

What Drives Us





CarMax Introduction

About This Report

Thank you for your interest in CarMax's first Responsibility Report. We are pleased to share our initiatives and programs that support our commitment to having a positive impact on our people, communities, and the environment.

While we have shared our responsibility story for several years via our website (socialresponsibility.carmax.com), this marks our first time compiling the information into a single report. We are proud of the values we live, our history of success, and our ongoing commitment to our stakeholders, including associates, customers, communities, and shareholders, all while seeking to enhance CarMax's long-term and sustainable value.

In this report, we reinforce our focus on our people and our communities, expand upon the progress we are making to protect our environment, and share our efforts in the areas of corporate governance, ethics, and data security.

This report has been reviewed by CarMax's Board of Directors. The reporting period covers our fiscal year (FY) 2019 (March 1, 2018 through February 28, 2019). Any data or information referencing a different period is designated in the report.

In preparing this report, we considered various standards, frameworks, ratings, and rankings for responsibility and sustainability reporting. Several of the metrics and narrative disclosures provided in this report align with the guidance provided by the Sustainability Accounting Standards Board (SASB) for the Consumer Goods Sector.

For more information about CarMax, please visit carmax.com®.

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CEO Letter

When we started CarMax more than 25 years ago, we knew we had an opportunity to disrupt an entire industry by treating people with respect and operating with transparency and integrity. This mission is what inspired me to join the company, and it continues to guide us as we evolve and deliver our unmatched customer experience.

Our success today is only possible due to the more than 25,000 associates who deliver our exceptional customer experience and live our values every day.

- We **do the right thing**, and we value integrity above all else
- We **put people first** by having our customers' backs, investing in our associates and providing opportunities to grow, and giving back to our communities
- We **win together** by executing for excellence in all we do and embracing our differences
- We **go for greatness** by relentlessly improving and innovating

Since the beginning, we have been focused on investing and providing value to our associates, our customers and our communities, as well as our shareholders. And although we have been on this journey for some time, I am pleased to share our first responsibility report, which describes our commitments – as well as several achievements – in the past year. As an introduction, I would like to highlight a few areas:

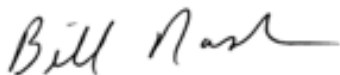
Our Associates – We are proud to provide an exceptional workplace where we help every associate define their career journey and achieve their best at work and in their community. This year, in support of our associates and their families leading healthy lives, we lowered the cost of our medical plans and introduced tools to provide greater healthcare cost transparency. We also celebrated our 15th consecutive year as one of FORTUNE 100 Best Companies to Work For®.

Our Communities – Our associates are the driving force behind our support of our communities. In 2019, 100% of our locations participated in an associate-led volunteer teambuilder or service project, and more than 45% of our associates engaged with one of our community programs. Together, CarMax and The CarMax Foundation have donated more than \$55 million to enrich our communities.

Our Environment – We continue to seek more efficient ways to use resources and minimize our environmental impact. We've made progress on implementing energy efficiency enhancements at our current stores, while finding opportunities to reduce energy consumption in the design and construction of our new stores. We also continue to identify opportunities to increase our use of renewable energy.

At CarMax, we consistently strive to improve and evolve our business. The same is true for how we approach our responsibility efforts, and we are committed to making progress in how we positively impact our society, now and in the future.

Thank you for your interest in CarMax and thank you to our dedicated associates who live our culture and values every day.



Bill Nash
President and Chief Executive Officer



About CarMax

Company History

Over 25 years ago, we set out on a bold mission to transform the way people buy and sell cars by providing an ethical and honest experience. We asked thousands of consumers what they liked and disliked about the car-buying experience and found that people felt poorly treated. We believed it didn't have to be that way, so we pioneered the used-car retail concept and transformed an industry by creating a consumer offer that is, first and foremost, built on integrity.

From the beginning, our success has depended on an unwavering focus on doing the right thing – even when that isn't easy. When we opened our doors in 1993, we made a commitment to always conduct business in an ethical, honest, and transparent way, and to empower each of our associates to be an agent for industry-wide change. Today, we are a FORTUNE® 500 company and the nation's largest retailer of used cars, with over 8 million cars sold since our founding. We continue to pioneer the used-car superstore concept, and our more than 25,000 associates across our 200+ locations nationwide are the champions of integrity in every interaction – it's what drives us.

Our Purpose and Values

Our purpose is to drive integrity by being honest and transparent in every interaction. Unique to our industry, this approach has a powerful effect on our associates in how we treat each other, serve our customers, and deliver our products. Each day, our associates bring our purpose to life by living our core values.

Our values are more than just words – they are fundamental to how we conduct business. They represent who we are and guide every interaction with our customers, associates, shareholders, and community members.

Customer Experience

We are committed to delivering an iconic experience for our customers – everywhere, every time. We offer an unrivaled customer experience through a broad selection of quality used vehicles and related products and services at competitive, no-haggle prices. We use a customer-friendly sales approach in attractive, modern sales facilities, as well as through our user-friendly website and mobile applications.

We have three primary customer types:

- **Retail:** We offer our retail customers a broad selection of makes and models of used vehicles – all at competitive prices.
- **Wholesale:** On a weekly or biweekly basis, for our dealer customers, we hold wholesale auctions conducted by professional, licensed auctioneers, where the typical vehicle sold is approximately 10 years old and has more than 100,000 miles.
- **Auto Finance:** Through CarMax Auto Finance, we offer financing to customers buying retail vehicles from CarMax and provide auto loan servicing.

VALUES

<p style="text-align: center; font-weight: bold; font-size: 1.2em;">Do the Right Thing</p> <p style="text-align: center; font-size: 0.8em;">We value integrity above all else</p> <p style="text-align: center; font-size: 0.8em;">We treat everyone with respect</p> <p style="text-align: center; font-size: 0.8em;">We strive to deliver the best product and experience</p>	<p style="text-align: center; font-weight: bold; font-size: 1.2em;">Put People First</p> <p style="text-align: center; font-size: 0.8em;">We invest in our associates and provide opportunities to grow</p> <p style="text-align: center; font-size: 0.8em;">We have our customers' backs</p> <p style="text-align: center; font-size: 0.8em;">We give back to help our communities thrive</p>
<p style="text-align: center; font-weight: bold; font-size: 1.2em;">Win Together</p> <p style="text-align: center; font-size: 0.8em;">We are proud members of Team CarMax</p> <p style="text-align: center; font-size: 0.8em;">We execute for excellence in all we do</p> <p style="text-align: center; font-size: 0.8em;">We strengthen the team by embracing our differences</p>	<p style="text-align: center; font-weight: bold; font-size: 1.2em;">Go for Greatness</p> <p style="text-align: center; font-size: 0.8em;">We are industry disruptors, then and now</p> <p style="text-align: center; font-size: 0.8em;">We relentlessly improve and innovate</p> <p style="text-align: center; font-size: 0.8em;">We Drive What's Possible</p>

