reporting unit with its carrying amount. We performed a discounted cash flow analysis and market multiple analysis for each reporting unit. Based upon the analysis performed, we determined that goodwill was fully impaired and recognized a non-cash pre-tax goodwill impairment charge of \$391.1 million for the North American Retail reporting unit. The non-cash pre-tax impairment charge was primarily the result of a sustained decline in our market capitalization.

Other indefinite lived intangible assets were recorded as a result of acquisitions and primarily consist of tradenames. We value our tradenames using a relief-from-royalty approach, which assumes the value of the tradename is the discounted cash flows of the amount that would be paid by a hypothetical market participant had they not owned the tradename and instead licensed the tradename from another company. For fiscal 2020, 2019 and 2018, for certain other indefinite lived intangible assets, we completed a quantitative impairment analysis by comparing the fair value of the tradenames to their carrying value and recognized non-cash pre-tax tradename impairment charges of \$35.1 million, \$41.8 million and \$161.7 million, respectively, within goodwill and other impairments in the consolidated statement of operations. For the remaining other indefinite lived intangible assets, we assessed qualitative factors as of February 27, 2021 in order to determine whether any events and circumstances existed which indicated that it was more likely than not that the fair value of these other indefinite

lived assets did not exceed their carrying values and concluded no such events or circumstances existed which would require an impairment test be performed. As of February 27, 2021, we have \$22.0 million of remaining other indefinite lived intangible assets. If actual results differ from the estimated future cash flows, which, among other factors, may be impacted by the duration and severity of the COVID-19 pandemic, we may be exposed to additional impairment losses that may be material. In the future, if events or market conditions affect the estimated fair value to the extent that an asset is impaired, we will adjust the carrying value of these assets in the period in which the impairment occurs.

*Self-Insurance:* We utilize a combination of insurance and self-insurance for a number of risks including workers' compensation, general liability, cyber liability, property liability, automobile liability and employee related health care benefits (a portion of which is paid by our employees). Liabilities associated with the risks that we retain are not discounted and are estimated by considering historical claims experience, demographic factors, severity factors and other actuarial assumptions. Although our claims experience has not displayed substantial volatility in the past, actual experience could materially vary from our historical experience in the future. Factors that affect these estimates include but are not limited to: inflation, the number and severity of claims and regulatory changes. In the future, if we conclude an adjustment to self-insurance accruals is required, the liability will be adjusted accordingly.

Beginning in the fourth quarter of fiscal 2020, we began insuring portions of our workers' compensation and medical insurance through a wholly owned captive insurance subsidiary (the "Captive") to enhance our risk financing strategies. The Captive is subject to regulations in Vermont, including those relating to its levels of liquidity. The Captive was in compliance with all regulations as of February 27, 2021. As of February 27, 2021, the cash and cash equivalents at the Captive were \$43.1 million.

*Taxes:* We account for our income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Act. The Tax Act included a mandatory one-time tax on accumulated earnings of foreign subsidiaries, and as a result, all previously unremitted earnings for which no U.S. deferred tax liability had been previously accrued has now been subject to U.S. tax. Notwithstanding the U.S. taxation of these amounts, we intend to continue to reinvest the unremitted earnings of our Canadian subsidiary. Accordingly, no additional provision has been made for U.S. or additional non-U.S. taxes with respect to these earnings, except for the transition tax resulting from the Tax Act. In the event of repatriation to the U.S., it is expected that such earnings would be subject to non-U.S. withholding taxes offset, in whole or in part, by U.S. foreign tax credits.

We recognize the tax benefit from an uncertain tax position only if it is at least more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the taxing authorities.

Potential volatility in the effective tax rate from year to year may occur as we are required each year to determine whether new information changes the assessment of both the probability that a tax position will effectively be sustained and the appropriateness of the amount of recognized benefit.

We also accrue for certain other taxes as required by our operations.

Judgment is required in determining the provision for income and other taxes and related accruals, and deferred tax assets and liabilities. In the ordinary course of business, there are transactions and calculations where the ultimate tax outcome is uncertain. Additionally, our various tax returns are subject to audit by various tax authorities. Although we believe that our estimates are reasonable, actual results could differ from these estimates.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

---

Our exposure to market risk for changes in interest rates relates primarily to our investment securities and the ABL Facility. As of February 27, 2021, our investments include cash and cash equivalents of approximately \$1.353 billion, and long term investments in auction rate securities of approximately \$19.4 million, at weighted average interest rates of 0.01% and 0.09%, respectively. The book value of these investments is representative of their fair values.

Our senior unsecured notes have fixed interest rates and are not subject to interest rate risk. As of February 27, 2021, the fair value of the senior unsecured notes was \$1.118 billion, which is based on quoted prices in active markets for identical instruments compared to the carrying value of approximately \$1.195 billion.

### FORWARD-LOOKING STATEMENTS

This Form 10-K and Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements within the meaning of Section 21 E of the Securities Exchange Act of 1934 including, but not limited to, our progress and anticipated progress towards our long-term objectives, as well as more generally the status of our future liquidity and financial condition. Many of these forward-looking statements can be identified by use of words such as may, will, expect, anticipate, approximate, estimate, assume, continue, model, project, plan, goal, preliminary, and similar words and phrases, although the absence of those words does not necessarily mean that statements are not forward-looking. Our actual results and future financial condition may differ materially from those expressed in any such forward-looking statements as a result of many factors. Such factors include, without limitation: general economic conditions including the housing market, a challenging overall macroeconomic environment and related changes in the retailing environment; risks associated with the COVID-19 pandemic and the governmental responses to it, including its impacts across our businesses on demand and operations, as well as on the operations of our suppliers and other business partners, and the effectiveness of our actions taken in response to these risks; consumer preferences, spending habits and adoption of new technologies; demographics and other macroeconomic factors that may impact the level of spending for the types of merchandise sold by us; civil disturbances and terrorist acts; unusual weather patterns and natural disasters; competition from existing and potential competitors across all channels; pricing pressures; liquidity; the ability to achieve anticipated cost savings, and to not exceed anticipated costs, associated with organizational changes and investments, including our strategic restructuring program and store network optimization strategies; the ability to attract and retain qualified employees in all areas of the organization; the cost of labor, merchandise and other costs and expenses; potential supply chain disruption due to trade restrictions, and other factors such as natural disasters, pandemics, including the COVID-19 pandemic, political instability, labor disturbances, product recalls, financial or operational instability of suppliers or carriers, and other items; the ability to find suitable locations at acceptable occupancy costs and other terms to support our plans for new stores; the ability to establish and profitably maintain the appropriate mix of digital and physical presence in the markets we serve; the ability to assess and implement technologies in support of our development of our omnichannel capabilities; the ability to effectively and timely adjust our plans in the face of the rapidly changing retail and economic environment, including in response to the COVID-19 pandemic; uncertainty in financial markets; volatility in the price of our common stock and its effect, and the effect of other factors, including the COVID-19 pandemic, on our capital allocation strategy; risks associated with the ability to achieve a successful outcome for our business concepts and to otherwise achieve our business strategies; the impact of intangible asset and other impairments; disruptions to our information technology systems, including but not limited to security breaches of systems protecting consumer and employee information or other types of cybercrimes or cybersecurity attacks; reputational risk arising from challenges to our or a third party product or service supplier's compliance with various laws, regulations or standards, including those related to labor, health, safety, privacy or the environment; reputational risk arising from third-party merchandise or service vendor performance in direct home delivery or assembly of product for customers; changes to statutory, regulatory and legal requirements, including without limitation proposed changes affecting international trade; changes to, or new, tax laws or interpretation of existing tax laws; new, or developments in existing, litigation, claims or assessments; changes to, or new, accounting standards; and foreign currency exchange rate fluctuations. Except as required by law, we do not undertake any obligation to update our forward-looking statements.



# BED BATH & BEYOND INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

(in thousands, except per share data)

	February 27, 2021	February 29, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,352,984	\$ 1,000,340
Short term investment securities	—	385,642
Merchandise inventories	1,671,909	2,093,869
Prepaid expenses and other current assets	595,152	248,342
Assets held-for-sale	—	98,092
Total current assets	<u>3,620,045</u>	<u>3,826,285</u>
Long term investment securities	19,545	20,380
Property and equipment, net	918,418	1,430,604
Operating lease assets	1,587,101	2,006,966
Other assets	311,821	506,280
Total assets	<u>\$ 6,456,930</u>	<u>\$ 7,790,515</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 986,045	\$ 944,194
Accrued expenses and other current liabilities	636,329	675,776
Merchandise credit and gift card liabilities	312,486	340,407
Current operating lease liabilities	360,061	463,005
Liabilities related to assets held-for-sale	—	43,144
Total current liabilities	<u>2,294,921</u>	<u>2,466,526</u>
Other liabilities	82,279	204,926
Operating lease liabilities	1,509,767	1,818,783
Income taxes payable	102,664	46,945
Long term debt	1,190,363	1,488,400
Total liabilities	<u>5,179,994</u>	<u>6,025,580</u>
Shareholders' equity:		
Preferred stock - \$0.01 par value; authorized - 1,000 shares; no shares issued or outstanding	—	—
Common stock - \$0.01 par value; authorized - 900,000 shares; issued 343,241 and 343,683, respectively; outstanding 109,621 and 126,528 shares, respectively	3,432	3,436
Additional paid-in capital	2,152,135	2,167,337
Retained earnings	10,225,253	10,374,826
Treasury stock, at cost; 233,620 and 217,155 shares, respectively	(11,048,284)	(10,715,755)
Accumulated other comprehensive loss	(55,600)	(64,909)
Total shareholders' equity	<u>1,276,936</u>	<u>1,764,935</u>
Total liabilities and shareholders' equity	<u>\$ 6,456,930</u>	<u>\$ 7,790,515</u>

See accompanying Notes to Consolidated Financial Statements.

## BED BATH & BEYOND INC. AND SUBSIDIARIES

### Consolidated Statements of Operations

(in thousands, except per share data)

	Twelve Months Ended		
	February 27, 2021	February 29, 2020	March 2, 2019
Net sales	\$9,233,028	\$ 11,158,580	\$ 12,028,797
Cost of sales	6,114,947	7,616,920	7,924,817
Gross profit	3,118,081	3,541,660	4,103,980
Selling, general and administrative expenses	3,224,363	3,732,498	3,681,210
Goodwill and other impairments	127,341	509,226	509,905
Restructuring and transformation initiative expenses	102,202	—	—
Loss on sale of businesses, including impairment of assets held for sale	1,062	—	—
Operating loss	(336,887)	(700,064)	(87,135)
Interest expense, net	76,913	64,789	69,474
Gain on extinguishment of debt	(77,038)	—	—
Loss before benefit from income taxes	(336,762)	(764,853)	(156,609)
Benefit from income taxes	(185,989)	(151,037)	(19,385)
Net loss	\$ (150,773)	\$ (613,816)	\$ (137,224)
Net loss per share - Basic	\$ (1.24)	\$ (4.94)	\$ (1.02)
Net loss per share - Diluted	\$ (1.24)	\$ (4.94)	\$ (1.02)
Weighted average shares outstanding - Basic	121,446	124,352	134,292
Weighted average shares outstanding - Diluted	121,446	124,352	134,292
Dividends declared per share	\$ —	\$ 0.68	\$ 0.64

See accompanying Notes to Consolidated Financial Statements.

## BED BATH & BEYOND INC. AND SUBSIDIARIES

### Consolidated Statements of Comprehensive Loss

(in thousands)

	Twelve Months Ended		
	February 27, 2021	February 29, 2020	March 2, 2019
Net loss	<b>\$ (150,773)</b>	\$ (613,816)	\$ (137,224)
Other comprehensive (loss) income:			
Change in temporary impairment of auction rate securities, net of taxes	<b>(617)</b>	276	366
Pension adjustment, net of taxes	<b>(1,396)</b>	(4,791)	(482)
Reclassification adjustment on partial settlement of the pension plan, net of taxes	<b>1,522</b>	—	—
Currency translation adjustment	<b>9,800</b>	(1,784)	(10,198)
Other comprehensive income (loss)	<b>9,309</b>	(6,299)	(10,314)
Comprehensive loss	<b>\$ (141,464)</b>	\$ (620,115)	\$ (147,538)

See accompanying Notes to Consolidated Financial Statements.

