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BED BATH & BEYOND INC
Form DEF 14A
May 24, 2006
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒ x

Filed by a Party other than the Registrant ☐ o

Check the appropriate box:

- ☐ o Preliminary Proxy Statement
☐ o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
☒ x Definitive Proxy Statement
☐ o Definitive Additional Materials
☐ o Soliciting Material Pursuant to §240.14a-12

Bed Bath & Beyond Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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BED BATH & BEYOND INC.
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
JUNE 29, 2006

TIME 9:00 A.M. on Thursday, June 29, 2006

PLACE Madison Hotel
One Convent Road
Morristown, New Jersey 07960

ITEMS OF BUSINESS

(1)	To elect three directors for three years until the Annual Meeting in 2009 and until their respective successors have been elected and qualified (Proposal 1).
(2)	To ratify the appointment of KPMG LLP as independent auditors for the 2006 fiscal year (Proposal 2).
(3)	To vote on shareholder proposals (Proposals 3, 4 and 5).
(4)	To vote on a management proposal to amend the Company's Restated Certificate of Incorporation with regard to the election of directors (Proposal 6).
(5)	To transact such other business as may properly be brought before the meeting or any adjournment or adjournments.

RECORD DATE You can vote if you were a shareholder of record on May 2, 2006.

PROXY VOTING It is important that your shares be represented and voted at the meeting. Whether or not you plan to attend the 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. No postage is required.

May 24, 2006

Warren Eisenberg
Co-Chairman

Leonard Feinstein
Co-Chairman

Bed Bath & Beyond Inc.
650 Liberty Avenue
Union, New Jersey 07083

PROXY STATEMENT

The proxy materials are delivered in connection with the solicitation by the Board of Directors of Bed Bath & Beyond Inc. (the "Company", "we", or "us"), a New York corporation, of proxies to be voted at our 2006 Annual Meeting of Shareholders and at any adjournment or adjournments.

QUESTIONS ABOUT THE MEETING AND THESE PROXY MATERIALS

This Proxy Statement, the proxy card and our 2005 Annual Report are being mailed starting May 24, 2006. The information regarding stock ownership and other matters in this proxy statement is as of the record date, May 2, 2006, unless otherwise indicated.

What may I vote on?

You may vote on the following proposals:

- election of three directors to hold office until the Annual Meeting in 2009 (Proposal 1);
- ratification of the appointment of KPMG LLP as independent auditors for fiscal 2006 (Proposal 2);
- consideration of shareholder proposals (Proposals 3, 4 and 5); and
- amendment of the Company's Restated Certificate of Incorporation regarding the election of directors (Proposal 6).

THE BOARD RECOMMENDS A VOTE FOR THE ELECTION OF THE THREE DIRECTORS, FOR THE RATIFICATION OF THE APPOINTMENT OF AUDITORS, AGAINST THE SHAREHOLDER PROPOSALS, AND FOR THE AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION.

Who may vote?

Shareholders of record of the Company's common stock at the close of business on May 2, 2006 are entitled to receive this notice and to vote their shares at the Annual Meeting. As of that date, there were 282,233,013 shares of common stock outstanding. Each share of common stock is entitled to one vote on each matter properly brought before the meeting.

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 stock.

Shareholder of Record

If your shares are registered directly in your name with Bed Bath & Beyond'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 Company's 2004 Incentive Compensation Plan, you are also considered the shareholder of record with respect to those

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shares. As the shareholder of record, you have the right to vote by proxy. There are three ways you can do so:

- **Vote by internet - www.proxyvote.com**

Use the internet to transmit your voting instructions and for electronic delivery of information. Have your proxy card in hand when you access the website.

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

Use any touch-tone telephone to transmit your voting instructions. Have your proxy card in hand when you call.

- **Vote by mail**

Mark, sign and date your proxy card and return it in the postage-paid envelope we've provided, or return it to Bed Bath & Beyond Inc., c/o ADP, 51 Mercedes Way, Edgewood, NY 11717.