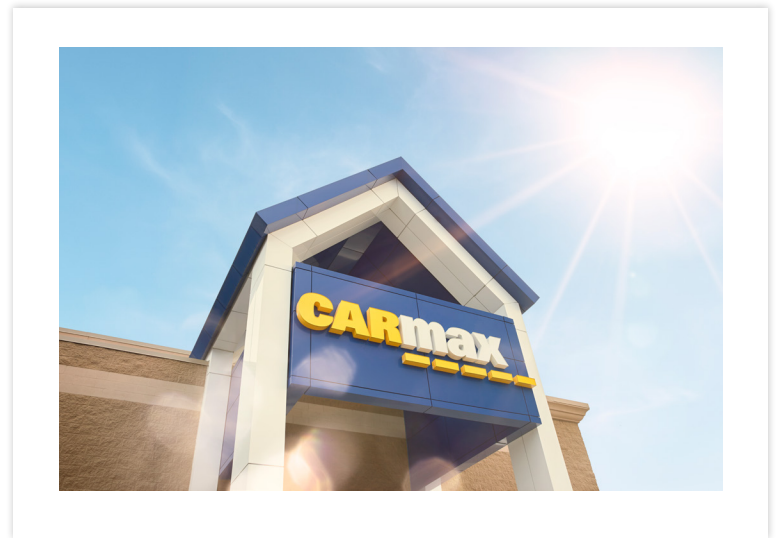
Additionally, an integral part of our customer value proposition is the vehicle reconditioning process, which ensures that every car meets our internal standards before it can become a CarMax Quality Certified vehicle. Each store provides vehicle repair service, including repairs covered by the extended service plans we offer. For more information on our customer-friendly business practices, see the [Ethics](#) section of this report.

Revolutionizing Car Buying Again

To serve our customers in new, innovative ways that meet their evolving needs, we are rolling out our omni-channel car buying experience. This experience provides customers with a choice as to how they want to buy a car – from home, in-store, or a seamless combination of both. While specific offerings can vary by city, customers can:

- **Complete the entire car buying process from home**, including financing, appraisal, and paperwork.
- **Have their vehicle delivered** directly to home or work to test drive.
- Take advantage of **in-store expedited** pickup, where they can complete the purchase of their new vehicle in as little as 30 minutes.
- **Shop the largest selection of used cars** in America, with more than 55,000 vehicles available to view online and transfer from most locations.
- **Receive help from informed CarMax associates**, both in-person and via phone, text, or email.
- **Hold a car online** for seven days and return the vehicle within up to seven days for a full refund.

We anticipate our omni-channel experience will be available to the majority of our customers by the end of FY20.



Awards and Recognitions

Each year, we are proud to be recognized for being a top used car retailer, a responsible corporate citizen, and a great place to work. Several of our recent awards include:

- FORTUNE 100 Best Companies To Work For®, *FORTUNE* magazine, 2005-2019
- World's Most Admired Companies, *FORTUNE* magazine, 2018-2019
- America's Best Employers, *Forbes* magazine, 2017-2019
- U.S. Retail RepTrack 100, Reputation Institute, 2018

For a full list of awards and local recognitions, visit the [Awards section](#) of our website.



Putting People First

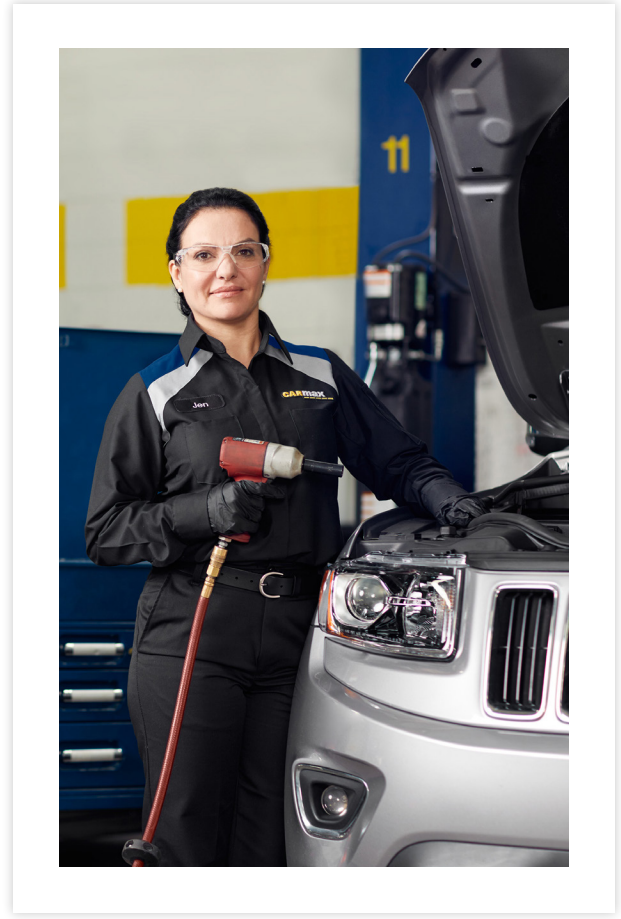
People: Our First Priority

We are proud to provide an award-winning workplace where we help all associates progress on their career journey and achieve their career goals. Our associates drive what's possible every day; they are the key to our success. We provide an exceptional workplace full of opportunities to learn and grow, celebrate and reward accomplishments, and take care of each other and our communities.

“Our associates are our true differentiators and make CarMax a great place to work. We are proud to help every associate define their journey and take their career places they never imagined.” – *CarMax Chief Human Resource Officer Diane Cafritz*

We have policies and procedures in place to ensure everyone is treated with respect and has opportunities to grow. Those policies include:

- **Treating Associates with Respect:** Defines our commitment to maintaining a workplace that is respectful and welcoming for all associates.
- **Equal Employment Opportunity:** Defines our commitment to providing equal employment opportunities to everyone in all terms and conditions of employment.
- **Commitment to Diversity:** Defines our commitment to welcoming, respecting, and celebrating the unique attributes of our associates, customers, and communities.



Compensation and Benefits

Our pledge to treat associates with respect extends to the total rewards we offer. We strive to create compensation packages and benefit programs that are fair and broad-based, providing all associates opportunities to maximize their earnings and improve their well-being.

Associate Compensation

We offer each associate a compensation package that is comprehensive and competitive in the markets where we compete for talent. While our associate compensation takes on various forms (e.g., annual salary, hourly wages, and commission-based wages based on specific roles), we regularly review our pay structure companywide to ensure earnings are fair, reflective of our core values, and are compliant with applicable laws. The vast majority of our associates earn above minimum wage from their guaranteed earnings, and associates at various levels have opportunities to earn additional compensation as a result of commissions, performance-based salary increases, and bonuses. As of February 28, 2019, the last day of FY19, 1.48% of in-store employees earned minimum wage.

Associate Benefits and Programs

Our total compensation package incorporates benefits and programs that meet the needs of associates in different life and career stages. These include:

- **Health Benefits:** We strive to offer associates quality healthcare at affordable prices that meet their individual needs. We also offer tailored dental and vision coverage. With the start of FY20, we lowered the cost of our medical plans and introduced tools to provide greater healthcare cost transparency to help associates make more informed healthcare decisions. Our healthcare coverage includes benefits for domestic partners, gender dysphoria, and applied behavioral analysis therapy.