# BED BATH & BEYOND INC. AND SUBSIDIARIES

## Consolidated Statements of Shareholders' Equity

(in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total
	Shares	Amount			Shares	Amount		
Balance at March 3, 2018	341,795	\$ 3,418	\$ 2,057,975	\$ 11,343,503	(201,297)	\$ (10,467,972)	\$ (48,296)	\$ 2,888,628
Net loss				(137,224)				(137,224)
Other comprehensive loss, net of tax							(10,314)	(10,314)
Effect of Adoption of ASU 2014-09								
Dividend declared				(4,221)				(4,221)
Issuance of restricted shares, net	320	3	(3)	(89,171)				(89,171)
Payment and vesting of performance stock units	464	5	(5)					
Stock-based compensation expense, net			60,657					60,657
Director fees paid in stock	3		49					49
Repurchase of common stock, including fees					(9,052)	(148,073)		(148,073)
Balance at March 2, 2019	342,582	3,426	2,118,673	11,112,887	(210,349)	(10,616,045)	(58,610)	2,560,331
Net loss				(613,816)				(613,816)
Other comprehensive loss, net of tax							(6,299)	(6,299)
Effect of Adoption of ASU 2016-02				(40,700)				(40,700)
Dividend declared				(83,545)				(83,545)
Shares sold under employee stock option plans, net of taxes	139	1	2,345					2,346
Issuance of restricted shares, net	370	4	(4)					
Payment and vesting of performance stock units	580	5	(5)					
Stock-based compensation expense, net			46,159					46,159
Director fees paid in stock	12		169					169
Repurchase of common stock, including fees					(6,806)	(99,710)		(99,710)
Balance at February 29, 2020	343,683	3,436	2,167,337	10,374,826	(217,155)	(10,715,755)	(64,909)	1,764,935
Net loss				(150,773)				(150,773)
Other comprehensive loss, net of tax							9,309	9,309
Dividend forfeited				1,200				1,200
Forfeiture of restricted shares, net	(786)	(8)	8					
Payment and vesting of performance stock units	344	4	(4)					
Stock-based compensation expense, net			32,344					32,344
Accelerated share repurchase program			(47,550)		(15,833)	(327,450)		(375,000)
Repurchase of common stock, including fees					(632)	(5,079)		(5,079)
Balance at February 27, 2021	343,241	3,432	2,152,135	10,225,253	(233,620)	(11,048,284)	(55,600)	1,276,936

See accompanying Notes to Consolidated Financial Statements.

# BED BATH & BEYOND INC. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

(in thousands)

	Twelve Months Ended		
	February 27, 2021	February 29, 2020	March 2, 2019
<b>Cash Flows from Operating Activities:</b>			
Net loss	\$ (150,773)	\$ (613,816)	\$ (137,224)
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	340,912	342,511	338,825
Loss on sale leaseback transaction	—	27,357	—
Gain on sale of building	—	—	(29,690)
Gain on debt extinguishment	(77,038)	—	(412)
Loss on sale of businesses including impairment of assets held for sale	1,062	—	—
Goodwill and other impairments	127,341	509,226	509,905
Stock-based compensation	31,594	45,676	58,514
Deferred income taxes	148,741	(145,543)	(104,089)
Other	(396)	(3,446)	(814)
Decrease (increase) in assets:			
Merchandise inventories	64,947	506,334	106,928
Trading investment securities	—	21	86,277
Other current assets	(387,172)	(4,781)	269,186
Other assets	1,519	218	218
(Decrease) increase in liabilities:			
Accounts payable	168,556	(124,206)	(90,657)
Accrued expenses and other current liabilities	15,538	61,864	(77,147)
Merchandise credit and gift card liabilities	(12,110)	1,154	16,016
Income taxes payable	54,958	(22,783)	8,360
Operating lease assets and liabilities, net	(32,813)	(2,899)	—
Other liabilities	(26,758)	14,054	(35,918)
Net cash provided by operating activities	<u>268,108</u>	<u>590,941</u>	<u>918,278</u>
<b>Cash Flows from Investing Activities:</b>			
Purchases of held-to-maturity investment securities	—	(443,500)	(734,424)
Redemption of held-to-maturity investment securities	386,500	545,000	538,925
Net proceeds from sales of businesses	534,457	—	—
Proceeds from sale-leaseback transaction	—	267,277	—
Proceeds from sale of a building	—	—	11,183
Capital expenditures	(183,077)	(277,401)	(325,366)
Net cash provided by (used in) investing activities	<u>\$ 737,880</u>	<u>\$ 91,376</u>	<u>\$ (509,682)</u>

Twelve Months Ended

	February 27, 2021	February 29, 2020	March 2, 2019
<b>Cash Flows from Financing Activities:</b>			
Borrowing of long-term debt	236,400	—	—
Repayments of long-term debt	(457,827)	—	(4,224)
Repurchase of common stock, including fees	(332,529)	(99,710)	(148,073)
Prepayment under share repurchase agreement	(47,550)	—	—
Payment of dividends	(23,108)	(85,482)	(86,287)
Payment of deferred financing fees	(7,690)	—	—
Proceeds from exercise of stock options	—	2,346	—
Net cash used in financing activities	<u>(632,304)</u>	<u>(182,846)</u>	<u>(238,584)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	5,075	(977)	(7,181)
Net increase in cash, cash equivalents and restricted cash	378,759	498,494	162,831
Change in cash balances classified as held-for-sale	4,815	(4,815)	—
Net increase in cash, cash equivalents and restricted cash	<b>383,574</b>	493,679	162,831
<b>Cash, cash equivalents and restricted cash:</b>			
Beginning of period	1,023,650	529,971	367,140
End of period	<b>\$1,407,224</b>	\$ 1,023,650	\$ 529,971

See accompanying Notes to Consolidated Financial Statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## *Bed Bath & Beyond Inc. and Subsidiaries*

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS

---

#### *A. Nature of Operations*

Bed Bath & Beyond Inc. and subsidiaries (the "Company") is an omnichannel retailer that makes it easy for its customers to feel at home. The Company sells a wide assortment of merchandise in the Home, Baby, Beauty & Wellness markets and operates under the names Bed Bath & Beyond ("BBB"), buybuy BABY ("BABY"), and Harmon, Harmon Face Values, or Face Values (collectively, "Harmon"). Customers can purchase products either in-store, online, with a mobile device or through a customer contact center. The Company generally has the ability to have customer purchases picked up in-store, curbside or shipped direct to the customer from the Company's distribution facilities, stores or vendors. The Company also operates Decorist, an online interior design platform that provides personalized home design services. In addition, the Company is a partner in a joint venture which operates retail stores in Mexico under the name Bed Bath & Beyond.

For fiscal 2020, 2019 and 2018, the Company has accounted for its operations as two operating segments: North American Retail and Institutional Sales, which did not meet the quantitative thresholds under U.S. generally accepted accounting principles and, therefore, was not a reportable segment. The Institutional Sales operating segment was comprised of Linen Holdings, which was divested in October 2020. The Company will continue to account for its operations as one North American Retail reporting segment going forward. Net sales outside of the U.S. for the Company were not material for fiscal 2020, 2019 and 2018. As the Company operates in the retail industry, its results of operations are affected by general economic conditions and consumer spending habits.

#### *B. Fiscal Year*

The Company's fiscal year is comprised of the 52 or 53-week period ending on the Saturday nearest February 28th. Accordingly, fiscal 2020, 2019 and fiscal 2018 represented 52 weeks and ended on February 27, 2021, February 29, 2020 and March 2, 2019, respectively.

#### *C. Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The Company accounts for its investment in the joint venture under the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation.

#### *D. Recent Accounting Pronouncements*

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). This guidance requires an entity to recognize lease liabilities and a right-of-use asset for all leases on the balance sheet and to disclose key information about the entity's leasing arrangements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, with earlier adoption permitted. In July 2018, the FASB approved an amendment to the new guidance that allows companies the option of using the effective date of the new standard as the initial application (at the beginning of the period in which it is adopted, rather than at the beginning of the earliest comparative period) and to recognize the effects of applying the new ASU as a cumulative effect adjustment to the opening balance sheet or retained earnings. The Company adopted this accounting standard at the beginning of the first quarter of fiscal 2019 using the new transition election to not restate comparative periods. The Company elected the package of practical expedients upon adoption, which permits the Company to not reassess under the new standard the Company's prior conclusions about lease identification, lease classification and initial direct costs. In addition, the Company elected not to separate lease and non-lease components for all real estate leases and did not elect the hindsight practical expedient. Lastly, the Company elected the short-term lease exception policy, permitting it to exclude the recognition requirements of this standard from leases with initial terms of 12 months or less. Upon adoption, the Company recognized operating lease assets of approximately \$2.0 billion and operating lease liabilities of approximately \$2.2 billion on its consolidated balance sheet. In addition, upon adoption, deferred rent and various lease incentives which

were recorded as of March 2, 2019 were reclassified as a component of the operating lease assets. Upon adoption, the Company recognized a cumulative adjustment decreasing opening retained earnings by approximately \$40.7 million due to the impairment of certain operating lease assets. The adoption of the new standard did not have a material impact on the consolidated statements of operations or cash flows.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes, to simplify the accounting for income taxes. The guidance eliminates certain exceptions related to the approach for intraperiod tax allocations, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences related to changes in ownership of equity method investments and foreign subsidiaries. The guidance also simplifies aspects of accounting for franchise taxes, enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years with early adoption permitted. The Company has not adopted this standard; upon adoption, the Company does not believe this guidance will have a material impact on its consolidated financial statements.

### *E. Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires the Company to establish accounting policies and to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on other assumptions that it believes to be relevant under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. In particular, judgment is used in areas such as inventory valuation, impairment of long-lived assets, impairment of auction rate securities, goodwill and other indefinite lived intangible assets, accruals for self-insurance, litigation, store opening, expansion, relocation and closing costs, the provision for sales returns, vendor allowances, stock-based compensation and income and certain other taxes. Actual results could differ from these estimates.

### *F. Cash and Cash Equivalents*

The Company considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents. Included in cash and cash equivalents are credit and debit card receivables from banks, which typically settle within five business days, of \$64.0 million and \$79.7 million as of February 27, 2021 and February 29, 2020, respectively.

### *G. Investment Securities*

Investment securities consist primarily of auction rate securities, which are securities with interest rates that reset periodically through an auction process, and U.S. Treasury Bills, when outstanding. The U.S. Treasury Bills with original maturities of greater than three months were classified as short term held-to-maturity securities and stated at their amortized cost which approximated fair value. Auction rate securities are classified as available-for-sale and are stated at fair value, which had historically been consistent with cost or par value due to interest rates which reset periodically, typically every 7, 28 or 35 days. As a result, there generally were no cumulative gross unrealized holding gains or losses relating to these auction rate securities. However, beginning in mid-February 2008 due to market conditions, the auction process for the Company's auction rate securities failed and continues to fail. These failed auctions result in a lack of liquidity in the securities and affect their estimated fair values at February 27, 2021 and February 29, 2020, but do not affect the underlying collateral of the securities. (See "Fair Value Measurements," Note 4 and "Investment Securities," Note 5). All income from these investments is recorded as interest income.

Those investment securities which the Company has the ability and intent to hold until maturity are classified as held-to-maturity investments and are stated at amortized cost. Those investment securities which are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are stated at fair market value.

Premiums are amortized and discounts are accreted over the life of the security as adjustments to interest income using the effective interest method. Dividend and interest income are recognized when earned.

### *H. Inventory Valuation*

Merchandise inventories are stated at the lower of cost or market. Inventory costs are primarily calculated using the weighted average retail inventory method.



Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to the retail values of inventories. The inputs associated with determining the cost-to-retail ratio include: merchandise purchases, net of returns to vendors, discounts and volume and incentive rebates; inbound freight expenses; duty, insurance and commissions.

The retail inventory method contains certain management judgments that may affect inventory valuation. At any one time, inventories include items that have been written down to the Company's best estimate of their realizable value. Judgment is required in estimating realizable value and factors considered are the age of merchandise, anticipated demand based on factors such as customer preferences and fashion trends, as well as anticipated markdowns to reduce the price of merchandise from its recorded retail price to a retail price at which it is expected to be sold in the future. These estimates are based on historical experience and current information about future events which are inherently uncertain. Actual realizable value could differ materially from this estimate based upon future customer demand or economic conditions, including the duration and severity of the COVID-19 pandemic.

The Company estimates its reserve for shrinkage throughout the year based on historical shrinkage and any current trends, if applicable. Actual shrinkage is recorded at year end based upon the results of the Company's physical inventory counts for locations at which counts were conducted. For locations where physical inventory counts were not conducted in the fiscal year, an estimated shrink reserve is recorded based on historical shrinkage and any current trends, if applicable. Historically, the Company's shrinkage has not been volatile.

The Company accrues for merchandise in transit once it takes legal ownership and title to the merchandise; as such, an estimate for merchandise in transit is included in the Company's merchandise inventories.

### *I. Property and Equipment*

Property and equipment are stated at cost and are depreciated primarily using the straight-line method over the estimated useful lives of the assets (forty years for buildings; five to twenty years for furniture, fixtures and equipment; and three to ten years for computer equipment and software). Leasehold improvements are amortized using the straight-line method over the lesser of their estimated useful life or the life of the lease. Depreciation expense is primarily included within selling, general and administrative expenses.

The cost of maintenance and repairs is charged to earnings as incurred; significant renewals and betterments are capitalized. Maintenance and repairs amounted to \$117.7 million, \$133.9 million, and \$132.4 million for fiscal 2020, 2019 and 2018, respectively.

### *J. Impairment of Long-Lived Assets*

The Company reviews long-lived assets for impairment when events or changes in circumstances indicate the carrying value of these assets may exceed their current fair values. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the assets. Judgment is required in estimating the fair value of the assets including assumptions related to sales growth rates and market rental rates. These estimates are based on historical experience and current information about future events which are inherently uncertain. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet (see "Assets Held for Sale and Divestitures," Note 15). In fiscal 2020 and fiscal 2019, the Company recorded non-cash pre-tax impairment charges of \$92.9 million and \$75.1 million, respectively, for certain store-level assets, including leasehold improvements and operating lease assets. In fiscal 2018, the Company recorded a \$23.0 million non-cash pre-tax impairment charge for certain store-level assets. These charges were recorded within goodwill and other impairments in the Company's consolidated statements of operations. In the future, if events or market conditions affect the estimated fair value to the extent that a long-lived asset is impaired, the Company will adjust the carrying value of these long-lived assets in the period in which the impairment occurs.