Voting by any of these methods will not affect your right to attend the Annual Meeting and vote in person. However, for those who will not be voting at the Annual Meeting, your final voting instructions must be received by no later than 11:59 p.m. on June 28, 2006.

Beneficial Owner

Most shareholders of Bed Bath & Beyond 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 in how to vote your shares.

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 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 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?

A plurality of the votes cast is required for the election of Directors. This means that the three nominees with the most votes for election will be elected.

A FOR vote by a majority of the votes cast is required to approve the other proposals to be acted on at the Annual Meeting, except for Proposal 6 amending the Company's Restated Certificate of Incorporation, which requires the affirmative vote of the holders of at least 80% of the Company's outstanding shares.

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 applicable rules, Proposals 1, 2 and 6 are discretionary items upon which New York Stock Exchange member brokerage firms that hold shares as a

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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.

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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 February 1, 2006, which is the date by which shareholder proposals must have been received by the Company to be presented at the meeting, and as of the date of this proxy statement, we 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 employees of the Company. The Company has engaged D.F. King & Co., Inc., for a fee to be determined, to assist in the solicitation of proxies. The Company will 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.

ELECTION OF DIRECTORS (PROPOSAL 1)

How is the Board of Directors structured and who has been nominated?

The Board of Directors is divided into three classes, each with a staggered three year term of office and the classes as nearly equal in number of directors as possible. The current number of directors is ten, with three directors being elected at the 2006 Annual Meeting.

The Board of Directors, upon recommendation of its Nominating Committee, has nominated, for a three year term expiring at the 2009 Annual Meeting, Steven H. Temares, Klaus Eppler and Fran Stoller, whose three year terms of office as directors expire at this Annual Meeting.

The principal occupation and certain other information concerning the nominees are provided below:

Steven H. Temares, 47, currently serves as Chief Executive Officer and Director of the Company. Mr. Temares was President and Chief Executive Officer from 2003 to January 2006. Mr. Temares was President and Chief Operating Officer from 1999 to 2003. He has served as Director since January 1999. He was Executive Vice President and Chief Operating Officer from 1997 to 1999.

Klaus Eppler, 75, is a practicing attorney and has been a pensioned partner in the law firm of Proskauer Rose LLP, counsel to the Company, since 2001. Mr. Eppler was an equity partner of Proskauer Rose LLP from 1965 to 2001. He has been a Director of the Company since 1992. Mr. Eppler serves as outside Lead Director. Mr. Eppler is also a director of The Dress Barn, Inc.

Fran Stoller, 47, is a practicing attorney and a partner in the law firm of Loeb & Loeb LLP for more than five years. She has been a Director of the Company since 2003.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE ELECTION OF THESE NOMINEES AS DIRECTORS.

OTHER BOARD OF DIRECTORS INFORMATION

The principal occupation and certain other information about the directors whose terms of office continue after the Annual Meeting is provided below.

Directors Whose Terms Expire in 2007

Warren Eisenberg, 75, was a Co-Founder of the Company and has served as Co-Chairman since 1999. He has served as a Director since 1971. Mr. Eisenberg served as Chairman from 1992 to 1999, and served as Chief Executive Officer or Co-Chief Executive Officer from 1971 to April 2003.

Victoria A. Morrison, 53, is a practicing attorney and a partner in the law firm of Riker, Danzig, Scherer, Hyland & Perretti LLP for more than five years. She has been a Director of the Company since 2001.

Stanley F. Barshay, 66, has served as Chairman of Schering-Plough Consumer HealthCare Products since 2003. Prior to 1997, Mr. Barshay served in a variety of senior executive positions at American Home Products (now Wyeth). Between 1997 and 2003, Mr. Barshay served as a consultant for several companies. He has been a Director of the Company since 2003.