- **Retirement and Financial Planning Programs:** Recently, we eliminated the eligibility period for our 401(k) match, allowing all associates to receive a contribution match on their first day of work. Further, we increased our contribution match to 100%, up to 6% of pay. Our associate stock awards and stock purchase plans pave the way for our associates to become CarMax shareholders.
- **Paid Time Off and Holiday Pay:** CarMax offers a variety of paid time off options to help our associates relax, recharge, and take care of their personal needs. All salaried associates have access to our "Time Away" benefit, which does not impose a limit on vacation, sick, or personal time off, provided appropriate workload arrangements are made. For our full-time commissioned and hourly associates, we recently increased the amount of vacation time they can accrue, shortened the window of eligibility, and introduced a carry-over benefit for unused time. We also recently began providing vacation days for our part-time hourly associates as well. Our associates now have access to a new paid Parental Leave benefit, as well as more generous Short-Term Disability Pay policies. Additionally, our personal leave policy allows any associate to take unpaid time off to handle personal matters. We also observe six paid company holidays as well as offer holiday pay for certain roles.

Three additional benefits that differentiate CarMax's award-winning workplace are our Wellness Programs, Flexible Work Arrangements, and Relocation Program.

Our **Wellness Programs** are open to all associates, as well as their spouses or domestic partners. These programs include free annual health screenings at every location to encourage associates to "know your numbers." We also offer financial assistance for medical plan premiums to associates who complete the screening and assessment. Additionally, CarMax has been a tobacco-free workplace since 2013. To help associates on their journey to better health, we offer a variety of support resources, including Weight Watchers® subsidies and incentives, regional and national wellness committees, a Future Moms program for expectant mothers, and onsite health

fairs at every location. We recently implemented a new rewards program for all associates and their spouses or domestic partners who are enrolled in our medical plan. The program allows them to each earn up to \$300 per year by participating in healthy activities.

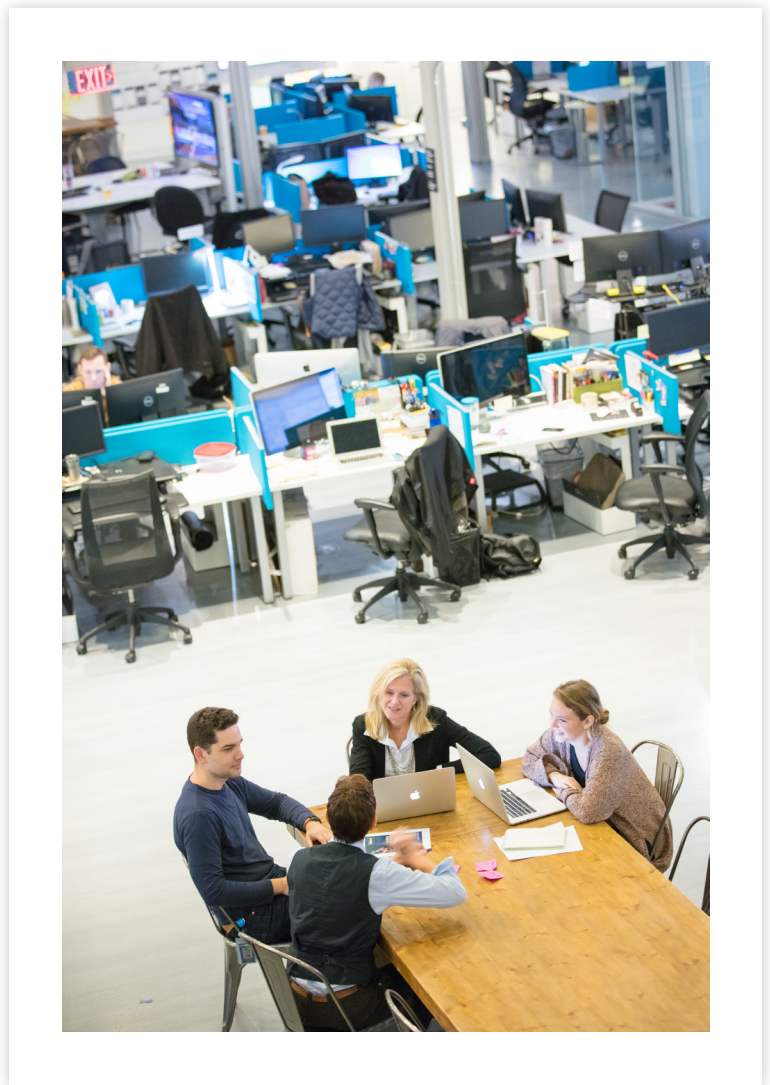
With our **Flexible Work Arrangements (FWA)**, our associates have added flexibility to balance their work demands and personal lives. Available FWA options include flex time, compressed or reduced schedules, job sharing, and telecommuting for eligible positions.

Under our **Relocation Program**, we work to ensure a smooth transition for associates who are moving to a different store or community – for example, as a result of a promotion to store manager, or a manager or skilled technician who is moving to a bigger store. We assign a relocation counselor to help affected associates navigate the company's relocation program, find new housing, and get to know the community they are joining.

Associate Surveys and Benchmarking

We ask for and utilize regular feedback from our associates. Recently, we completed our first Total Rewards Optimization Survey, in which we asked associates throughout the company how they would prioritize our various benefits and programs. As a result of the findings, we have made changes that include adjustments to our FWA program, our medical plans, and related premiums. We will continue to solicit feedback on these changes and our associates' evolving needs.

Additionally, to monitor the competitiveness of our employee compensation and benefit programs, we participate in as many as 30 external surveys per year, as well as partner with a variety of third-party benchmarking organizations. We routinely analyze pay rates across the organization to ensure associate compensation is attractive to the people we want to hire and retain and reflects the value they bring to the organization.



Talent Acquisition, Engagement, and Development

At CarMax, we are continuously investing in our associates and providing opportunities to grow. Through our talent acquisition, engagement, and development activities, we champion a workforce that reflects our core values and continues to drive mutual success.

Talent Acquisition

The market for talented, motivated associates remains competitive in our industry and communities. Despite challenging labor market dynamics, CarMax maintains a strong pipeline of qualified candidates. We are proud to be among the FORTUNE 100 Best Companies to Work For® since 2005.

Key components of our hiring practices include:

- **Recruitment:** While we are targeted in our recruitment efforts to attract candidates who align with our values, the ways in which we connect with candidates is extensive. Our efforts and recruitment channels include social media outlets, networking sites, college, trade school and military recruitment partnerships, advertisements and campaigns, recruiter networks, and relationships with employment agencies. We also look to our existing associates to refer candidates for open positions. Our associates frequently identify promising candidates and the retention rate for referred associates is particularly strong.
- **Assessments:** Each candidate completes an online assessment as part of the application process. The assessments are developed by specialized third-party providers and help us predict a candidate's potential for early success.



- **Interviews:** As part of our comprehensive recruiting and vetting process, we generally conduct at least one in-person interview with each candidate. During the interview process, we assess role-specific skills and competencies. Occasionally, we find that a candidate has skills and competencies that are not aligned with the current opening. In such cases, we work to find an alternative position that will be a better fit for the candidate.
- **New Store Openings:** When we open a new store, our strategy is centered on a respectful partnership with the local community. First, we conduct extensive market research and develop relationships with local residents and organizations to understand the level of brand awareness in the community. We then leverage local chambers of commerce and media outlets to begin the introduction process before setting up local employment centers to search for the right associates to represent us in our new community.

Engagement

Engaged associates are the main reason for our success. They provide quality products, exceptional customer experiences, and personify our core values. Our goal is to achieve world-class associate engagement. We do that by requesting and responding to associate feedback, focusing on the moments that matter to them, and supporting our associates through significant organizational changes.