### *K. Goodwill and Other Indefinite Lived Intangible Assets*

The Company reviews its intangible assets that have indefinite lives for impairment annually as of the end of the fiscal year or when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. Impairment testing is based upon the best information available including estimates of fair value which incorporate assumptions marketplace participants would use in making their estimates of fair value. Significant assumptions and estimates are required, including, but not limited to, projecting future cash flows, determining appropriate discount rates and terminal growth rates, and other assumptions, to estimate the fair value of goodwill and indefinite lived intangible assets. Although the Company believes the assumptions and estimates made are reasonable and appropriate, different assumptions and estimates could materially impact its reported financial results.

As of June 1, 2019, the Company completed a quantitative impairment analysis of goodwill related to its reporting units by comparing the fair value of a reporting unit with its carrying amount. The Company performed a discounted cash flow analysis and market multiple analysis for each reporting unit. Based upon the analysis performed, the Company recognized non-cash pre-tax goodwill impairment charges of \$391.1 million for the North American Retail reporting unit, and as of June 1, 2019, the Company did not have any goodwill recorded on its consolidated balance sheet. In fiscal 2018, the Company recognized non-cash pre-tax goodwill impairment charges of \$285.1 million and \$40.1 million for the North American Retail and Institutional Sales reporting units, respectively. Cumulatively, the Company has recognized non-cash pre-tax goodwill impairment charges of \$676.2 million and \$40.1 million for the North American Retail and Institutional Sales reporting units, respectively. The non-cash pre-tax impairment charges were primarily the result of a sustained decline in the Company's market capitalization. As of February 27, 2021, the Company did not have any goodwill recorded on its consolidated balance sheet.

Other indefinite-lived intangible assets were recorded as a result of acquisitions and primarily consist of tradenames. The Company values its tradenames using a relief-from-royalty approach, which assumes the value of the tradename is the discounted cash flows of the amount that would be paid by a hypothetical market participant had they not owned the tradename and instead licensed the tradename from another company. For the fiscal years ended February 27, 2021, February 29, 2020 and March 2, 2019, the Company completed a quantitative impairment analysis for certain other indefinite lived intangible assets, by comparing the fair value of the tradenames to their carrying value and recognized non-cash pre-tax tradename impairment charges of \$35.1 million, \$41.8 million and \$161.7 million, respectively, within goodwill and other impairments in the consolidated statement of operations. As of February 27, 2021, for the remaining other indefinite lived intangible assets, the Company assessed qualitative factors in order to determine whether any events and circumstances existed which indicated that it was more likely than not that the fair value of these other indefinite lived assets did not exceed their carrying values and concluded no such events or circumstances existed which would require an impairment test be performed. In the future, if events or market conditions affect the estimated fair value to the extent that an asset is impaired, the Company will adjust the carrying value of these assets in the period in which the impairment occurs.

Included within other assets in the accompanying consolidated balance sheets as of February 27, 2021 and February 29, 2020, respectively, are \$22.0 million and \$91.2 million for indefinite lived tradenames and trademarks.

### *L. Self-Insurance*

The Company utilizes a combination of insurance and self-insurance for a number of risks including workers' compensation, general liability, cyber liability, property liability, automobile liability and employee related health care benefits (a portion of which is paid by its employees). Liabilities associated with the risks that the Company retains are not discounted and are estimated by considering historical claims experience, demographic factors, severity factors and other actuarial assumptions. Although the Company's claims experience has not displayed substantial volatility in the past, actual experience could materially vary from its historical experience in the future. Factors that affect these estimates include but are not limited to: inflation, the number and severity of claims and regulatory changes. In the future, if the Company concludes an adjustment to self-insurance accruals is required, the liability will be adjusted accordingly.

Beginning in the fourth quarter of fiscal 2020, the Company began insuring portions of its workers' compensation and medical insurance through a wholly owned captive insurance subsidiary (the "Captive") to enhance its risk financing strategies. The Captive is subject to regulations in Vermont, including those relating to its levels of liquidity and other requirements. The Captive was in compliance with all regulations as of February 27, 2021. As of February 27, 2021, the cash and cash equivalents at the Captive were \$43.1 million.

### *M. Shareholders' Equity*

The Company has authorization to make repurchases of its common shares from time to time in the open market or through other parameters approved by the Board of Directors pursuant to existing rules and regulations.

Between December 2004 and December 2020, the Company's Board of Directors authorized, through several share repurchase programs, the repurchase of \$12.775 billion of its shares of common stock. Since 2004 through the end of fiscal 2020, the Company has repurchased approximately \$11.0 billion of its common stock through share repurchase programs. The Company also acquires shares of its common stock to cover employee related taxes withheld on vested restricted stock, restricted stock units and performance stock unit awards. Subsequent to the end of fiscal 2020, the Company's Board of Directors expanded the existing share repurchase authorization by an additional \$175 million, which increased the total share repurchase authorization to \$12.950 billion.

In October 2020, the Company entered into an accelerated share repurchase agreement ("ASR Agreement") with JPMorgan Chase Bank, National Association ("JP Morgan") to repurchase \$225.0 million of the Company's common stock. Pursuant to the ASR Agreement, the Company paid \$225.0 million to JP Morgan and received an initial delivery of 4.5 million shares. In the fourth quarter of fiscal 2020, the Company received an additional 6.3 million shares under this ASR Agreement, based on the average of the daily volume-weighted average price of common stock during the term of the ASR Agreement. These repurchases of 10.8 million total shares resulted in a \$225.0 million increase in treasury stock and reduced the number of weighted average shares outstanding.

In January 2021, the Company entered into a second accelerated share repurchase agreement ("ASR Agreement 2") to repurchase an aggregate of \$150.0 million of the Company's common stock, subject to market conditions. Pursuant to ASR Agreement 2, the Company paid \$150.0 million to JP Morgan, and received an initial delivery of 5.0 million shares, which was accounted for as a treasury stock transaction and resulted in a \$102.5 million increase in treasury stock and also reduced the weighted average shares outstanding. The Company also recorded a \$47.6 million decrease in additional paid in capital upon the inception of ASR Agreement 2. Subsequent to the end of fiscal 2020, final settlement under ASR Agreement 2 occurred and the Company received an additional 0.2 million shares.

In addition, during fiscal 2020, the Company repurchased approximately 0.6 million shares of its common stock to cover employee related taxes withheld on vested restricted stock, restricted stock units and performance stock unit awards, at a total cost of approximately \$5.1 million. During fiscal 2019, the Company repurchased approximately 6.8 million shares of its common stock at a total cost of approximately \$99.7 million. During fiscal 2018 the Company repurchased approximately 9.1 million shares of its common stock at a total cost of approximately \$148.1 million. The Company has approximately \$1.7 billion remaining of authorized share repurchases as of February 27, 2021. The Company's share repurchase program could change, and any future share repurchases will be subject to the determination of the Board of Directors, based on an evaluation of the Company's earnings, financial condition and requirements, business conditions and other factors, including the restrictions on share repurchases under the Credit Agreement (see "Long Term Debt," Note 7).

During fiscal 2016, the Company's Board of Directors authorized a quarterly dividend program. During fiscal 2020, 2019 and 2018, total cash dividends of \$23.1 million, \$85.5 million and \$86.3 million were paid, respectively. In March 2020, the Company suspended its future quarterly declarations of cash dividends as a result of the COVID-19 pandemic. Any future quarterly cash dividend payments on its common stock will be subject to the determination by the Board of Directors, based on an evaluation of the Company's earnings, financial condition and requirements, business conditions and other factors, including the restrictions on the payment of dividends contained in the Credit Agreement (See "Long Term Debt," Note 7).

Cash dividends, if any, are accrued as a liability on the Company's consolidated balance sheets and recorded as a decrease to retained earnings when declared.

## N. Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, investment securities, accounts payable, long term debt and certain other liabilities. The Company's investment securities consist primarily of U.S. Treasury securities, which are stated at amortized cost, and auction rate securities consisting of preferred shares of closed end municipal bond funds, which are stated at their approximate fair value. The book value of the financial instruments, excluding the Company's long term debt, is representative of their fair values (See "Fair Value Measurements," Note 4). As of February 27, 2021, the fair value of the Company's long term debt was approximately \$1.118 billion, which is based on quoted prices in active markets for identical instruments (i.e., Level 1 valuation), compared to the carrying value of approximately \$1.195 billion.

## O. Leases

The Company determines if an arrangement is a lease or contains a lease at the inception of the contract. The Company's leases generally contain fixed and variable components. Variable components are primarily contingent rents based upon store sales exceeding stipulated amounts. Lease agreements may also include non-lease components, such as certain taxes, insurance and common area maintenance, which the Company combines with the lease component to account for both as a single lease component. Lease liabilities, which represent the Company's obligation to make lease payments arising from the lease, and corresponding right-of-use assets, which represent the Company's right to use an underlying asset for the lease term, are recognized at the commencement date of the lease, which is typically the date the Company obtains possession of the leased premises, based on the present value of fixed future payments over the lease term. The Company utilizes the lease term for which it is reasonably certain to use the underlying asset, including consideration of options to extend or terminate the lease. Incentives received from landlords are recorded as a reduction to the lease right-of-use assets. The Company does not recognize lease right-of-use assets and corresponding lease liabilities for leases with initial terms of 12 months or less.

The Company calculates the present value of future payments using the discount rate implicit in the lease, if available, or its incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term at an amount equal to the lease payments in a similar economic environment. The Company determined discount rates based on the rates of its unsecured borrowings, which are then adjusted for the appropriate lease term and effects of full collateralization. In determining the Company's operating lease assets and operating lease liabilities, the Company applied these incremental borrowing rates to the minimum lease payments within each lease agreement.

For operating leases, lease expense relating to fixed payments is recognized on a straight-line basis over the lease term and lease expense relating to variable payments is expensed as incurred. For finance leases, the amortization of the asset is recognized over the shorter of the lease term or useful life of the underlying asset.

## P. Prepaid Expenses and Other Current Assets

Included within prepaid expenses and other current assets in the accompanying consolidated balance sheets as of February 27, 2021 and February 29, 2020, respectively, are \$595.2 million and \$248.3 million. The majority of the balance as of February 27, 2021 is comprised of income tax receivable of \$318.1 million. There was no income tax receivable as of February 29, 2020. (See "Provision For Income Taxes," Note 8).

## Q. Assets Held for Sale

The Company classifies long-lived assets or disposal groups as held for sale in the period when the following held for sale criteria are met: (i) the Company commits to a plan to sell; (ii) the long-lived asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such long-lived assets or disposal groups; (iii) an active program to locate a buyer and other actions required to complete the plan to sell have been initiated; (iv) the sale is probable within one year; (v) the asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (vi) it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Long-lived assets and disposal groups classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

## *R. Revenue Recognition*

Sales are recognized upon purchase by customers at the Company's retail stores or upon delivery for products purchased from its websites. The value of point-of-sale coupons and point-of-sale rebates that result in a reduction of the price paid by the customer are recorded as a reduction of sales. Shipping and handling fees that are billed to a customer in a sale transaction are recorded in sales. Taxes, such as sales tax, use tax and value added tax, are not included in sales.

Revenues from gift cards, gift certificates and merchandise credits are recognized when redeemed. Gift cards have no provisions for reduction in the value of unused card balances over defined time periods and have no expiration dates. In fiscal 2020 and fiscal 2019, the Company recognized net sales for gift card and merchandise credit redemptions of approximately \$98.0 million and \$121.9 million, which were included in merchandise credit and gift card liabilities on the consolidated balance sheet as of February 27, 2021 and February 29, 2020, respectively.

Sales returns are provided for in the period that the related sales are recorded based on historical experience. Although the estimate for sales returns has not varied materially from historical provisions, actual experience could vary from historical experience in the future if the level of sales return activity changes materially. In the future, if the Company concludes that an adjustment is required due to material changes in the returns activity, the liability for estimated returns and the corresponding right of return asset will be adjusted accordingly. As of February 27, 2021 and February 29, 2020, the liability for estimated returns of \$36.2 million and \$71.6 million is included in accrued expenses and other current liabilities and the corresponding right of return asset for merchandise of \$23.4 million and \$42.5 million, respectively, is included in prepaid expenses and other current assets, respectively.

The Company sells a wide assortment of domestics merchandise and home furnishings. Domestics merchandise includes categories such as bed linens and related items, bath items and kitchen textiles. Home furnishings include categories such as kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings (including furniture and wall décor), consumables and certain juvenile products. Sales of domestics merchandise and home furnishings accounted for approximately 34.7% and 65.3% of net sales, respectively, for fiscal 2020, 35.2% and 64.8% of net sales, respectively, for fiscal 2019 and 35.4% and 64.6% of net sales, respectively, for fiscal 2018.

## *S. Cost of Sales*

Cost of sales includes the cost of merchandise, buying costs and costs of the Company's distribution network including inbound freight charges, distribution facility costs, receiving costs, internal transfer costs and shipping and handling costs.

## *T. Vendor Allowances*

The Company receives allowances from vendors in the normal course of business for various reasons including direct cooperative advertising, purchase volume and reimbursement for other expenses. Annual terms for each allowance include the basis for earning the allowance and payment terms, which vary by agreement. All vendor allowances are recorded as a reduction of inventory cost, except for direct cooperative advertising allowances which are specific, incremental and identifiable. The Company recognizes purchase volume allowances as a reduction of the cost of inventory in the quarter in which milestones are achieved. Advertising costs were reduced by direct cooperative allowances of \$28.9 million, \$30.9 million, and \$37.0 million for fiscal 2020, 2019 and 2018, respectively.