Directors Whose Terms Expire in 2008

Leonard Feinstein, 69, was a Co-Founder of the Company and has served as Co-Chairman since 1999. He has served as a Director since 1971. Mr. Feinstein served as President from 1992 to 1999, and served as Co-Chief Executive Officer from 1971 to April 2003.

Robert Kaplan, 48, is a Senior Director of The Goldman Sachs Group, Inc. Mr. Kaplan has been a Senior or Managing Director of The Goldman Sachs Group, Inc. for more than five years, having also served that firm as Vice Chairman from 2002 until January 2006. He has been a Director of the Company since 1994.

Dean S. Adler, 49, was a Co-Founder and has served as a Principal of Lubert-Adler Management, a private real estate investment firm, for more than five years. He has been a Director of the Company since 2001. Mr. Adler is also a director of Developers Diversified Realty Corp.

Jordan Heller, 45, is a Partner with The Schonbraun McCann Group LLC, a leading provider of advisory services to the real estate industry, since 2005. Prior to joining the Schonbraun McCann Group, Mr. Heller was a Managing Director at American Economic Planning Group for more than four years. He has been a Director of the Company since 2003.

How many times did the Board of Directors meet last year?

The Board of Directors held seven meetings during fiscal 2005.

How are Directors compensated?

In fiscal 2005, each outside director was paid at the rate of \$7,500 per quarter other than Klaus Eppler who, as Lead Director, was paid at the rate of \$11,250 per quarter. Directors may elect to receive all or a portion of such payments in the form of common stock.

Information about Committees of the Board; Compensation Committee Interlocks and Insider Participation

All members of the Audit, Compensation, and Nominating and Corporate Governance committees are considered independent pursuant to applicable SEC and NASDAQ rules.

Audit Committee

The function of the Audit Committee is to assist the Board of Directors 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 have included, among other things, 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 held six meetings during fiscal 2005. The current members of the Committee are Messrs. Adler, Barshay and Heller.

Compensation Committee

The function of the Compensation Committee is to assist the Board of Directors by (i) considering and determining all matters relating to the compensation of the Company's Co-Chairmen, Chief Executive Officer and other executive officers; (ii) administering and functioning as the committee that is authorized to make grants and awards under the Company's incentive compensation plan to executive officers and such other Senior Persons as the Committee may determine; and (iii) reviewing and reporting to the Board on such other matters as may be appropriately delegated by the Board for the Committee's consideration. In addition to holding eight meetings during fiscal 2005, the Committee also held informal discussions. The current members of the Committee are Mr. Adler, Ms. Morrison and Ms. Stoller.

Nominating and Corporate Governance Committee

The function of the Nominating and Corporate Governance Committee is to assist the Board of Directors by (i) reviewing and recommending changes in certain policies regarding the nomination of directors to the Board for its approval; (ii) identifying individuals qualified to become directors; (iii) evaluating and recommending for the Board's selection nominees to fill positions on the Board; and (iv) recommending changes in the Company's corporate governance policies to the Board for its approval. The Committee's policy is to identify potential nominees based on properly submitted suggestions from any source and has established procedures to do so. In addition, the Board may determine that it requires a director with a particular expertise or qualification and will actively recruit such a candidate. Shareholders wishing to propose a director candidate for nomination must provide timely notice of such nomination in accordance with the Company's By-laws. The Nominating and Corporate Governance Committee held one meeting during fiscal 2005 and also held informal discussions. The current members of the Committee are Mr. Eppler, Ms. Morrison and Ms. Stoller.

Corporate Governance Information

A complete copy of the charter of each of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee, as well as the Company's policies on Director attendance at the annual shareholder meeting and how shareholders can communicate with the Board of Directors, are available on the Company's website at www.bedbathandbeyond.com.

RATIFICATION OF APPOINTMENT OF AUDITORS (PROPOSAL 2)

Who has been appointed as the Auditors?

The Audit Committee has appointed KPMG LLP to serve as our independent auditors for fiscal 2006, subject to ratification by 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.