We conduct our Associate Engagement Survey annually to encourage feedback and gauge progress. With participation rates consistently above 95%¹ across the organization, the survey provides a comprehensive view of CarMax's associate engagement and cultural alignment.

Results from the survey are used to inform our efforts in a few ways:

- All managers in the company receive their specific team scores and are provided tools and ideas for addressing their teams' feedback throughout the year.
- Company leaders and Human Resources receive detailed data on which teams score the lowest, so they can target their support to the managers who need it most.

As a result of these efforts, 88%² of our associates say CarMax people care about each other, while 84%³ say CarMax is a fun place to work.

By focusing on the moments that matter to our associates, we focus our engagement and support resources on the programs, processes, and events that our research tells us have the



greatest impact. For example, we recently discovered that the associate experience during the first week after being hired is both incredibly meaningful to associates and one that did not always go as smoothly as it should. In response, we have developed and implemented a new onboarding experience that ensures, among other things, that the first week is highly personalized, positive, and fun. We continue to explore ways to ensure that the most important and rewarding moments – such as a new sales associate's first car sale – are fully celebrated and sources of great pride and engagement.

As we look to the immediate future of CarMax, we remain focused on maintaining a high level of associate engagement during a period of significant organizational change. In conjunction with the rollout of our new omni-channel experience, we have developed a leading-edge survey process to better understand associate awareness and impact in real time throughout the phased implementation. This process will allow us to improve our communication and associate support continuously, to provide them with the best experience possible.

84% say CarMax is a fun place to work

¹ Gallup Q12 Survey, 2018

² Great Place to Work™ Trust Index® Survey (July 2018)

³ Great Place to Work™ Trust Index® Survey (July 2018)

Development

Our integrated talent process and programs support an individualized approach to developing our associates. As an organization, we engage in detailed workforce planning to determine our talent needs. We are regularly evaluating our talent pipeline to ensure that we have associates ready to take leadership roles and support the growth and evolution of our business. We strive to provide all associates with the tools they need to succeed and grow in their careers. This includes personalized development plans, focused training, meaningful and efficient performance reviews, formal and informal mentorship and coaching opportunities, and our Learning Management System, which provides job-specific curriculum and development plans.



CarMax Receives Recognition for Associate Training

For the 12th year in a row, CarMax was selected as one of *Training* magazine's "Training Top 125" companies, ranking 51st in 2019. *Training*, the training industry's premier publication, annually selects organizations that excel at employee development based on criteria such as best training practices, evaluation methods, and outstanding training initiatives.

We were also recognized with *Training* magazine's "Outstanding Training Initiative" award for our recently piloted Empowerment Program, which provides models that empower associates to find solutions for customers quickly. These models indicate the type of solutions an associate can offer a customer without further manager approval, greatly streamlining the process for associates.



Diversity and Inclusion

The CarMax culture of diversity and inclusion is built on a foundation of integrity and respect, driven by our core values. Our associates live these values, embrace our differences, and challenge perceptions. As a company, we nurture a culture where innovation thrives and our workforce reflects the communities we serve.

Commitment to Diversity Policy

We do the right thing by treating everyone with respect, and we win together because our teams are strengthened by embracing our differences. We have an expectation that our associates follow our [Commitment to Diversity Policy](#), which articulates our commitment to welcoming, respecting, and celebrating the unique attributes of our associates, customers, and communities.

Our Associates

We appreciate the diversity and perspectives our associates bring to our stores and locations across the country. Our focus on treating everyone with respect has established a strong basis from which we foster an inclusive environment. We are passionate about the unique perspectives our associates bring to work every day, and we are proud to be recognized for our diversity and inclusion efforts.

Nationally Recognized Diversity and Inclusion Efforts

We are honored to be named:

- 100 Best Workplaces for Diversity, *FORTUNE* magazine, 2015-2018
- 100 Best Workplaces for Millennials, *FORTUNE* magazine, 2016-2019
- Best Workplaces for Diversity, *Forbes* magazine, 2019
- Best Places to Work for LGBTQ Equality, Human Rights Campaign Foundation, 2018-2019
- Military Friendly Employer®, Designation *G.I. Jobs Magazine*, 2016-2019



Our Diversity and Inclusion Council

To ensure we remain deliberate and strategic in respecting each other, we have established a Diversity and Inclusion (D&I) Council, comprised of executives and associates from diverse backgrounds, including race, ethnicity, gender, and sexual orientation. The Council is responsible for overseeing efforts in our areas of focus: Communication and Education, Leadership Development, and Associate Experience.

- Communication and Education:** Our statement on diversity is published externally on our website and promoted internally. CarMax's diversity training programs provide another layer of reinforcement. These programs include our Culture of Integrity Training and acknowledgement of our Treating Associates with Respect Policy (required annually for all associates) and Unconscious Bias Training (included in the interview training module).



- Leadership Development:** Under the direction of our D&I Council, we develop diverse leaders and help current leaders promote diversity and inclusion at all levels. Our activities include leadership speakers, development programs, recruitment and onboarding practices, as well as relationships with community organizations and educational institutions. These efforts continue to help us build a workforce that reflects the communities where we live, work, and play.
- Associate Experience:** The D&I Council is working to ensure our associates experience the company in a way that is aligned with our values. We achieve this by reviewing feedback received from associate engagement surveys and other formal and informal communication channels that help us proactively make changes to improve the associate experience.

Gender and Racial Diversity at a glance

Gender Diversity

	Male	Female
Non-Management	75.4%	24.6%
Management	75.5%	24.5%

Racial/Ethnic Diversity

	Non-Diverse	Diverse
Non-Management	49.8%	50.2%
Management	73.9%	26.1%

Safety

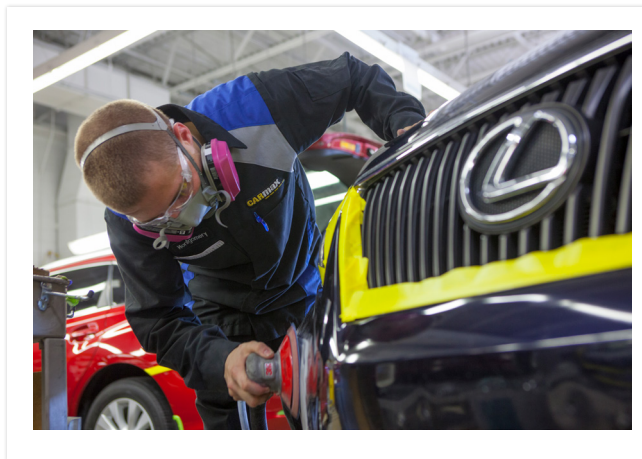
We have a comprehensive safety and security program that is focused on protecting our associates, customers, and all other guests. Safety is always a top priority in how we deliver our experiences and how we serve our communities.

Occupational Safety and Health

Our occupational safety and health efforts are rooted in our values of “Put People First” and “Do the Right Thing,” and supported by our Code of Business Conduct. Additionally, our [Environmental, Health, and Safety \(EH&S\) Principles](#) detail our occupational safety and health expectations.

We expect every one of our associates to play an important role in keeping themselves, their coworkers, and our customers and visitors safe. This includes following processes, using the right personal protective equipment (PPE), keeping work areas clean, and resolving or reporting hazards. We also have clear EH&S expectations for store managers, including quickly resolving facilities issues, keeping tools and equipment well-maintained, ensuring PPE is available, and holding associates accountable to EH&S requirements to ensure a safe and comfortable working environment.