## *U. Store Opening, Expansion, Relocation and Closing Costs*

Store opening, expansion, relocation and closing costs, including markdowns, asset residual values and projected occupancy costs, are charged to earnings as incurred.

## *V. Advertising Costs*

Advertising expenses related to direct response advertising are expensed on the first day of the direct response advertising event. All other advertising expenses associated with store advertising are charged to earnings as incurred. Net advertising costs amounted to \$347.8 million, \$478.5 million and \$463.2 million for fiscal 2020, 2019 and 2018, respectively.

## W. Stock-Based Compensation

The Company measures all employee stock-based compensation awards using a fair value method and records such expense, net of estimated forfeitures, in its consolidated financial statements. The Company's stock-based compensation relates to restricted stock awards, stock options, restricted stock units and performance stock units. The Company's restricted stock awards are considered nonvested share awards.

## X. Income Taxes

The Company files a consolidated federal income tax return. Income tax returns are also filed with each taxable jurisdiction in which the Company conducts business.

The Company accounts for its income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act, (the "Tax Act"). The Tax Act included a mandatory one-time tax on accumulated earnings of foreign subsidiaries, and as a result, all previously unremitted earnings for which no U.S. deferred tax liability had been previously accrued has now been subject to U.S. tax. Notwithstanding the U.S. taxation of these amounts, the Company intends to continue to reinvest the unremitted earnings of its Canadian subsidiary. Accordingly, no additional provision has been made for U.S. or additional non-U.S. taxes with respect to these earnings, except for the transition tax resulting from the Tax Act. In the event of repatriation to the U.S., it is expected that such earnings would be subject to non-U.S. withholding taxes offset, in whole or in part, by U.S. foreign tax credits.

The Company recognizes the tax benefit from an uncertain tax position only if it is at least more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the taxing authorities.

Judgment is required in determining the provision for income taxes and related accruals, deferred tax assets and liabilities. In the ordinary course of business, there are transactions and calculations where the ultimate tax outcome is uncertain. Additionally, the Company's tax returns are subject to audit by various tax authorities. Although the Company believes that its estimates are reasonable, actual results could differ from these estimates.

## Y. Earnings per Share

The Company presents earnings per share on a basic and diluted basis. Basic earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding. Diluted earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding, including the dilutive effect of stock-based awards as calculated under the treasury stock method.

Stock-based awards of approximately 2.4 million, 5.4 million, and 8.2 million shares were excluded from the computation of diluted earnings per share as the effect would be anti-dilutive for fiscal 2020, 2019 and 2018, respectively.

## 2. IMPACT OF THE COVID-19 PANDEMIC

---

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. In compliance with relevant government directives, the Company closed all of its retail banner stores across the U.S. and Canada as of March 23, 2020, except for most stand-alone BABY and Harmon stores, which were categorized as essential given the nature of their products. In May 2020, the Company announced a phased approach to re-open its stores in compliance with relevant government directives, and as of the end of July 2020, nearly all of its stores reopened. The Company cannot predict, however, whether reopened stores will remain open, particularly as the regions in which it operates are experiencing a resurgence of reported new cases of COVID-19 and hospitalizations. In response to the health risks caused by the COVID-19 pandemic, the Company expanded its recently rolled out Buy Online Pick Up In Store ("BOPIS"), contactless Curbside Pickup and Same Day Delivery services to cover the vast majority of its stores.

The consequences of the pandemic and impact to the economy continue to evolve and the full extent of the impact is uncertain as of the date of this filing. To date, the pandemic has materially disrupted the operations of the Company and has resulted in the recording of additional non-cash impairment charges. The Company had proactively taken steps to strengthen its financial position and liquidity, including, among other things: (i) renegotiating payment terms for goods, services and rent, managing to lower inventory levels, and reducing discretionary spending such as business travel, advertising and expenses associated with the maintenance of stores that were temporarily closed; (ii) deferring other previously planned capital expenditures; (iii) suspending dividends; and (iv) prioritizing spending on essential capital expenditures to drive strategic growth plans, including investments in digital, BOPIS and contactless Curbside Pickup services. The Company had also suspended its plans for debt reduction and postponed share repurchases, but lifted the debt repurchase suspension in August 2020 and the postponement of share repurchases in October 2020.

In some instances, the renegotiations of lease terms have led to agreements with landlords for rent abatements or rental deferrals. Total payments withheld and/or delayed or deferred as of February 27, 2021 were approximately \$9.6 million and are included in current lease liabilities. During the fiscal year ended February 27, 2021, the Company recognized reduced rent expense of \$10.3 million related to rent abatement concessions. Additional negotiations of payment terms are still in process, and there can be no assurance that the Company will be able to successfully renegotiate payment terms with its business partners, and the ultimate outcomes of these activities, including the responses of certain business partners, are not yet known. The COVID-19 pandemic has materially adversely impacted the Company's results of operations and cash flows in fiscal 2020, and it could continue to impact results of operations and cash flows, as well as the Company's financial condition. Given the uncertainty regarding the spread of this virus and the timing of the economic recovery, the ultimate financial impact cannot be reasonably predicted or estimated at this time.

Further, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted in the United States. The CARES Act is an emergency economic aid package to help mitigate the impact of the COVID-19 pandemic. Among other things, the CARES Act provides certain changes to tax laws, which may impact the Company's results of operations, financial position and cash flows. The Company is currently implementing certain provisions of the CARES Act, such as deferring employer payroll taxes and utilizing the ability to carry back and deduct losses to offset prior income in previously filed tax returns. As of February 27, 2021, the Company has deferred \$3.1 million of employer payroll taxes, of which 50% are required to be deposited by December 2021 and the remaining 50% by December 2022. During the fiscal year ended February 27, 2021, under the CARES Act, the Company recorded an additional \$41.0 million benefit as a result of the fiscal 2019 net operating losses and a \$111.0 million benefit as a result of the fiscal 2020 net operating losses, both of which can now be carried back to prior years during which the federal tax rate was 35%. In addition, during the fiscal year ended February 27, 2021, the Company recorded credits of \$33.3 million as an offset to selling, general and administrative expenses as a result of the employee retention credits made available under the CARES Act for U.S. employees and under the Canada Emergency Wage Subsidy for Canadian employees.

### 3. RESTRUCTURING AND TRANSFORMATION ACTIVITIES

---

#### *Fiscal 2020 Restructuring Charges*

The Company recorded \$149.3 million within cost of sales and restructuring and transformation initiative expenses in its consolidated statements of operations for fiscal 2020 for costs associated with its planned store closures as part of the network optimization plan for which the store closure process has commenced, workforce reduction and other transformation initiatives.

As part of the Company's ongoing business transformation, on July 6, 2020, the Board of Directors of the Company approved the planned closure of approximately 200 mostly Bed Bath & Beyond stores by the end of fiscal 2021 as part of the Company's store network optimization program, 144 of which have been closed as of February 27, 2021. In fiscal 2020, the Company recorded costs associated with its planned store closures for which the store closing process has commenced of \$21.0 million within cost of sales, \$5.3 million of severance costs and \$39.2 million of lease-related and other costs within restructuring and transformation initiative expenses in its consolidated statements of operations. At this point, the Company is unable to estimate the amount or range of amounts expected to be incurred in connection with future store closures and will provide such estimates as they become available.

In addition, during the second quarter of fiscal 2020, the Company announced a major realignment of its organizational structure as part of its transformation initiative, to further simplify the Company's operations, support investment in its strategic growth plans, and provide additional financial flexibility. In connection with the organizational realignment, the Company implemented a workforce reduction of approximately 2,800 roles from across its corporate headquarters and retail stores. During the second quarter of fiscal 2020, the Company recorded pre-tax restructuring charges of approximately \$23.1 million within restructuring and transformation initiative expenses in its consolidated statements of operations, related to severance and associated costs for this workforce reduction, all of which have been paid during fiscal 2020.

During fiscal 2020, the Company also recorded costs of approximately \$26.1 million within cost of sales and \$34.6 million within restructuring and transformation initiative expenses in its consolidated statements of operations related to other transformation initiatives.

#### *Fiscal 2019 Restructuring Charges*

During fiscal 2019, the Company expensed pre-tax restructuring charges of approximately \$102.5 million, primarily for severance and related costs in conjunction with its transformation initiatives and extensive leadership changes, within selling, general and administrative expenses in its consolidated statement of operations. As of February 27, 2021 and February 29, 2020, the accrual for the pre-tax restructuring charges was approximately \$17.7 million and \$73.4 million, respectively, primarily reflecting payments of \$54.6 million during fiscal 2020.

### 4. FAIR VALUE MEASUREMENTS

---

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., "the exit price") in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various valuation approaches, including quoted market prices and discounted cash flows. The hierarchy for inputs used in measuring fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect a company's judgment concerning the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset or liability must be classified in its entirety based on the lowest level of input that is significant to the measurement of fair value. The fair value hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 — Valuations based on quoted prices in active markets for identical instruments that the Company is able to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 — Valuations based on quoted prices in active markets for instruments that are similar, or quoted prices in markets that are not active for identical or similar instruments, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.



The Company did not have any financial assets utilizing Level 2 inputs. Financial assets utilizing Level 3 inputs included long term investments in auction rate securities consisting of preferred shares of closed end municipal bond funds (See "Investment Securities," Note 5).

The Company's financial instruments include cash and cash equivalents, investment securities, accounts payable, long term debt and certain other liabilities. The book value of the Company's financial instruments, excluding long term debt, is representative of their fair values. The Company's investment securities at February 29, 2020 consisted primarily of U.S. Treasury securities, which are stated at amortized cost and are based on quoted prices in active markets for identical instruments (Level 1 valuation). As of February 27, 2021 and February 29, 2020, the fair value of the Company's long term debt was approximately \$1.118 billion and \$1.126 billion, respectively, which is based on quoted prices in active markets for identical instruments (i.e., Level 1 valuation), compared to the carrying value of approximately \$1.195 billion and \$1.495 billion, respectively.

## 5. INVESTMENT SECURITIES

The Company's investment securities as of February 27, 2021 and February 29, 2020 are as follows:

(in millions)	February 27, 2021	February 29, 2020
Available-for-sale securities:		
Long term	\$ 19.4	\$ 20.3
Held-to-maturity securities:		
Short term	—	385.6
Total investment securities	\$ 19.4	\$ 405.9

### Auction Rate Securities

As of February 27, 2021 and February 29, 2020, the Company's long term available-for-sale investment securities represented approximately \$20.3 million, par value of auction rate securities, consisting of preferred shares of closed end municipal bond funds, less a temporary valuation adjustment of approximately \$830,000 as of February 27, 2021 and plus a temporary valuation adjustment of approximately \$5,000 as of February 29, 2020. Since these valuation adjustments are deemed to be temporary, they are recorded in accumulated other comprehensive loss, net of a related tax benefit, and did not affect the Company's net earnings.

### U.S. Treasury Securities

As of February 27, 2021, there were no short-term held-to-maturity securities. As of February 29, 2020 the Company had \$385.6 million of short term held-to maturity securities, consisting of U.S. Treasury Bills with remaining maturities of less than one year. These securities are stated at their amortized cost, which approximates fair value.

## 6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

(in thousands)	February 27, 2021	February 29, 2020
Land and buildings	\$ 24,840	\$ 261,743
Furniture, fixtures and equipment	502,869	718,159
Leasehold improvements	721,039	1,082,765
Computer equipment and software	1,355,758	1,376,931
Total	2,604,506	3,439,598
Less: Accumulated depreciation	(1,686,088)	(2,008,994)
Property and equipment, net	\$ 918,418	\$ 1,430,604

## 7. LONG TERM DEBT

### Senior Unsecured Notes

On July 17, 2014, the Company issued \$300 million aggregate principal amount of 3.749% senior unsecured notes due August 1, 2024, \$300 million aggregate principal amount of 4.915% senior unsecured notes due August 1, 2034 and \$900 million aggregate principal amount of 5.165% senior unsecured notes due August 1, 2044 (collectively, the "Notes"). Interest on the Notes is payable semi-annually on February 1 and August 1 of each year.

The Notes were issued under an indenture (the "Base Indenture"), as supplemented by a first supplemental indenture (together, with the Base Indenture, the "Indenture"), which contains various restrictive covenants, which are subject to important limitations and exceptions that are described in the Indenture. The Company was in compliance with all covenants related to the Notes as of February 27, 2021.

On August 10, 2020, the Company announced that it lifted its temporary suspension of planned debt reductions and had commenced cash tender offers (the "Cash Tender Offers") to purchase up to \$300 million aggregate principal amount of its outstanding 4.915% senior unsecured notes due 2034 and 5.165% senior unsecured notes due 2044. On August 24, 2020, the Company announced the successful early results and early settlement date of its Cash Tender Offers. On August 28, 2020, the Company completed its Cash Tender Offers to purchase approximately \$75.0 million aggregate principal amount of its 4.915% senior unsecured notes due 2034 and approximately \$225.0 million aggregate principal amount of its 5.165% senior unsecured notes due 2044. The total consideration paid for the notes accepted for purchase of \$220.9 million included an early tender premium of \$50 per \$1,000 principal amount of the notes accepted for purchase, plus accrued and unpaid interest up to, but not including, the early settlement date. The Company recorded a gain on extinguishment of debt of \$77.0 million in its consolidated statement of operations for the fiscal year ended February 27, 2021, including the write off of unamortized debt financing costs related to the extinguished portion of the notes accepted for purchase and reacquisition costs. In fiscal 2018, the Company purchased and retired approximately \$4.6 million of senior unsecured notes due August 1, 2024.