What were the fees incurred by the Company for professional services rendered by KPMG LLP?

The fees incurred by the Company for professional services rendered by KPMG LLP for fiscal 2005 and 2004 were as follows:

	2005	2004
Audit Fees	\$ 1,152,000	\$ 1,366,500
Audit-Related Fees	61,785	52,000
Tax Fees	40,028	84,000
	\$ 1,253,813	\$ 1,502,500

In fiscal 2005 and fiscal 2004, audit fees include 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 2005, audit-related fees include fees associated with audits of financial statements of certain employee benefit plans and accounting consultation related to the Company's adoption of Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment. In fiscal 2004, audit-related fees include fees associated with audits of financial statements of certain employee benefit plans. In fiscal 2005 and 2004, tax fees include fees associated with 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 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 one or more members of the committee. 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 2005 and fiscal 2004, all (100%) audit-related, tax and other services were pre-approved in accordance with the audit committee charter.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS INDEPENDENT AUDITORS FOR FISCAL 2006.

AUDIT COMMITTEE REPORT

The Board of Directors has determined that the membership of the Audit Committee meets the Securities and Exchange Commission and NASDAQ independence and experience requirements. The Board of Directors has also determined that Messrs. Adler and Heller each qualify as an Audit Committee Financial Expert.

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 Securities and Exchange Commission. 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 Committee discussed with the auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), received the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) 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 auditors, the Committee recommended that the Board of Directors include the audited financial statements in the Company's Annual Report on Form 10-K for the year ended February 25, 2006, filed with the Securities and Exchange Commission on May 12, 2006.

This 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 Securities and Exchange Commission.

AUDIT COMMITTEE

Dean S. Adler
Stanley F. Barshay
Jordan Heller

SHAREHOLDER PROPOSAL (PROPOSAL 3)

We have been notified that the following shareholder proposal will be presented for consideration at the Annual Meeting. Promptly upon receipt of an oral or written request we will provide you with the name and address of, and number of shares held by, each proponent.

Whereas, Bed, Bath & Beyond Inc. currently has a distinguished board of 10 people, all of whom are white, and two of whom are female;

We believe that our Board should take every reasonable step to ensure that women and persons from minority racial groups are in the pool from which Board nominees are chosen; therefore be it

Resolved that the shareholders request the Board:

1. In connection with its search for suitable Board candidates ensure that women and persons from minority racial groups are among those it considers for nomination to the Board.
2. Publicly commit itself to a policy of board inclusiveness, including steps to be taken and a timeline for implementing that policy.
3. Report to shareholders, at reasonable expense, by September 2006, on its efforts to encourage diversified representation on the board.

Shareholder's Supporting Statement

In response to the recent corporate scandals, the U.S. Congress (Sarbanes-Oxley Act), the stock exchanges, and the SEC have each taken actions to enhance the independence, accountability, and responsiveness of corporate boards, including requiring greater board and committee independence.

As companies seek new board members to meet the new independence standards, there is a unique opportunity to enhance diversity on the board. We believe that the judgments and perspectives that women and members of minority groups bring to board deliberations improve the quality of board decision-making and will enhance business performance by enabling a company to respond more effectively to the needs of customers worldwide.

Increasingly, institutional investors have supported a call for greater board diversity. For example, in 2002 the \$21 billion Connecticut Retirement Plans and Trust Funds launched a Board Diversity Initiative. It has been shown that added diversity and independence helps a company's bottom line, and increasing diversity in the boardroom to better reflect a company's workforce, customers and community is ultimately in the best interest of shareholders and our economy," said Connecticut State Treasurer, Denise Nappier.

We urge the Board to enlarge its search for qualified members by casting a wider net.

COMPANY'S STATEMENT IN OPPOSITION

What is the recommendation of the Board?

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THE ADOPTION OF THIS PROPOSAL.

Has this proposal been submitted before?

Yes. A very similar proposal was placed before the Annual Meetings in 1999, 2000 and 2001. Support ranged from approximately 10% to less than 25% during that period.