We encourage associates who have safety and health questions or concerns to raise them through our associate helpline or with their managers, Human Resources representative, or our internal EH&S team as part of our open-door policy.



Personal Safety

Just as we are committed to creating and maintaining a safe environment, we also recognize the importance of personal safety. We have a zero-tolerance policy regarding workplace violence. We strive to prevent violence by detecting, investigating, and managing behavior that may precede violence and, when that is not possible, urgently responding to any incident.

All CarMax associates are subject to evaluation and background screening as part of the hiring process, and our security controls help deter and prevent potentially dangerous interactions. Our Workplace Violence Prohibition and Protection Policy outlines reporting procedures, investigation strategies, and warning signs to educate and better prepare associates for potential risks. Each location

is equipped and trained on our Emergency Violence Response Procedures. We prefer to keep our stores gun-free and request that customers keep firearms locked in their vehicle when shopping at our stores. However, CarMax permits retail customers to carry firearms in our stores, if they are in compliance with state law.

We also recognize that certain circumstances can pose greater risks than others, and we have created Personal Safety Guidelines to specifically address them and equip and empower our associates to keep themselves safe in those situations. These Personal Safety Guidelines exist for:

- Test drives
- Store opening and closing
- After-hours and overnight work
- Home deliveries

Additionally, our Asset Protection Policy provides basic ground rules, expectations, and specific examples for protecting CarMax assets, including our people, property, and culture of integrity.



Caring for Our Communities

CarMax Cares

Just as we are dedicated to driving what's possible for our customers and associates, we also recognize that when our communities thrive, so do we. Our values make it clear: We "Put People First," and that means giving back to help improve the communities where our associates live and work.

At CarMax, we care about what is important to our associates, and we give each associate and location the opportunity to drive their own community impact. Our Care, Prepare, and Develop framework serves as the foundation for our associate-driven, locally focused approach to community engagement and involvement:

- **Care:** We support our associates' passion for service, as well as the well-being of children in our communities.
- **Prepare:** We help our communities and associates prepare and respond to natural disasters and other personal hardships.
- **Develop:** We help individuals develop the skills they need to succeed in an ever-changing world.

Under the banner of CarMax Cares, our associates are the champions of our deep-rooted commitment to philanthropy. We continuously empower our associates to give back and are proud to amplify and celebrate their dedication to the charitable giving of their time and resources. Through matching contributions, team-based volunteering, our online volunteer portal, and regular recognition and celebration, we accentuate associate engagement while making an impact across our footprint. Together, since 2003, CarMax and The CarMax Foundation have supported our associates' passions and donated over \$55 million to charitable organizations.

Over **\$55 million**
in community investments
since 2003

Community Engagement and Involvement

Each of our three community involvement pillars – Care, Prepare, Develop – serves a unique purpose as part of our strategic giving framework.

Care: We Are Community-Driven

We care deeply about our communities and therefore invest our time, talents, and resources to cultivate vibrant places to live, work, and play. Most of our philanthropic involvement falls under the Care pillar, which represents the activities and programs of [The CarMax Foundation](#). The Foundation supports our associates' passions and the well-being of children in our community through several associate-led programs, including board service, matching gifts, regional grants, volunteer team-builders, and our partnership with KaBOOM!. In FY19, The CarMax Foundation awarded \$7 million in grants, driven by 100,000 volunteer hours by CarMax associates.

Through our **Matching Gifts Program**, we match our associates' —and their families'— donations of time and money to charitable organizations up to \$10,000 per associate on an annual basis. We are proud to honor the causes that are meaningful to our associates through these monetary support programs. In FY19, this program resulted in more than a \$1.2 million investment, our largest single-year investment to date.

We also encourage associate volunteerism with our **Volunteer Team-Builder (VTB) Program**. The initiative allows our associates to be involved in the organizations they are passionate about and in turn The CarMax Foundation's dollars are invested in what matters most to our people. After a VTB event, The CarMax Foundation grants a minimum of \$500 to the organization served. Each store can access up to \$10,000 annually in VTB grants to support the nonprofits of their choice.

100%

of our locations have participated in a Volunteer Team-Builder in their local community for seven consecutive years

Helping Children Live Healthy and Learn through Play

Creating healthier environments for children is particularly important to our associates. For this reason, since 2011, we have partnered with KaBOOM!, a national nonprofit dedicated to giving kids the childhood they deserve through great, safe places to play. Together with KaBOOM!, we are on our way to building or improving 185 play spaces, impacting more than 450,000 children, by the end of 2021. We also are investing in a new initiative with KaBOOM! to spur innovation in children through interaction with Rigamajigs, which are large-scale building kits used for hands-on free play and playful STEM (Science, Technology, Engineering, and Mathematics) learning.

Furthering our commitment to supporting military families, CarMax and KaBOOM! have also developed the Week of Military Play, a national program dedicated to ensuring kids and families in military communities get the play they need to thrive. Every April, the month of the Military Child, we deploy Rigamajigs and Imagination Playgrounds to military-oriented communities around the U.S.



Prepare: Focusing on Prevention, Preparedness, and Resiliency

When emergencies threaten our associates and communities, CarMax is ready to lend a helping hand. In FY19, CarMax donated more than \$800,000 to support immediate needs in the wake of a disaster as well as long-term recovery efforts. As a national Disaster Responder Partner of the American Red Cross*, our associates enthusiastically participated in 80 volunteer events, including blood drives, smoke alarm installation events in at-risk communities, disaster kit builds, and more.

When our associates are hit by tragedy, we want them to receive help as quickly and easily as possible. That's why we joined forces with the Emergency Assistance Foundation to lead the CarMax Associate Disaster Fund, which provides grant support for associates experiencing unforeseen hardships. The fund is supported by CarMax and receives individual contributions from our associates. In FY19, the fund provided nearly 600 grants, including one that went to Joe Kinney, a Lead Mechanical Associate at our Bakersfield, California, store.

We reinforce our commitment to our communities and our associates through our Foundation's support of our disaster preparedness partners. When an associate donates to the Red Cross or the CarMax Associate Disaster Fund, The CarMax Foundation matches that donation 2:1 through our Matching Gifts Program. That means an associate's donation of \$25 results in an investment of \$75 with one of our partners.



“My manager referred me to the fund,” Joe said. “Having access to such a resource was a relief. I was able to give my mother a proper burial, which allowed me to get through an extremely difficult time in my life. It’s great to work for a company that truly cares about its associates.”

*The American Red Cross name, emblems and copyrighted materials are used with its permission, which in no way constitutes an endorsement, express or implied, of any product, service, company, opinion or political position. The American Red Cross logo is a registered trademark owned by the American National Red Cross.

Develop: Helping Others Find Opportunity

We strive to build on the common values of those in our communities to open doors to new opportunities. We put people first, both internally and externally, and invest in programs that support the long-term talent pipeline in our communities. Our efforts include:

- **Supporting Our Troops:** We support those who serve our country through our partnerships with Hiring Our Heroes and The Mission Continues, helping veterans and spouses find meaningful employment and purpose. We also have placed an increased focus on hiring veterans. Additionally, we support the volunteer efforts of our associates who work with nonprofits serving veterans.
- **Building a Skilled Workforce:** We partner with TechForce Foundation and ASE Education Foundation to help inspire and develop the next generation of auto technicians, an occupation that continues to face significant shortages in the U.S.