As of February 27, 2021 and February 29, 2020, unamortized deferred financing costs associated with the Company's 3.749% senior unsecured notes due 2024, 4.915% senior unsecured notes due 2034 and 5.165% senior unsecured notes due 2044 were \$5.0 million and \$7.0 million, respectively, and are included in long-term debt in the Company's consolidated balance sheets.

### Asset-Based Credit Agreement

On June 19, 2020, the Company entered into a secured asset-based credit agreement (the "Credit Agreement") among the Company, certain of the Company's U.S. and Canadian subsidiaries party thereto, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (in such capacity, the "Agent"), and the lenders party thereto, which replaced the Company's previous \$250 million five year senior unsecured revolving credit facility agreement maturing November 14, 2022 ("Revolver"), as well as the Company's two prior \$100 million uncommitted lines of credit.

The Credit Agreement provides for a secured asset-based revolving credit facility (the "ABL Facility") with aggregate revolving commitments established at closing of \$850 million, including a swingline subfacility and a letter of credit subfacility. The Credit Agreement has an uncommitted expansion feature which allows the Company to request, at any time following the delivery of an initial field exam and appraisal, an increase in aggregate revolving commitments under the ABL Facility or elect to enter into a first-in-last-out loan facility, collectively, in an aggregate amount of up to \$375 million, subject to certain customary conditions. The Credit Agreement matures on June 19, 2023. The proceeds advanced under the Credit Agreement were used to refinance \$236.4 million in borrowings outstanding under the Revolver. These borrowings were fully repaid in August 2020. As of February 27, 2021, the Company had no loans outstanding under the ABL Facility, but had outstanding letters of credit of \$142.0 million.

The ABL Facility is secured on a first priority basis (subject to customary exceptions) on all accounts receivable (including credit card receivables), inventory, certain deposit accounts and securities accounts, and certain related assets, of the Company and its subsidiaries that are borrowers or guarantors under the ABL Facility. Amounts available to be drawn from time to time under the ABL Facility (including, in part, in the form of letters of credit) are equal to the lesser of (i) outstanding revolving commitments under the Credit Agreement and (ii) a borrowing base equal to the sum of (a) 90% of eligible credit card receivables, plus (b) 90% of eligible inventory, valued at the lower of cost or market value, determined on a weighted average cost basis, minus (c) customary reserves.

Subject to customary exceptions and restrictions, the Company may voluntarily repay outstanding amounts under the ABL Facility at any time without premium or penalty. Any voluntary prepayments made will not reduce commitments under the ABL Facility. If at any time the outstanding amount under the ABL Facility exceeds the lesser of (i) the aggregate revolving commitments and (ii) the borrowing base, the Company will be required to prepay outstanding amounts or cash collateralize letter of credit obligations under the ABL Facility.

The Credit Agreement contains a mandatory prepayment provision which provides that if at any time (i) the aggregate amount of unrestricted cash and cash equivalents of the Company and its consolidated subsidiaries would exceed \$100 million and (ii) the aggregate principal amount of all loans (other than incremental first-in-last-out loans borrowed under the expansion feature of the Credit Agreement) exceeds \$600 million, then the borrowers must repay outstanding obligations under the Credit Agreement in an aggregate amount equal to the amount in excess of \$600 million.

Outstanding amounts under the Credit Agreement bear interest at a rate per annum equal to, at the applicable borrower's election: (i) in the case of loans denominated in U.S. dollars, LIBOR or an alternate base rate and (ii) for loans denominated in Canadian dollars, CDOR or the Canadian prime rate, in each case as set forth in the Credit Agreement, plus an interest rate margin based on average quarterly availability ranging from (i) in the case of LIBOR loans and CDOR loans, 2.25% to 2.75%; provided that if LIBOR or CDOR is less than 1.00%, such rate shall be deemed to be 1.00%, as applicable, and (ii) in the case of alternate base rate loans and Canadian prime rate loans, 1.25% to 1.75%; provided that if the alternate base rate or Canadian prime rate is less than 2.00%, such rate shall be deemed to be 2.00%, as applicable.

The Credit Agreement contains customary representations and warranties, events of default and financial, affirmative and negative covenants for facilities of this type, including but not limited to a springing financial covenant relating to a fixed charge coverage ratio, which will become effective if availability under the ABL Facility falls below a specified threshold, and restrictions on indebtedness, liens, investments and acquisitions, asset dispositions, restricted payments (including dividends and share repurchases) and prepayment of certain indebtedness. The Company was in compliance with all covenants related to the Credit Agreement as of February 27, 2021.

As of February 27, 2021 and February 29, 2020, unamortized deferred financing costs associated with the Company's revolving credit facilities were \$6.1 million and \$0.3 million, respectively, and were recorded in other assets in the Company's consolidated balance sheets.

The Company amortizes deferred financing costs for the Notes and the ABL Facility over their respective terms and such amortization is included in interest expense, net in the consolidated statements of operations. Interest expense related to the Notes and the revolving credit facilities, including the commitment fee and the amortization of deferred financing costs, was approximately \$73.6 million for the fiscal year ended February 27, 2021 and \$73.0 million for each of the fiscal years ended February 29, 2020 and March 2, 2019.

## 8. PROVISION FOR INCOME TAXES

The components of the (benefit) provision for income taxes are as follows:

(in thousands)	Fiscal Year Ended		
	February 27, 2021	February 29, 2020	March 2, 2019
Current:			
Federal	\$ (336,506)	\$ 2,455	\$ 61,721
State and local	1,211	(7,973)	22,995
	<b>(335,295)</b>	<b>(5,518)</b>	<b>84,716</b>
Deferred:			
Federal	150,861	(124,578)	(83,576)
State and local	(1,555)	(20,941)	(20,525)
	<b>149,306</b>	<b>(145,519)</b>	<b>(104,101)</b>
	<b>\$ (185,989)</b>	<b>\$ (151,037)</b>	<b>\$ (19,385)</b>

At February 27, 2021 and February 29, 2020, included in other assets are net deferred income tax assets of \$130.0 million and \$276.5 million, respectively. These amounts represent the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred tax assets and liabilities consist of the following:

(in thousands)	February 27, 2021	February 29, 2020
Deferred tax assets:		
Inventories	\$ 13,040	\$ 35,665
Operating lease liabilities	484,290	601,378
Insurance	9,086	20,208
Stock-based compensation	1,014	5,115
Merchandise credits and gift card liabilities	52,584	47,742
Accrued expenses	31,914	51,334
Obligations on distribution facilities	—	26,126
Intangibles	1,008	—
Goodwill	1,596	44,332
Carryforwards and other tax credits	86,914	118,478
Other	34,104	29,539
Valuation allowance:	(26,011)	—
Deferred tax liabilities:		
Depreciation	(105,649)	(110,864)
Intangibles	—	(10,251)
Prepaid expenses	(26,356)	(2,364)
Operating lease assets	(409,535)	(555,642)
Other	(17,977)	(24,268)
	<b>\$ 130,022</b>	<b>\$ 276,528</b>

At February 27, 2021, the Company has federal net operating loss carryforwards of \$4.6 million (tax effected), which will expire between 2025 and 2039, state net operating loss carryforwards of \$33.5 million (tax effected), which will expire between 2020 and 2040, California state enterprise zone credit carryforwards of \$2.1 million (tax effected), which will expire in 2023, but require taxable income in the enterprise zone to be realizable.

The Company assessed the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of existing deferred tax assets in each taxpaying jurisdiction. On the basis of this evaluation, as of February 27, 2021, a valuation allowance of \$10.5 million was recorded relative to the charitable contribution carryforward in the U.S., and a valuation allowance of \$15.5 million was recorded relative to the Company's Canadian net deferred tax asset as the Company does not believe the deferred tax assets in that jurisdiction are more likely than not to be realized; however, the amount of the deferred tax assets considered realizable could be adjusted if estimates of future taxable income during the carryforward period change or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as projections for future growth.

The following table summarizes the activity related to the gross unrecognized tax benefits from uncertain tax positions:

(in thousands)	February 27, 2021	February 29, 2020
Balance at beginning of year	\$ 51,781	\$ 61,937
Increase related to current year positions	69,106	5,009
Increase related to prior year positions	—	3,857
Decrease related to prior year positions	(2,797)	(15,162)
Settlements	(4,981)	(203)
Lapse of statute of limitations	(7,360)	(3,657)
Balance at end of year	\$ 105,749	\$ 51,781

Gross unrecognized tax benefits are classified in non-current income taxes payable (or a contra deferred tax asset) on the consolidated balance sheet for uncertain tax positions taken (or expected to be taken) on a tax return. As of February 27, 2021 and February 29, 2020, approximately \$61.9 million and \$51.8 million, respectively, of gross unrecognized tax benefits would impact the Company's effective tax rate. As of February 27, 2021 and February 29, 2020, the liability for gross unrecognized tax benefits included approximately \$8.1 million and \$9.6 million, respectively, of accrued interest. The Company recognizes interest & penalties for unrecognized tax benefits, as applicable, in income tax expense. The Company recorded a decrease to accrued interest of approximately \$1.5 million for the fiscal year ended February 27, 2021 and an increase of approximately \$1.3 million for the fiscal year ended February 29, 2020 for gross unrecognized tax benefits in the consolidated statement of earnings.

The Company anticipates that any adjustments to gross unrecognized tax benefits which will impact income tax expense, due to the expiration of statutes of limitations, could be approximately \$3.2 million in the next twelve months. However, actual results could differ from those currently anticipated.

As of February 27, 2021, the Company operated in all 50 states, the District of Columbia, Puerto Rico, Canada and several other international countries and files income tax returns in the United States and various state, local and international jurisdictions. The Company is currently under examination by the Internal Revenue Service for the tax year 2017. The Company is open to examination for state, foreign and local jurisdictions with varying statutes of limitations, generally ranging from 3 to 5 years.

The following table summarizes the reconciliation between the effective income tax rate and the federal statutory rate:

	Fiscal Year Ended		
	February 27, 2021	February 29, 2020	March 2, 2019
Federal statutory rate	21.00%	21.00%	21.00%
State income tax rate, net of federal impact	3.94	4.28	(1.38)
Uncertain tax positions	1.63	1.33	7.24
Impact of the Tax Act	—	—	2.70
Goodwill non-deductible impairment charges	—	(4.84)	(18.64)
Tax deficiencies related to stock-based compensation	(3.18)	(3.07)	(6.48)
Tax credits	0.41	0.49	4.53
CARES Act	35.98	—	—
Valuation Allowance	(7.74)	—	—
Other	3.13	0.56	3.41
	55.17%	19.75%	12.38%

## 9. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

---

In fiscal 2002, the Company had an interest in certain life insurance policies on the lives of its Co-Founders and their spouses. The Company's interest in these policies was equivalent to the net premiums paid by the Company. The agreements relating to the Company's interest in the life insurance policies on the lives of its Co-Founders and their spouses were terminated in fiscal 2003. Upon termination in fiscal 2003, the Co-Founders paid to the Company \$5.4 million, representing the total amount of premiums paid by the Company under the agreements and the Company was released from its contractual obligation to make substantial future premium payments. In order to confer a benefit to its Co-Founders in substitution for the aforementioned terminated agreements, as of February 27, 2004, the Company agreed to pay to the Co-Founders, at a future date, an aggregate amount of \$4.2 million, which was included in accrued expenses and other current liabilities as of February 29, 2020. During the first quarter of fiscal 2020, the Company paid the Co-Founders this amount in accordance with the terms of the prior agreements entered into as of February 27, 2004. The Company has no further obligations to Messrs. Eisenberg or Feinstein in respect of the aforementioned agreements.

On April 21, 2019, Warren Eisenberg and Leonard Feinstein transitioned to the role of Co-Founders and Co-Chairmen Emeriti of the Board of Directors of the Company. As a result of this transition, Messrs. Eisenberg and Feinstein ceased to be officers of the Company effective as of April 21, 2019, and became entitled to the payments and benefits provided under their employment agreements that apply in the case of termination without cause, which generally include continued senior status payments until May 2027 and continued participation for Co-Founders (and their spouses, if applicable) at the Company's expense in employee plans and programs. In addition, the Co-Founders remain entitled to supplemental pension payments specified in their employment agreements of \$200,000 per year (as adjusted for a cost of living increase), until the death of the survivor of the applicable Co-Founder and his spouse, reduced by the continued senior status payments referenced above.

Pursuant to their respective restricted stock and performance stock unit agreements, shares of restricted stock and performance-based stock units granted to Messrs. Eisenberg and Feinstein vested upon their resignation as members of the Board of Directors effective May 1, 2019, subject, however, to attainment of any applicable performance goals and the certification of the applicable performance-based tests by the Compensation Committee, as provided under their award agreements.

## 10. LEASES

---

The Company leases retail stores, as well as distribution facilities, offices and equipment, under agreements expiring at various dates through 2041. The leases provide for original lease terms that generally range from 10 to 15 years and most leases provide for a series of five year renewal options, often at increased rents, the exercise of which is at the Company's sole discretion. Certain leases provide for contingent rents (which are based upon store sales exceeding stipulated amounts and are immaterial in fiscal 2020, 2019 and 2018), scheduled rent increases and renewal options. The Company is obligated under a majority of the leases to pay for taxes, insurance and common area maintenance charges.