What is the Company's position regarding diversity?

As we stated on the prior occasions this issue has been raised, the Company agrees with the merits of achieving a diverse work force in all aspects of Company governance and operations, and the Company has and expects to continue to work hard to bring diversity throughout the Company. Simply put, our Company firmly believes it benefits from diversity.

How does the Company promote diversity?

Mutual respect is at the heart of the Company's practices, procedures and guidelines, all of which are regularly reviewed and reported upon to the Chief Executive Officer to assure that our commitment to diversity is reflected in our operations. There are women and members of minority groups in management positions at virtually all levels of the Company, including nine women Vice Presidents. Hiring and advancement are based upon merit. This is consistent with the Company's policy and practice to recruit, hire, train, promote, transfer, compensate and provide all other conditions of employment without regard to race, color, creed, religion, national origin, age, sex, marital status, lawful alien status, sexual orientation, physical or mental disability, citizenship status or veteran status.

Following receipt of this proposal, Company management initiated a dialogue with the proponents, seeking their additional input on resources or other materials that might assist the Company in its ongoing efforts to recruit qualified persons of all groups at all levels as and when need arises. The Company expects this dialogue to be fruitful.

Why does the Company oppose this proposal?

The Board of Directors does not believe this proposal would serve shareholder interests. Just as the Company's employment decisions are based on operating needs, the principal criteria in selecting an individual for Board membership are the individual's qualifications, experience and the ability to contribute to the enhancement of shareholder value without regard to gender, minority or other status.

The proponents of this proposal cite some support for the argument that companies with diversified boards have better performance records. The Company has reported fourteen consecutive years of record earnings and has annually recorded consistently high returns on shareholders' equity since its initial public offering in 1992.

The shareholder proposal would require the Board of Directors to provide a report by a deadline date, commit the Company to a policy of board inclusiveness and establish a timetable for achieving it. The Board of Directors believes that this proposal is inappropriately restrictive, would unduly limit the Company in its selection of Directors, would involve cost in time and effort without any commensurate benefit and would, therefore, be detrimental to the best interests of the Company and its shareholders.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE AGAINST THIS SHAREHOLDER PROPOSAL.

SHAREHOLDER PROPOSAL (PROPOSAL 4)

We have been notified that the following shareholder proposal will be presented for consideration at the Annual Meeting. Promptly upon receipt of an oral or written request we will provide you with the name and address of, and number of shares held by, each proponent.

Shareholder's Supporting Statement

Whereas, Bed Bath & Beyond Inc. currently has overseas operations, and

Whereas, reports of human rights abuses in the overseas subsidiaries and suppliers of U.S.-based corporations has led to an increased public awareness of the problems of child labor, sweatshop conditions, and the denial of labor rights in U.S. corporate overseas operations, and

Whereas, corporate violations of human rights in these overseas operations can lead to negative publicity, public protests, and a loss of consumer confidence which can have a negative impact on shareholder value, and

Whereas, a number of corporations have implemented independent monitoring programs with respected human rights and religious organizations to strengthen compliance with international human rights norms in subsidiary and supplier factories, and

Whereas, many of these programs incorporate the conventions of the International Labor Organization (ILO) on workplace human rights, and the United Nations Norms on the Responsibilities of Transnational Corporations with Regard to Human Rights (UN Norms), which include the following principles:

1. All workers have the right to form and join trade unions and to Bargain collectively. (ILO Conventions 87 and 98; UN Norms, section D9).
2. Workers representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to enable them to carry out their representation functions. (ILO Convention 135; UN Norms, section D9).
3. There shall be no discrimination or intimidation in employment. Equality of opportunity and treatment shall be provided regardless of race, color, sex, religion, political opinion, age, nationality, social origin or other distinguishing characteristics. (ILO Conventions 100 and 111; UN Norms, section B2).
4. Employment shall be freely chosen. There shall be no use of force, including bonded or prison labor. (ILO Conventions 29 and 105; UN Norms, section D5).
5. There shall be no use of child labor. (ILO Convention 138; UN Norms, section D6), and,