Teaming Up With Veterans to Support Our Community

In June 2018, CarMax volunteers teamed up with veterans from The Mission Continues in support of the organization's Mass Deployment, Operation Watts Is Worth It. A Mass Deployment is a week-long program combining service and leadership opportunities for over 100 veterans from across the country. Over two days, 200 CarMax volunteers worked shoulder-to-shoulder with veterans to transform the 99th Street Elementary School and Florence Griffith Joyner Elementary School, creating outdoor classrooms and sensory gardens, painting asphalt games and murals, building seating areas, and turning a classroom into a dance studio.





Protecting the Environment

Managing Our Environmental Footprint

We respect the environment and take a practical approach to conserving energy and minimizing waste from our operations. We actively look for more efficient ways to use resources and reduce our environmental impact.

Energy Management

We are committed to the continuous reduction of our energy consumption. Most of our energy usage is a result of our store operations, and we have made significant investments in building controls to optimize our systems. Our energy management program allows our team to track energy usage and adjust building conditions based on occupancy, weather conditions, and seasonal changes. Using data provided by our energy management system, we can identify operational issues and correct them quickly. In addition, we are active in the U.S. Environmental Protection Agency's ENERGY STAR® partner program, and we utilize its recommended energy management and analysis principles to identify reduction opportunities.

In addition to optimizing our systems, we power down whenever possible. Air compressors, vacuums, and other equipment are automatically turned

off when not needed. Computer equipment and nonessential lights are also scheduled to turn off automatically during nonbusiness hours.

In FY19, we consumed a total of 292,095,668 kWh of electricity, of which 393,999 kWh (0.13%) came from renewable sources. For the reporting period, the renewable energy was all solar, provided by photovoltaic panels on rooftops of two stores in Texas and two stores in Arizona.

We continue to monitor opportunities to increase our use of renewable energy and have entered into contracts to begin purchasing renewable energy via certified Renewable Energy Certificates in FY20. As of January 1, 2020, we anticipate over 10% of our electricity will be from renewable energy, with most of our use in Texas (over 7% of the company load) tied directly to a wind farm in that state.

CarMax Energy Consumption in FY19

	Gigajoules	Percentage of Total
Purchased Electricity (Grid) *	1,050,126	57.02%
Renewable Electricity (Generated Solar)	1,418	0.08%
Natural Gas and Propane	637,341	34.61%
Gasoline and Diesel	152,638	8.29%
Total	1,841,523	100%

*In FY19 no electricity purchased from the grid qualified as renewable.

CarMax Electricity Consumption (kWh)

	Actual		Projected
	FY19	FY20	FY21
CarMax Total	292,095,668	292,095,668*	295,095,668*
Renewable	393,999	13,764,882**	29,898,472**
Percentage Renewable	0.13%	4.71%	10.24%

*For purposes of comparison, the above table assumes steady total electricity consumption in FY20 and FY21. However, we anticipate that energy efficiency improvements, including lighting enhancements, HVAC optimization, and rooftop fan motors, will reduce total electricity consumption in each of those years compared to FY19. We anticipate achieving this overall reduction despite the planned increase in stores.

**Based on executed electricity procurement contracts.

We continuously explore new innovations to enhance energy efficiency. Recent improvements include:

Lighting Enhancements: In 2018, CarMax initiated a substantial lighting enhancement project across our stores. By the end of FY19, 70 stores had been retrofitted with exterior light-emitting diode (LED) lighting, with almost 30 more completed by September 1, 2019. Together, these retrofits are anticipated to drive more than a 20% decrease in electricity usage at affected stores. With more than 50 stores built with exterior LED fixtures, and the exterior High Intensity Discharge fixtures at the remaining stores to be retrofitted, all exterior lighting at CarMax will soon be energy-efficient LED.

HVAC Optimization: HVAC systems are designed to ensure our buildings are healthy, comfortable, and use the least amount of energy possible. We use multistage heating and cooling systems that allow us to match energy output with store needs, and multispeed fans that reduce the energy needed to heat, cool, and ventilate stores. Demand control ventilation provides the right amount of fresh air to the building based on occupancy, which reduces over-ventilation and saves energy. Across all our operations, our facilities team ensures our equipment is in good condition and determines when to replace units that are inefficient, outdated, or not operating correctly.

At stores built since 2013, energy recovery wheels in the heating and air conditioning systems allow us to heat or cool spaces using less energy than conventional systems.

Rooftop Fan Motors: Starting in 2017, all rooftop units at new stores were equipped with energy-saving variable frequency drives (VFDs) on the fan motors, and we have begun retrofitting existing units. In FY19, we tested the addition of VFDs at two existing stores and plan to add VFDs at more than 25 stores in FY20.

Store Design and Construction

In FY19, we opened 15 new stores. We plan to open 13 stores in FY20 and a similar number of stores in FY21. The design and construction of our stores provide our business with some unique opportunities to reduce energy consumption. For example, we take advantage of sunlight harvesting, which includes:

- Skylights and large storefront glass to let natural lighting into our showrooms
- Skylights in production shops to allow natural light in
- Monitoring natural light levels and reducing artificial light power by the use of automatic dimmers when there is enough sunlight

When designing new stores for our growing business, we optimize for function and size, which helps to reduce energy use throughout the life of the building. CarMax has integrated Leadership in Energy and Environmental Design (LEED) principles into our store designs and construction practices, including:

- Whole store commissioning to ensure all systems and equipment operate as designed
- White thermoplastic polyolefin (TPO) reflective roofs, which reduce cooling energy use and heat island effects

To date, the following stores are LEED certified: Chattanooga, TN; Des Moines, IA; Gaithersburg, MD; and Pleasanton, CA. Our headquarters in Richmond, VA, was LEED certified in 2007.

Emissions

We are mindful of the emissions produced by our operations and look for ways to minimize impact. For example, we minimize volatile organic compound (VOC) emissions by:

- Using special fixtures and materials to improve air quality in our buildings, including low-VOC interior paint, flooring materials, adhesives, and sealants.
- Standardizing the use of low-VOC automotive paint in our reconditioning process.
- Our fleet operations, which move vehicles between stores, have started using some natural gas-powered vehicles.

Waste

The successful reconditioning of used cars is core to our business, and we focus on acquiring cars that we can improve in quality and lifespan. We also look for ways to reduce and recycle waste in other areas of our business.

In our vehicle reconditioning and service operations, for example, we recycle tires (which can be used to make rubberized asphalt for roads), battery cores, and used motor oil and oil filters. We recycled approximately 380,000 tires in calendar year 2018, a 29% increase from calendar year 2017. We have also generally eliminated lead wheel weights from our reconditioning processes, and we recycle the lead weights that are removed during wheel balancing.

Other efforts to reduce or recycle our waste include:

- Each year, we recycle more than 6 million pounds of everyday products such as cardboard, plastics, and cans.
- We reclaim and recycle computers, monitors, and servers.
- We work with vendors to reduce the amount of construction waste that goes to local landfills during new construction.

Conserving Water

CarMax employs water conservation practices across all our locations.

Approximately 85% of the water used in our car washes is reclaimed water. We also use irrigation systems that utilize rain sensors and drip irrigation.

Since 2013, we have installed low-flow faucets and toilets in our new stores.