The Company subleases certain real estate to unrelated third parties, which have all been classified as operating leases. The Company recognizes sublease income on a straight-line basis over the sublease term, which generally ranges from 5 to 10 years. Most sublease arrangements provide for a series of five year renewal options, the exercise of which are at the Company's sole discretion.

Similar to other retailers, during the fiscal year ended February 27, 2021, the Company has withheld portions of and/or delayed payments to certain landlords as the Company seeks to renegotiate payment terms, in order to further maintain liquidity given the temporary store closures. In some instances, the renegotiations have led to agreements with landlords for rent abatements or rental deferrals. Total payments withheld and/or delayed or deferred as of February 27, 2021 were approximately \$9.6 million and are included in current liabilities. Additional negotiations of payment terms are still in process.

In accordance with the Financial Accounting Standards Board's recent Staff Q&A regarding rent concessions related to the effects of the COVID-19 pandemic, the Company has elected to account for the concessions agreed to by landlords that do not result in a substantial increase in the rights of the lessor or the obligations of the lessee as though enforceable rights and obligations for those concessions existed in the original lease agreements and the Company has elected to not remeasure the related lease liabilities and right-of-use assets. For qualifying rent abatement concessions, the Company has recorded negative lease expense for the amount of the concession during the period of relief, and for qualifying deferrals of rental payments, the Company has recognized a non-interest bearing payable in lieu of recognizing a decrease in cash for the lease payment that would have been made based on the original terms of the lease agreement, which will be reduced when the deferred payment is made in the future. During the fiscal year ended February 27, 2021, the Company recognized reduced rent expense of \$10.3 million related to rent abatement concessions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The components of total lease cost for the fiscal year ended February 27, 2021 and February 29, 2020 were as follows:

(in thousands)	Statement of Operations Location	Fiscal year ended February 27, 2021	Fiscal Year Ended February 29, 2020
Operating lease cost	Cost of sales and SG&A	\$ 582,168	\$ 581,061
Finance lease cost:			
Depreciation of property	SG&A	2,500	2,591
Interest on lease liabilities	Interest expense, net	7,755	8,927
Variable lease cost	Cost of sales and SG&A	189,485	203,526
Sublease income	SG&A	(12,574)	(1,112)
<b>Total lease cost</b>		<b>\$ 769,334</b>	<b>\$ 794,993</b>

As of February 27, 2021 and February 29, 2020, assets and liabilities related to the Company's operating and finance leases were as follows:

(in thousands)	Consolidated Balance Sheet Location	February 27, 2021	February 29, 2020
<b>Assets</b>			
Operating leases	Operating lease assets	\$ 1,587,101	\$ 2,006,966
Finance leases	Property and equipment, net	—	69,287
<b>Total Lease assets</b>		<b>\$ 1,587,101</b>	<b>\$ 2,076,253</b>
<b>Liabilities</b>			
Current:			
Operating leases	Current operating lease liabilities	\$ 360,061	\$ 463,005
Finance leases	Accrued expenses and other current liabilities	—	1,541
Noncurrent:			
Operating leases	Operating lease liabilities	1,509,767	1,818,783
Finance leases	Other liabilities	—	102,412
<b>Total lease liabilities</b>		<b>\$ 1,869,828</b>	<b>\$ 2,385,741</b>

As of February 27, 2021, the Company's lease liabilities mature as follows:

(in thousands)	Operating Leases
Fiscal Year:	
2021	\$ 462,703
2022	409,076
2023	338,706
2024	282,472
2025	219,807
Thereafter	617,804
<b>Total lease payments</b>	<b>\$ 2,330,568</b>
Less imputed interest	\$ (460,740)
<b>Present value of lease liabilities</b>	<b>\$ 1,869,828</b>

As of February 27, 2021, the Company has entered into leases which have not yet commenced for two new or relocated locations planned for opening in fiscal 2021, for which aggregate minimum rental payments over the term of the leases are approximately \$7.7 million.

The Company's lease terms and discount rates were as follows:

	February 27, 2021	February 29, 2020
Weighted-average remaining lease term (in years)		
Operating leases	6.8	6.6
Finance leases	—	25.7
Weighted-average discount rate		
Operating leases	6.4%	6.2%
Finance leases	—%	9.0%

Other information with respect to the Company's leases is as follows:

(in thousands)	Fiscal year ended February 27, 2021	Fiscal Year Ended February 29, 2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 646,981	\$ 580,030
Operating cash flows from finance leases	9,295	10,401
Operating lease assets obtained in exchange for new operating lease liabilities	305,614	548,856

During December 2019, the Company completed a sale-leaseback transaction on approximately 2.1 million square feet of owned real estate, which generated approximately \$267.3 million in proceeds. As a result of the transaction, the Company recorded a loss, including transaction costs of approximately \$5.7 million, of approximately \$33.1 million which is included in selling, general and administrative expenses in the consolidated statement of operations for the fiscal year ended February 29, 2020. All leases entered into as a result of the sale-leaseback transaction were classified as operating leases. For certain assets included in the transaction, the Company determined that the fair value of the assets was less than the consideration received. As a result, the Company recognized a financing obligation in the amount of \$14.5 million, for the additional financing obtained from the buyer. As of February 27, 2021, the financing obligation amounted to \$13.8 million, of which \$0.7 million is included in accrued expenses and other current liabilities, and \$13.1 million is included in other liabilities, in the consolidated balance sheets.

## 11. EMPLOYEE BENEFIT PLANS

### Defined Contribution Plans

The Company has three defined contribution savings plans covering all eligible employees of the Company (the "Plans"). Participants of the Plans may defer annual pre-tax compensation subject to statutory and Plan limitations. In addition, a certain percentage of an employee's contributions are matched by the Company and vest over a specified period of time, subject to certain statutory and Plan limitations. The Company's match was approximately \$10.6 million, \$13.7 million, and \$15.5 million for fiscal 2020, 2019 and 2018, respectively, which was expensed as incurred.

### Defined Benefit Plan

The Company has a non-contributory defined benefit pension plan for the CTS employees, hired on or before July 31, 2003, who meet specified age and length-of-service requirements. The benefits are based on years of service and the participating employee's compensation up until retirement. The Company recognizes the overfunded or underfunded status of the pension plan as an asset or liability in its statement of financial position and recognizes changes in the funded status in the year in which the changes occur. For the years ended February 27, 2021, February 29, 2020 and March 2, 2019, the net periodic pension cost was not material to the Company's results of operations. As of February 27, 2021 and February 29, 2020, the Company had liabilities of \$3.6 million and \$3.2 million, respectively, which are included in other liabilities in the Company's consolidated balance sheets. In addition, as of February 27, 2021 and February 29, 2020, the Company recognized a loss of \$8.4 million, net of taxes of \$3.0 million, and a loss of \$8.5 million, net of taxes of \$3.0 million, respectively, within accumulated other comprehensive loss.

The Company remained liable for this plan upon its divestiture of CTS during fiscal 2020 and is in the process of terminating this plan. During the year ended February 27, 2021, the Company released \$2.1 million from other comprehensive income in connection with the partial settlement of the plan in December 2020, which is recorded within loss on sale of businesses, including impairment of assets held for sale, in the consolidated statements of operations.



## 12. COMMITMENTS AND CONTINGENCIES

A putative securities class action was filed on April 14, 2020 against the Company and three of its officers and/or directors (Mark Tritton, Mary Winston (the Company's former Interim Chief Executive Officer) and Robyn D'Elia (the Company's former Chief Financial Officer and Treasurer)) in the United States District Court for the District of New Jersey (the "New Jersey federal court"). The case, which is captioned *Vitiello v. Bed Bath & Beyond Inc., et al.*, Case No. 2:20-cv-04240-MCA-MAH, asserts claims under §§ 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") on behalf of a putative class of purchasers of the Company's securities from October 2, 2019 through February 11, 2020. The Complaint alleges that certain of the Company's disclosures about financial performance and certain other public statements during the putative class period were materially false or misleading. A similar putative securities class action, asserting the same claims on behalf of the same putative class against the same defendants, was filed on April 30, 2020. That case, captioned *Kirkland v. Bed Bath & Beyond Inc., et al.*, Case No. 1:20-cv-05339-MCA-MAH, is also pending in the United States District Court for the District of New Jersey. On August 14, 2020, the court consolidated the two cases and appointed Kavin Bakhda as lead plaintiff pursuant to the Private Securities Litigation Reform Act of 1995. Lead plaintiff and additional named plaintiff Richard Lipka filed an Amended Class Action Complaint on October 20, 2020, on behalf of a putative class of purchasers of the Company's securities from September 4, 2019 through February 11, 2020. Defendants moved to dismiss the Amended Complaint on December 21, 2020.

On July 10, 2020, the first of three related shareholder derivative actions was filed in the New Jersey federal court on behalf of the Company against various present and former directors and officers. The case, which is captioned *Salu v. Tritton, et al.*, Case No. 2:20-cv-08673-MCA-MAH (D.N.J.), asserts claims under §§ 10(b) and 20(a) of the Exchange Act and for breach of fiduciary duty, unjust enrichment, and waste of corporate assets under state law arising from the events underlying the securities class actions described above and from the Company's repurchases of its own shares during the class period pled in the securities cases. The two other derivative actions, which assert similar claims, are captioned *Grooms v. Tritton, et al.*, Case No. 2:20-cv-09610-SDW-RDW (D.N.J.) (filed July 29, 2020), and *Mantia v. Fleming, et al.*, Case No. 2:20-cv-09763-MCA-MAH (D.N.J.) (filed July 31, 2020). On August 5, 2020, the court signed a stipulation by the parties in the *Salu* case to stay that action pending disposition of a motion to dismiss in the securities class action, subject to various terms outlined in the stipulation. The parties in all three derivative cases have moved to consolidate them and to apply the *Salu* stay of proceedings to all three actions. The court granted the motion on October 14, 2020.

On August 28, 2020, another related shareholder derivative action, captioned *Schneider v. Tritton, et al.*, Index No 516051/2020, was filed in the Supreme Court of the State of New York, County of Kings. The claims pled in the *Schneider* case are similar to those pled in the three federal derivative cases, except that the *Schneider* complaint does not plead claims under the Exchange Act. On September 21, 2020, the parties filed a stipulation seeking to stay that action pending disposition of a motion to dismiss in the securities class action, subject to various terms and conditions.

At this time, the Company is unable to estimate any potential losses that may be incurred and has not recorded a liability for the above matters.

The District Attorney's office for the County of Ventura, together with District Attorneys for other counties in California (together, the "District Attorneys"), recently concluded an investigation regarding the management and disposal at the Company's stores in California of certain materials that may be deemed hazardous or universal waste under California law. On March 19, 2019, the District Attorneys provided the Company with a settlement demand that included a proposed civil penalty, reimbursement of investigation costs, and certain injunctive relief, including modifications to the Company's existing compliance program, which already includes associate training, on-going review of disposal rules applicable to various product categories, and specialized third-party disposal. During fiscal 2020, the Company and the District Attorneys agreed to final terms on a settlement payment of approximately \$1.5 million to resolve the matter. The Company has also agreed to spend \$171,000 over the next 36 months on refinements to its compliance program. The Company and District Attorneys executed a Stipulated Judgment to this effect, which was recently filed with the court. As of February 29, 2020, the Company had recorded an accrual for the estimated probable loss for this matter, and the Company made the related settlement payment during the fourth quarter of fiscal 2020.

On April 21, 2019, Warren Eisenberg and Leonard Feinstein transitioned to the role of Co-Founders and Co-Chairmen Emeriti of the Board of Directors of the Company. As a result of this transition, Mr. Eisenberg and Mr. Feinstein ceased to be officers of the Company effective as of April 21, 2019, and became entitled to the payments and benefits provided under their employment agreements that apply in the case of a termination without cause, which generally include continued senior status payments until May 2027 and continued participation for the Co-Founders (and their spouses, if applicable) at the Company's expense in employee plans and programs. In addition, the Co-Founders remain entitled to supplemental pension payments specified in their employment agreements of \$200,000 per year (as adjusted for a cost of living increase), until the death of the survivor of the applicable Co-Founder and his spouse, reduced by the continued senior status payments referenced above.

Pursuant to their respective restricted stock and performance stock unit agreements, shares of restricted stock and performance-based stock units granted to Messrs. Eisenberg and Feinstein vested upon their resignation as members of the Board of Directors effective May 1, 2019, subject, however, to attainment of any applicable performance goals and the certification of the applicable performance-based tests by the Compensation Committee, as provided under their award agreements.

The Company's former Chief Executive Officer ("Former CEO") departed the Company effective as of May 12, 2019. In accordance with the terms of the Former CEO's employment and equity award agreements, the Former CEO was entitled to three times his then-current salary, payable over three years in normal payroll installments, except that any amount due prior to the six months after his departure, was paid in a lump sum after such six-month period. Such amounts will be reduced by any compensation earned with any subsequent employer or otherwise and will be subject to the Former CEO's compliance with a one-year non-competition and non-solicitation covenant. On October 21, 2019, the Former CEO entered into an agreement (the "Former CEO PSU settlement agreement") with the Company to reduce the PSUs held by him by an excess amount of outstanding PSUs granted to the Former CEO in the Company's 2018 fiscal year as a result of the use of the fiscal 2017 peer group in lieu of the fiscal 2018 peer group. Further, as a result of this departure, the time-vesting component of the Former CEO's stock-based awards accelerated, including (i) stock options (which were "underwater" and expired without having been exercised by the Former CEO), (ii) PSU awards which had previously met the related performance-based test, had been certified by the Compensation Committee, and remained subject solely to time-vesting, and (iii) PSU awards (assuming target level of performance) which remain subject to attainment of any performance goals and the certification of the applicable performance-based tests by the Compensation Committee, as provided under his award agreements and subject to the terms of the Former CEO PSU settlement agreement.