Whereas, independent monitoring of corporate adherence to these internationally recognized principles is essential if consumer and investor confidence in our company's commitment to human rights is to be maintained,

Therefore, be it resolved that the shareholders request that the company commit itself to the implementation of a code of conduct based on the aforementioned ILO human rights standards and United Nations Norms on the Responsibilities of Transnational Corporations with Regard to Human Rights, by its international suppliers and in its own international production facilities, and commit to a program of outside, independent monitoring of compliance with these standards.

COMPANY'S STATEMENT IN OPPOSITION

What is the recommendation of the Board?

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THE ADOPTION OF THIS PROPOSAL.

Has this proposal been presented to shareholders previously?

Yes. This proposal was presented to our shareholders last year. Approximately two-thirds of the shares voted opposed the measure, and it received the support of approximately 18% of the votes cast.

What is the Company's position regarding its vendors' human rights practices?

Can I change my vote?

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For many years, Bed Bath & Beyond has required its vendors to represent their compliance with certain human rights practices, such as not making any use of child or forced labor of any kind. The Company embraces the principles underlying this proposal. More recently, as described below, the Company has put into place additional assurances as its business evolves. That evolution has continued even since last year's annual meeting.

Is the basis for this proposal accurate?

The Company does not have any overseas manufacturing operations. Moreover, the Company purchases substantially all of its merchandise in the United States, the majority from domestic sources and the balance from importers. The Company purchases only a small amount of its merchandise directly from overseas sources.

Notwithstanding the foregoing, since the proposal espouses principles with which the Company agrees, the Board will take this opportunity to provide some detail about how the Company approaches these issues and why it believes the proposal to be unnecessary and unduly restrictive.

How does the Company express its human rights values to its foreign sources?

As mentioned above, Bed Bath & Beyond purchases only a small amount of merchandise directly from overseas sources. Those vendors, however, are required to acknowledge receipt of and agree to be bound by the terms of the Bed Bath & Beyond Code of Conduct. This Code contains essentially the same elements as those set forth in the proposal. Direct import vendors are also required to fill out, sign and return a factory profile questionnaire that touches on these same topics. The Company reserves the right to conduct factory audits, directly or through third parties, does conduct selected factory visits through its own personnel and is planning a program of targeted independent verification by third-parties.

Copies of the Company's materials were provided to the sponsors of this proposal last year and a dialogue was initiated with them. Though we believe the proposal to be inappropriate at this time, we expect the dialogue to be fruitful and informative.

Why does the Company's Board of Directors oppose this proposal?

This proposal raises important issues, but these are issues the Company is sensitive to, issues the Company has addressed, and issues the Company will continue to address as its business evolves. Given the very minor part of the Company's business represented by direct imports, a one-size-fits-all solution would be inappropriate at this point. For this reason, the Board of Directors believes that this proposal is inappropriately restrictive and unnecessarily costly in relation to the Company's activities that would be covered by its terms. The Company is active in this area and will remain focused on these issues.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE AGAINST THIS SHAREHOLDER PROPOSAL.

SHAREHOLDER PROPOSAL (PROPOSAL 5)

We have been notified that the following shareholder proposal will be presented for consideration at the Annual Meeting. Promptly upon receipt of an oral or written request we will provide you with the name and address of, and number of shares held by, each proponent.

Shareholder's Supporting Statement

Whereas:

Rising energy costs and concerns about energy security, climate change and the burning of fossil fuels are focusing increasing amounts of attention on energy efficiency. The G8 recently agreed to an Action Plan to promote energy efficiency and in the US, over 40 bills dealing with energy efficiency were introduced to Congress in the first six months of 2005 alone. Domestic regulations addressing the matter continue to gain momentum. Many of these regulations address the energy efficiency of buildings.