When designing landscaping for new stores, we also apply xeriscape principles, which include limiting the amount of turf (lawn) to appropriate, functional areas, and planting water-efficient, drought-tolerant plants.

Recycling by the Numbers*

6,538,300

Pounds of Everyday Products Recycled

386,000

Number of Tires Recycled

1,230,500

Gallons of
Oil Recycled

*Numbers are approximate and representative of all locations, calendar year 2018



Ensuring Responsible Governance & Ethics

Corporate Governance

CarMax is committed to sound corporate governance. Our Board of Directors and its committees have adopted governance standards and practices that seek to properly balance stakeholder interests while providing a framework to guide optimal decision-making.

Board of Directors' Responsibilities

CarMax's Board of Directors and its three Board committees are responsible for directing and monitoring our governance practices, which are rooted in our commitment to operating with integrity and primarily memorialized within our Corporate Bylaws, Corporate Governance Guidelines, and Code of Business Conduct. Our Board of Directors consists of 12 members, 10 of whom are independent. Seven of our independent directors have joined the Board since 2015, demonstrating our commitment to ongoing Board refreshment. Directors serve one-year terms, and under the company's Bylaws, each Board nominee must receive a majority of the shares voted at our annual shareholders' meeting to be elected to the Board.

We seek directors who have high integrity, sound judgment, and significant experience and skills that will benefit CarMax. Our Board is comprised

of individuals who have served as leaders of successful retailers, who are noted financial experts, and who have significant omni-channel and digital expertise. Our Board is an asset to our business.

We have historically split the roles of CEO and Chair of the Board. CarMax President and CEO William D. Nash currently serves as a Director, and former CEO Thomas J. Folliard currently serves as the Non-Executive Chair of the Board. Our Lead Independent Director is Mitchell D. Steenrod, who assumed that role following the 2019 annual meeting. Our Board periodically reviews this leadership structure and recognizes that, depending on the circumstances, a different leadership model might be appropriate.

Board members are, on average, 55 years old with five years tenure.

Our Board has three standing committees, each composed solely of independent directors:

- **Audit Committee:** Responsible for oversight related to the integrity of financial statements; legal and regulatory compliance; qualifications, performance, and independence of our external auditors; and the performance of CarMax's internal audit function.
- **Compensation and Personnel Committee:** Responsible for oversight related to executive compensation philosophy, programs, and related risks; salaries, incentives, and other benefits for our CEO and other executive officers; incentive compensation plans and all equity-based plans; and management succession planning.
- **Nominating and Governance Committee:** Responsible for oversight related to Board organization and membership and CarMax's [Corporate Governance Guidelines](#).

98% average Board and Committee attendance

Supplementing our longstanding good governance practices, our Board also has a continued interest in making meaningful shareholder-focused changes in response to shareholder feedback, evolving industry practices, and the Board's independent judgment. For example, the Board has adopted a proxy access right for eligible CarMax shareholders, has embraced majority voting for director elections, and requires that directors stand for election annually. For more information on our corporate governance practices, please see our [2019 Proxy Statement](#).

Board Diversity

Aligned with our approach to associate diversity, we believe our Board should include directors with diverse viewpoints, experiences, and backgrounds, including ethnic and gender diversity. To learn more about our Board, please visit the [Management and Directors](#) section of our website.

We believe our Nominating and Governance committee has been instrumental in our ability to recruit qualified candidates with diverse backgrounds and experiences. While our director selection practices have consistently focused on candidate diversity, in early 2019, the Board amended our Corporate Governance Guidelines to provide that the "Nominating and Governance Committee will consider candidates with diversity of experience and background, including ethnic and gender diversity, when searching for new directors." This amendment further reflects and reinforces CarMax's commitment to being an inclusive and diverse organization.

Enterprise Risk Management

Our approach to risk management is to consider risks as an integral, proactive part of our decision-making processes and business strategies. Our risk governance framework is designed to:

- Identify critical risks
- Allocate responsibilities for overseeing those risks to the Board and its committees
- Evaluate the company's risk management processes

Our Board and its three committees have oversight responsibilities related to the monitoring, management, and mitigation of risks within their purview. Additionally, we have a management-level Risk Committee, which is chaired by our Chief Financial Officer and includes more than 10 other leaders from across CarMax. The Risk Committee meets periodically to identify and discuss the risks facing CarMax, confers with the Audit Committee annually to discuss risk procedures, and delivers biannual reports to the Board identifying the most significant risks facing CarMax.

Legal and Regulatory Compliance

Our Compliance and Ethics (C&E) program is led by our Chief Compliance Officer and reports to the Audit Committee of the Board of Directors. Additionally, we leverage over 30 Compliance Administrators across the organization to support compliance initiatives and embed compliance within our business. This cross-functional approach helps to ensure full compliance in all aspects of our business.

We achieve competitive excellence through our commitment to lawful conduct and recognize that any violation of the law could compromise our culture of and reputation for integrity. Therefore, we expect our Board, management, associates, and business partners to operate in accordance with laws and regulations, and we monitor our efforts in several ways:

- Through our annual companywide C&E risk assessment, our Compliance Administrators work alongside our C&E team to critically evaluate strengths, successes, challenges, and opportunities with respect

to compliance with the legal requirements applicable to the business. The results of the assessment ultimately drive our compliance efforts over the course of the year, including program priorities, training areas of emphasis, allocation of compliance audit resources, and communication plans.

- Our Store Compliance Review program ensures CarMax stores are operating in a compliant manner across the nation. We evaluate compliance behaviors among our store base, as well as appropriately and collaboratively address, resolve, and monitor store-specific issues to ensure ongoing compliance by our stores.
- Our Non-Store Compliance Review program evaluates compliance risk beyond that which is present at individual stores and are “deep dives” into particular areas of regulatory risk. Similar to our Store Review program, we work collaboratively with business leaders to detect, address and resolve identified issues and to ensure ongoing compliance.



Ethics

CarMax was founded on the fundamental principle of integrity. Today, that principle continues to be reflected in the way we serve our customers, treat each other, and deliver our products. Our culture of integrity is a distinct competitive advantage and allows us to attract and maintain a high-performing workforce.

Fair and Responsible Business Practices

Our purpose is to drive integrity by being honest and transparent in every interaction. We expect each and every associate to make sound ethical decisions, and we hold ourselves collectively accountable to follow through on these expectations.

We focus on listening to our customers and providing them with a simple, intuitive, and seamless car shopping experience through several customer-friendly business practices, including:

- Low, no-haggle prices
- An unmatched selection of cars
- A seven-day return policy and at least 90-day/4,000-mile limited warranty
- A three-day payoff program allowing customers to replace initial financing with another provider at no cost
- Appraisal offers that are not contingent on a retail purchase

What emerges from these efforts is a unique, personalized car-buying experience, supported by a culture that empowers and inspires associates to strive for ethical excellence every day.

Protecting Our Culture of Integrity

Our high standard of integrity is reflective of our successful compliance and ethics program. We are dedicated to protecting our culture of integrity, one of our most valuable corporate assets.

Our [Code of Business Conduct](#) is the cornerstone of our compliance and ethics program and applies to all CarMax associates and Board members. It includes provisions relating to honest and ethical conduct, compliance with laws and regulations, the handling of confidential information, our commitment to diversity and equal opportunity, and CarMax's policy against discrimination and harassment. It explains how to use our associate helpline and related website, both of which allow associates to raise a question or concern and report misconduct anonymously. It also describes our zero-tolerance policy on retaliation for making such reports.