The Former CEO was also party to a supplemental executive retirement benefit agreement ("SERP") and a related escrow agreement, pursuant to which the Former CEO was entitled to receive a supplemental retirement benefit as a result of the separation from service from the Company. Pursuant to the SERP, as a result of the separation from service with the Company as of May 12, 2019 being treated as a termination without cause, the Former CEO was entitled to a lump sum payment equal to the present value of an annual amount equal to 50% of the Former CEO's annual base salary on the date of termination of employment if such annual amount were paid for a period of 10 years in accordance with the Company's normal payroll practices, subject to the Former CEO's timely execution and non-revocation of a release of claims in favor of the Company (which occurred). This amount was paid on November 13, 2019, the first business day following the six-month anniversary of the Former CEO's termination of service. The Company has no further obligations to the Former CEO under the SERP.

During fiscal 2019, the Company expensed pre-tax charges related to both the transition of Messrs. Eisenberg and Feinstein to the role of Co-Founders and Co-Chairmen Emeriti of the Board of Directors of the Company and the departure of the Former CEO of approximately \$36.8 million.

In addition, the Company maintains employment agreements with other executives which provide for severance pay.

The Company records an estimated liability related to its various claims and legal actions arising in the ordinary course of business when and to the extent that it concludes a liability is probable and the amount of the loss can be reasonably estimated. Such estimated loss is based on available information and advice from outside counsel, where appropriate. As additional information becomes available, the Company reassesses the potential liability related to claims and legal actions and revises its estimated liabilities, as appropriate. The Company expects the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. The Company also cannot predict the nature and validity of claims which could be asserted in the future, and future claims could have a material impact on its earnings.

### 13. SUPPLEMENTAL CASH FLOW INFORMATION

---

The Company paid income taxes of \$4.8 million, \$44.8 million, and \$61.3 million in fiscal 2020, 2019 and 2018, respectively. In addition, the Company had interest payments of approximately \$75.5 million, \$81.2 million, and \$81.4 million in fiscal 2020, 2019 and 2018, respectively.

The Company recorded an accrual for capital expenditures of \$44.6 million, \$36.9 million, and \$51.7 million as of February 27, 2021, February 29, 2020 and March 2, 2019, respectively. In addition, the Company recorded an accrual for dividends payable of \$2.1 million, \$26.4 million, \$28.3 million as of February 27, 2021, February 29, 2020, and March 2, 2019 respectively. In fiscal 2018, the Company recorded a \$31.1 million note receivable in connection with the sale of a building.

## 14. STOCK-BASED COMPENSATION

---

The Company measures all stock-based compensation awards for employees and non-employee directors using a fair value method and records such expense, net of estimated forfeitures, in its consolidated financial statements. Currently, the Company's stock-based compensation relates to restricted stock awards, stock options, restricted stock units and performance stock units. The Company's restricted stock awards are considered nonvested share awards.

Stock-based compensation expense for the fiscal year ended February 27, 2021, February 29, 2020 and March 2, 2019 was approximately \$31.6 million (\$14.1 million after tax or \$0.12 per diluted share), \$45.7 million (\$36.7 million after tax or \$0.29 per diluted share), and approximately \$58.5 million (\$51.3 million after tax or \$0.38 per diluted share), respectively. In addition, the amount of stock-based compensation cost capitalized for the years ended February 27, 2021 and February 29, 2020 was approximately \$0.8 million and \$0.5 million, respectively.

### Incentive Compensation Plans

The Company may grant awards under the Bed Bath & Beyond 2018 Incentive Compensation Plan (the "2018 Plan") and the Bed Bath & Beyond 2012 Incentive Compensation Plan (the "2012 Plan"). The 2018 Plan includes an aggregate of 4.6 million shares of common stock authorized for issuance of awards permitted under the 2018 Plan, including stock options, stock appreciation rights, restricted stock awards, performance awards and other stock based awards. The 2018 Plan supplements the 2012 Plan, which amended and restated the Bed Bath & Beyond 2004 Incentive Compensation Plan (the "2004 Plan"). The 2012 Plan includes an aggregate of 43.2 million common shares authorized for issuance of awards permitted under the 2012 Plan (similar to the 2018 Plan). Outstanding awards that were covered by the 2004 Plan continue to be in effect under the 2012 Plan.

The terms of the 2012 Plan and the 2018 Plan are substantially similar and enable the Company to offer incentive compensation through stock options (whether nonqualified stock options or incentive stock options), restricted stock awards, stock appreciation rights, performance awards and other stock based awards, and cash-based awards. Grants are determined by the Compensation Committee of the Board of Directors of the Company for those awards granted to executive officers, and by the Board of Directors of the Company for awards granted to non-employee directors. Stock option grants generally become exercisable in either three or five equal annual installments beginning one year from the date of grant, subject, in general, to the recipient remaining in the Company's service on specified vesting dates. Restricted stock awards generally become vested in five to seven equal annual installments beginning one to three years from the date of grant, subject, in general, to the recipient remaining in the Company's service on specified vesting dates. Performance stock units generally vest over a period of three to four years from the date of grant dependent on the Company's achievement of performance-based tests and subject, in general, to the executive remaining in the Company's service on specified vesting dates.

The Company generally issues new shares for stock option exercises, restricted stock awards and vesting of restricted stock units and performance stock units. The 2018 Plan expires in May 2028. The 2012 Plan expires in May 2022.

As described in further detail below, in fiscal 2020 and 2019, the Company granted stock-based awards to certain of the Company's new executive officers as inducements material to their commencement of employment and entry into an employment agreement with the Company. The inducement awards were made in accordance with Nasdaq Listing Rule 5635(c)(4) and were not made under the 2012 Plan or the 2018 Plan.

### Stock Options

Stock option grants were issued at fair market value on the date of grant and generally became exercisable in either three or five equal annual installments beginning one year from the date of grant, subject, in general, to the recipient remaining in the Company's service on specified vesting dates. Option grants expired eight years after the date of grant. All option grants were nonqualified. During the fiscal year ended February 27, 2021, the remaining 822,633 options outstanding were forfeited and there were no options outstanding as of February 27, 2021.

For the fiscal year ended February 27, 2021, no stock options were granted. For stock options granted in fiscal 2019 and 2018, the fair value of these stock options granted were estimated on the date of grant using a Black-Scholes option-pricing model that used the assumptions noted in the table below. The weighted average fair value for the stock options granted in fiscal 2019 and 2018 were \$4.18 and \$4.31, respectively.

Black-Scholes Valuation Assumptions <sup>(1)</sup>	Fiscal Year Ended	
	February 29, 2020	March 2, 2019
Weighted Average Expected Life (in years) <sup>(2)</sup>	7.6	6.7
Weighted Average Expected Volatility <sup>(3)</sup>	39.41%	34.96%
Weighted Average Risk Free Interest Rates <sup>(4)</sup>	2.39%	2.92%
Expected Dividend Yield <sup>(5)</sup>	4.34%	3.80%

<sup>(1)</sup> Forfeitures were estimated based on historical experience.

<sup>(2)</sup> The expected life of stock options was estimated based on historical experience.

<sup>(3)</sup> Expected volatility was based on the average of historical and implied volatility. The historical volatility was determined by observing actual prices of the Company's stock over a period commensurate with the expected life of the awards. The implied volatility represented the implied volatility of the Company's call options, which were actively traded on multiple exchanges, had remaining maturities in excess of twelve months, had market prices close to the exercise prices of the employee stock options and were measured on the stock option grant date.

<sup>(4)</sup> Based on the U.S. Treasury constant maturity interest rate whose term was consistent with the expected life of the stock options.

<sup>(5)</sup> Expected dividend yield was estimated based on anticipated dividend payouts.

No stock options were exercised during fiscal 2020 and 2018. The total intrinsic value for stock options exercised during fiscal 2019 was \$0.1 million.

## Restricted Stock

Restricted stock awards are issued and measured at fair market value on the date of grant and generally become vested in five to seven equal annual installments beginning one to three years from the date of grant, subject, in general, to the recipient remaining in the Company's service on specified vesting dates. Vesting of restricted stock is based solely on time vesting. As of February 27, 2021, unrecognized compensation expense related to the unvested portion of the Company's restricted stock awards was \$20.4 million, which is expected to be recognized over a weighted average period of 2.9 years.

Changes in the Company's restricted stock awards for the fiscal year ended February 27, 2021 were as follows:

(Shares in thousands)	Number of Restricted Shares	Weighted Average Grant-Date Fair Value
Unvested restricted stock awards, beginning of period	2,445	\$ 35.50
Granted	95	8.09
Vested	(706)	37.49
Forfeited	(899)	32.25
Unvested restricted stock awards, end of period	935	\$ 34.34

## Restricted Stock Units ("RSUs")

RSUs are issued and measured at fair market value on the date of grant and generally become vested in one to three equal annual installments beginning one year from the date of grant, subject, in general, to the recipient remaining in the Company's service on specified vesting dates. RSUs are converted into shares of common stock upon vesting. As of February 27, 2021, unrecognized compensation expense related to the unvested portion of the Company's RSUs was \$25.9 million, which is expected to be recognized over a weighted average period of 2.5 years.

Changes in the Company's RSUs for the fiscal year ended February 27, 2021 were as follows:

(Shares in thousands)	Number of Restricted Stock Units	Weighted Average Grant-Date Fair Value
Unvested restricted stock units, beginning of period	—	\$ —
Granted	2,316	14.23
Vested	(19)	23.58
Forfeited	(27)	23.58
Unvested restricted stock units, end of period	2,270	\$ 14.04

### Performance Stock Units (“PSUs”)

PSUs are issued and measured at fair market value on the date of grant. Vesting of PSUs awarded to certain of the Company's executives is dependent on the Company's achievement of a performance-based test during a one-year period from the date of grant and during a three-year period from the date of grant and, assuming achievement of the performance-based test, time vesting over periods of up to four years, subject, in general, to the executive remaining in the Company's service on specified vesting dates. For PSUs granted in fiscal 2019, performance during the one-year period is based on Earnings Before Interest and Taxes (“EBIT”) relative to a target amount and performance during the three-year period is based on a combination of total shareholder return relative to a peer group of the Company and cumulative EBIT relative to a target amount. The achievement of PSU awards ranges from a floor of zero to a cap of 150% of target achievement. For awards granted in fiscal 2018 and prior, performance during the three-year period were based on Return on Invested Capital (“ROIC”) or a combination of EBIT margin and ROIC relative to a peer group. PSUs are converted into shares of common stock upon payment following vesting. Upon grant of the PSUs, the Company recognizes compensation expense related to these awards based on the Company's estimate of the percentage of the award that will be achieved. The Company evaluates the estimate on these awards on a quarterly basis and adjusts compensation expense related to these awards, as appropriate. As of February 27, 2021, unrecognized compensation expense related to the unvested portion of the Company's performance stock units was \$6.4 million, which is expected to be recognized over a weighted average period of 2.4 years.

The fair value of the PSUs granted in fiscal 2020 for which performance during the three-year period will be based on a relative three-year Total Shareholder Return (“TSR”) goal relative to a peer group was estimated on the date of the grant using a Monte Carlo simulation that uses the assumptions noted in the following table.

Monte Carlo Simulation Assumptions	Fiscal Year Ended February 27, 2021
Risk Free Interest Rate	0.25%
Expected Dividend Yield	—%
Expected Volatility	51.47%
Expected Term	3 years

Changes in the Company's PSUs for the fiscal year ended February 27, 2021 were as follows:

(Shares in thousands)	Number of Performance Stock Units	Weighted Average Grant-Date Fair Value
Unvested performance stock units, beginning of period	1,414	\$ 21.57
Granted	653	12.28
Vested	(343)	37.50
Forfeited	(249)	17.96
Unvested performance stock units, end of period	1,475	\$ 14.36

## Inducement Awards

In fiscal 2020 and 2019, the Company granted stock-based awards to certain of the Company's new executive officers as inducements material to their commencement of employment and entry into an employment agreement with the Company. These inducement awards were approved by the Compensation Committee of the Board of Directors of the Company and did not require shareholder approval in accordance with Nasdaq Listing Rule 5635(c)(4).

RSUs granted as inducement awards are issued and measured at fair market value on the date of grant and generally become vested in one to three equal annual installments beginning one year from the date of grant, subject, in general, to the recipient remaining in the Company's service on specified vesting dates. Changes in the RSUs granted as inducement awards for the fiscal year ended February 27, 2021 were as follows:

(Shares in thousands)	Number of Restricted Stock Units	Weighted Average Grant-Date Fair Value
Unvested restricted stock units, beginning of period	579	\$ 13.65
Granted	816	6.33
Vested	(446)	13.65
Forfeited	—	—
Unvested restricted stock units, end of period	949	\$ 7.36

On November 4, 2019, in connection with the appointment of the Company's President and Chief Executive Officer, the Company granted inducement awards consisting of 578,753 RSUs, which are included in the table above, and 273,735 PSU awards. The PSUs will vest, if at all, on November 4, 2021, based on performance goals requiring the President and CEO to prepare and deliver to the Board of Directors key objectives and goals for the Company and the strategies and initiatives for the achievement of such objectives and goals, and the President and CEO's provision of updates to the Board of Directors regarding achievement of such goals and objectives, and subject, in general, to the President and CEO remaining in the Company's service through the vesting date.