Upon hire and annually thereafter, each associate is required to successfully complete Code of Business Conduct training and certify compliance. We are proud to report a 99%+ completion rate every year. Of note, the training includes "ethical dilemmas" that pose various hypothetical scenarios to assess and reinforce training elements in a practical manner. We provide additional compliance trainings and continuous learning opportunities throughout the year.

Benchmarking and Program Improvement

We continue to dedicate significant resources to ensuring our compliance and ethics program is as impactful and meaningful as possible. Through a variety of sources, including industry and peer groups, we regularly evaluate our compliance and ethics program against relevant benchmarks and have undertaken a formalized third-party review of our program to ensure it continually improves and meets stakeholder expectations.

Data Security

Data security is an integral part of our commitment to providing our associates and customers with an exceptional experience. Our comprehensive, risk-based approach to safeguarding information reflects our promise to do the right thing and protect the sensitive data of those who trust in us.



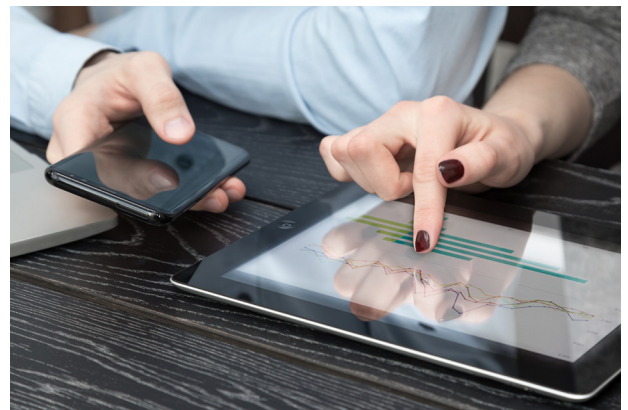
Our Approach

CarMax's data security efforts are led by our Chief Information Security Officer, who reports to our Chief Information & Technology Officer. Our Information Security Steering Committee, a cross-functional group of senior leaders as well as our Board of Directors and its Audit Committee, oversee these efforts. Our data security mission is to maintain the confidentiality, integrity, and availability of all data stored in our systems and networks. We work relentlessly to protect sensitive data through a comprehensive program of technologies, procedural requirements, and policies, staffed by well-trained and experienced cybersecurity professionals.

Identifying Vulnerabilities and Addressing Our Risks

We believe possible threats to our customers' and associates' data are threats to our business and our ability to create value for our stakeholders. As a result, proactively identifying and addressing data security vulnerabilities is a top priority. To effectively identify vulnerabilities and remediate risks that could impact the information we store, we utilize technologies and processes that align with leading industry standards for scanning and remediating our environment. In addition to our internal event monitoring capabilities, we utilize several third-party security services that collectively provide a real-time view of our security posture. Integrated into our identification and access processes are robust monitoring and alerting capabilities that span both our cloud-based and on-premise technology assets and applications. These capabilities enable us to identify and prioritize our findings based on criticality to appropriately remediate them.

In the event of a data breach, CarMax will provide notifications to customers, associates, and state and federal regulatory agencies to comply with notification requirements. We will also provide credit protection services to affected customers, as appropriate.



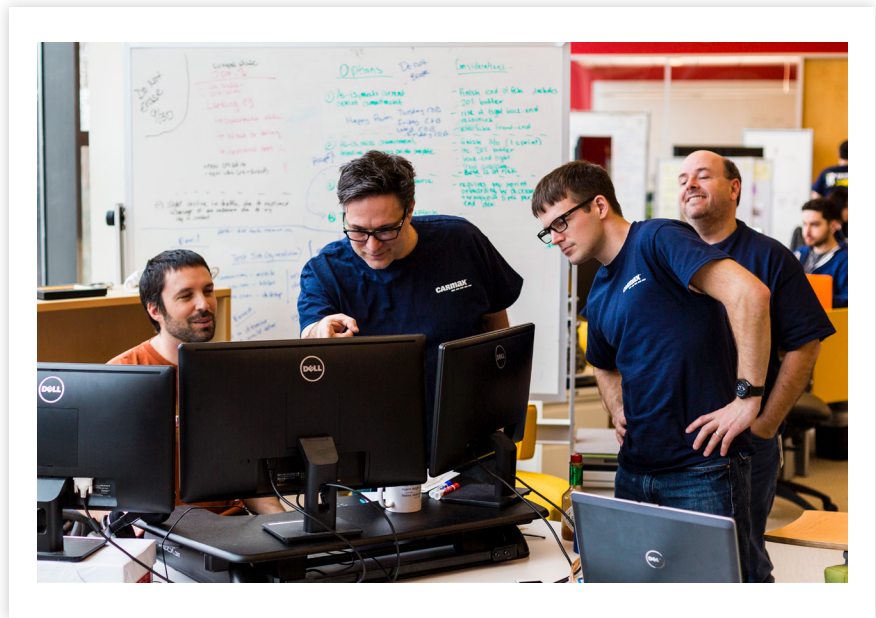
Focusing Our Efforts

Understanding our data security challenges and progress is critical to effectively addressing the risks in this constantly evolving space. We conduct continuous testing and measurement of our security posture both internally and with outside vendors, as well as exercises to test and continuously improve our incident response capabilities. Our security management framework is based on leading practices from industry standard guidelines, including the ISO 27001 Standard for Information Security Management and the National Institute of Standards and Technology (NIST) Cyber Security Framework.

Additionally, we closely monitor data security trends to inform and augment our security practices. For example, we have observed an increase in phishing attacks across all industries in recent years, including finance and retail. In response, we added industry-leading technology to detect and block advanced email threats and attacks, adjusted our associate security awareness training to place greater emphasis on phishing education, and regularly communicate with associates on the importance of protecting confidential information, including that of our customers and associates. We continue to monitor industry trends to drive more impactful investment, prioritization, and risk mitigation for our customers, associates, and business.

Driving Associate Education and Awareness

Our expectation that our associates will treat others with respect extends to the use, handling, classification, and protection of customer information. We recognize that the success of our safeguarding efforts highly depends on having trustworthy, well-trained associates with proper monitoring and alerting capabilities. CarMax invests in annual cybersecurity awareness training for all associates, as well as specialized training and skills development for our dedicated cybersecurity professionals. We also utilize written communications, bulletins, posters, intranet articles, and other appropriate educational means to maintain associate awareness and have begun offering interactive, adaptive refresher courses to enhance our training program.



Forward-Looking Statements

This report contains certain forward-looking statements based on our management's current assumptions and expectations, including statements regarding our goals, commitments, programs and other business plans, initiatives, and objectives. These statements are typically accompanied by words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "outlook," "plan," "predict," "should," "will" and other similar expressions, whether in the negative or affirmative. All such statements are intended to enjoy the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995, as amended. Such statements are based upon management's current knowledge and assumptions about future events and involve risks and uncertainties that could cause actual results to differ materially from anticipated results. Such risks, uncertainties, and factors include the assumptions, risks, uncertainties, and factors identified in this report and the risk factors discussed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended February 28, 2019 filed with the U.S. Securities and Exchange Commission (SEC). You should consider the forward-looking statements in this report in conjunction with our Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC. We undertake no obligation to update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events, or otherwise.





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