During fiscal 2020, the Company granted 143,912 RSUs to Gustavo Arnal, the Company's Chief Financial Officer and Treasurer; 160,255 RSUs to Cindy Davis, Chief Brand Officer and President, Decorist; and 511,991 RSUs to John Hartmann, Chief Operating Officer and President, buybuyBaby, pursuant to inducement awards agreements.

Other than with respect to the vesting schedule described above, these inducement awards are generally subject to substantially the same terms and conditions as awards that are made under the 2018 Plan. As of February 27, 2021, unrecognized compensation expense related to the unvested portion of the RSU and PSU inducement awards was \$4.1 million and \$1.3 million, respectively, which is expected to be recognized over a weighted average period of 2.0 years and 0.7 years, respectively. Consistent with the Company's stock ownership guidelines, each inducement award recipient must hold at least fifty percent (50%) of the after-tax shares of common stock received pursuant to the inducement awards until they have satisfied the terms of such guidelines.

## 15. ASSETS HELD FOR SALE AND DIVESTITURES

### Assets Held for Sale

The Company has included businesses classified as held for sale within its continuing operations as their dispositions do not represent a strategic shift that will have a major effect on the Company's operations and financial results.

At February 29, 2020, certain assets and liabilities of Personalization Mall.com ("PMall") and One Kings Lane ("OKL") were classified as held for sale on the Company's consolidated balance sheet. PMall and OKL were sold during fiscal 2020, as further described below.

## Divestitures

On December 14, 2020, the Company announced that it entered into a definitive agreement to sell Cost Plus World Market to Kingswood Capital Management, a Los Angeles-based private equity firm. On January 15, 2021, the Company completed the sale of Cost Plus World Market. Proceeds from the sale were approximately \$63.7 million, subject to certain working capital and other adjustments. The Company recognized a loss on sale of approximately \$72.0 million within loss on sale of businesses including impairment of assets held for sale in its consolidated statements of operations for the fiscal year ended February 27, 2021. The loss on sale includes a loss of \$54.0 million recorded in the third quarter of fiscal 2020 to remeasure the disposal group that was classified as held for sale to the lower of carrying value or fair value less costs to sell.

On October 11, 2020, the Company entered into definitive agreements to sell Christmas Tree Shops ("CTS") to Handil Holdings LLC and to sell one of the CTS distribution facilities to an institutional buyer, with a leaseback term of nine months, to provide business continuity to the Company for some of its operations currently using the facility. These transactions were completed during the third quarter of fiscal 2020, generating approximately \$233.3 million in proceeds, subject to certain working capital and other adjustments, and the Company recognized a loss on sale of approximately \$53.8 million, which was recorded in loss on sale of businesses including impairment of assets held for sale in its consolidated statements of operations for the fiscal year ended February 27, 2021.

On October 11, 2020, the Company entered into a definitive agreement to sell Linen Holdings to The Linen Group, LLC, an affiliate of Lion Equity Partners. On October 24, 2020, the Company completed the sale of Linen Holdings for approximately \$10.1 million, subject to certain working capital and other adjustments, and recognized a loss on the sale of \$64.6 million, which was recorded in loss on sale of businesses including impairment of assets held for sale in its consolidated statements of operations for the fiscal year ended February 27, 2021.

On February 14, 2020, the Company entered into a definitive agreement to sell PMall to 1-800-FLOWERS.COM, Inc. for \$252.0 million, subject to certain working capital and other adjustments. The buyer was required to close the transaction on March 30, 2020, but failed to do so. Accordingly, the Company had filed an action to require the buyer to close the transaction. On July 20, 2020, the Company entered into a settlement agreement with respect to the litigation. Under this agreement, 1-800-FLOWERS.COM agreed to move forward with its purchase of PMall from the Company for \$245.0 million, subject to certain working capital and other adjustments. The transaction closed on August 3, 2020. Net proceeds from the sale of PMall were \$244.6 million, subject to certain working capital and other adjustments, and the Company recognized a gain on the sale of approximately \$189.3 million, which was recorded in loss on sale of businesses including impairment of assets held for sale in its consolidated statement of operations for the fiscal year ended February 27, 2021. Upon the close of the transaction, Bed Bath & Beyond withdrew the litigation against 1-800-FLOWERS.COM and 800-FLOWERS, INC.

On April 13, 2020, the Company completed the sale of OKL. Proceeds from the sale were not material.

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors  
Bed Bath & Beyond Inc.:

## Opinion on the Consolidated Financial Statements

---

We have audited the accompanying consolidated balance sheets of Bed Bath & Beyond Inc. and subsidiaries (the Company) as of February 27, 2021 and February 29, 2020, the related consolidated statements of operations, comprehensive loss, shareholders' equity, and cash flows for each of the years in the three year period ended February 27, 2021 and the related notes and financial statement schedule (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of February 27, 2021 and February 29, 2020, and the results of its operations and its cash flows for each of the years in the three year period ended February 27, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of February 27, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated April 22, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

### Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for leases as of March 3, 2019 due to the adoption of Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 842, *Leases*.

## Basis for Opinion

---

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

## Critical Audit Matter

---

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.



## Assessment of impairment of store-level long-lived assets

As discussed in Note 1 to the consolidated financial statements, the Company reviews long-lived assets for impairment when events or changes in circumstances indicate the carrying value of these assets may exceed their current fair values. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the assets. Based upon the analysis performed, the Company recognized pre-tax impairment charges for store-level long-lived assets of \$92.9 million in fiscal 2020.

We identified the assessment of impairment of store-level long-lived assets as a critical audit matter. Specifically, complex auditor judgment was required to assess the sales growth rates used to estimate the forecasted cash flows as they involve a high degree of subjectivity. In determining the fair value of certain store-level long-lived assets, specialized knowledge was required to assess the Company's assumption of market rental rates from sub-lessors.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's store-level impairment assessment process, including controls related to the assumptions described above. We evaluated the sales growth rates by comparing to historical results, the Company's future operating plans, and industry reports. We involved valuation professionals with specialized skills and knowledge who assisted in evaluating the market rental rates for certain stores by comparing the sublease income to an independently developed range using publicly available market data for comparable store sites.

/s/ KPMG LLP

We have served as the Company's auditor since 1992.

Short Hills, New Jersey

April 22, 2021

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Shareholders and Board of Directors  
Bed Bath & Beyond Inc.:

## Opinion on Internal Control Over Financial Reporting

---

We have audited Bed Bath & Beyond Inc. and subsidiaries' (the Company) internal control over financial reporting as of February 27, 2021, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 27, 2021, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of February 27, 2021 and February 29, 2020, the related consolidated statements of operations, comprehensive loss, shareholders' equity, and cash flows for each of the years in the three-year period ended February 27, 2021, and the related notes and financial statement schedule (collectively, the consolidated financial statements), and our report dated April 22, 2021 expressed an unqualified opinion on those consolidated financial statements.

## Basis for Opinion

---

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

## Definition and Limitations of Internal Control Over Financial Reporting

---

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Short Hills, New Jersey  
April 22, 2021

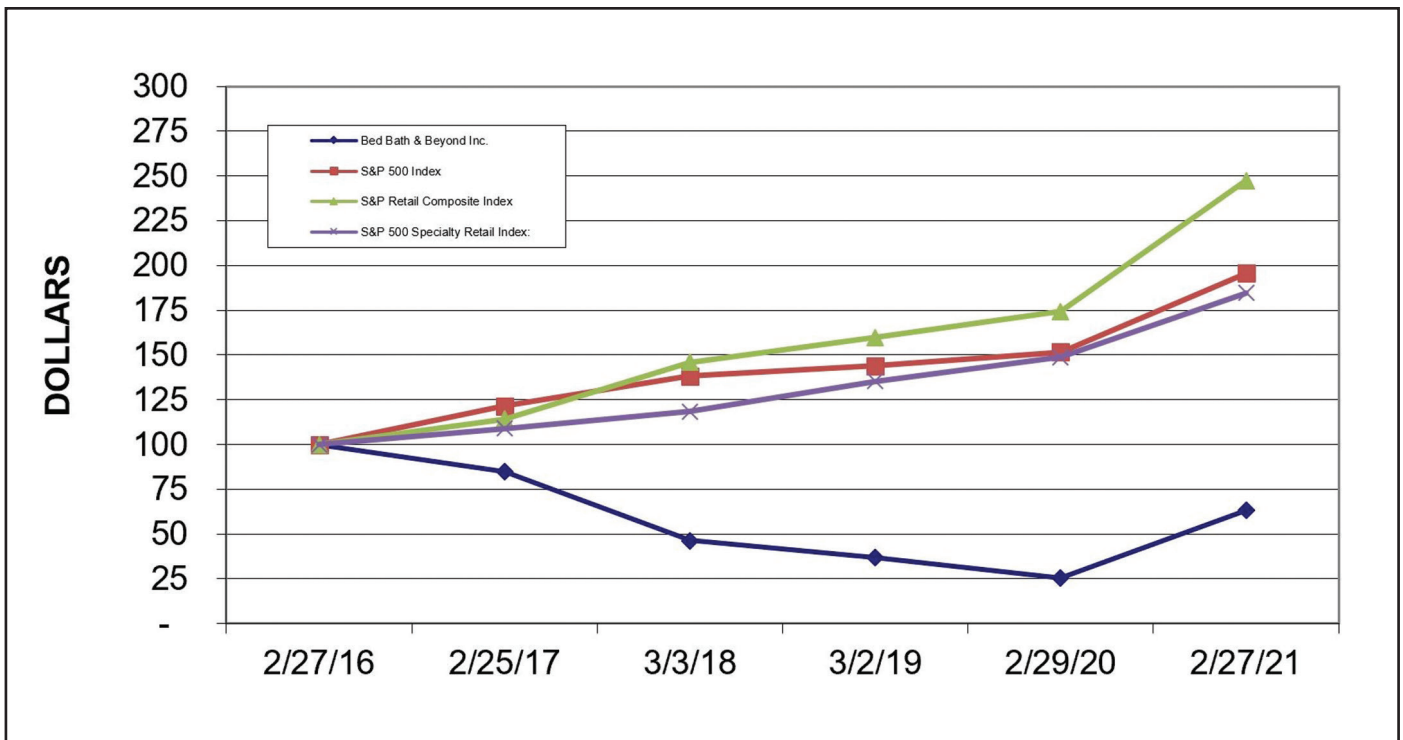
# MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our management assessed the effectiveness of our internal control over financial reporting as of February 27, 2021. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), released in 2013, Internal Control-Integrated Framework.

Our management has concluded that, as of February 27, 2021, our internal control over financial reporting is effective based on these criteria.

## STOCK PRICE PERFORMANCE GRAPH

The graph shown below compares the performance of our common stock with that of the S&P 500 Index, the S&P Retail Composite Index and the S&P 500 Specialty Retail Index over the same period (assuming the investment of \$100 in our common stock and each of the three Indexes on February 27, 2016, and the reinvestment of dividends, if any).



# bed bath & beyond inc.

## corporate and shareholder information

### Corporate Office

650 Liberty Avenue Union, NJ 07083  
Telephone: 908/688-0888

### Shareholder Information

A copy of the Company's 2020 Form 10-K as filed with the SEC may be obtained from the Investor Relations Department at the Corporate Office. Email: [ir@bedbath.com](mailto:ir@bedbath.com).

The Company provides access to the documents filed with the SEC through the Investor Relations section of its website, [www.bedbathandbeyond.com](http://www.bedbathandbeyond.com).

A copy of the Company's Policy of Ethical Standards for Business Conduct is also provided at this location.

### Stock Listing

Shares of Bed Bath & Beyond Inc. are traded on The Nasdaq Global Select Market under the symbol BBBY.

### Annual Meeting

The Annual Meeting of Shareholders will be held on June 17, 2021 at 10 a.m. Eastern Daylight Time. Shareholders may attend online at [www.virtualshareholdermeeting.com/BBBY2021](http://www.virtualshareholdermeeting.com/BBBY2021).

### Independent Auditors

KPMG LLP  
51 John F. Kennedy Parkway  
Short Hills, New Jersey 07078

### Shareholders of Record

At May 3, 2021, there were approximately 1,930 shareholders of record. This number excludes individual shareholders holding stock under nominee security position listings.

### Transfer Agent

The Transfer Agent should be contacted on questions of change of address, name or ownership, lost certificates and consolidation of accounts.

American Stock Transfer & Trust Company  
6201 15th Avenue  
Brooklyn, New York 11219  
Telephone: 800/937-5449

### Websites

[www.bedbathandbeyond.com](http://www.bedbathandbeyond.com)  
[www.buybuybaby.com](http://www.buybuybaby.com)  
[www.decorist.com](http://www.decorist.com)  
[www.facevalues.com](http://www.facevalues.com)  
[www.harmondiscout.com](http://www.harmondiscout.com)  
[www.bedbathandbeyond.ca](http://www.bedbathandbeyond.ca)  
[www.buybuybaby.ca](http://www.buybuybaby.ca)

home,  
happier

BED BATH & **BEYOND**