

AGENDA

Best Buy Adopts New Exec Comp ‘Principles’

Article published on June 1, 2010

By [Katie Wagner](#)

Best Buy's compensation committee has adopted a set of principles to guide executive compensation at the company. The decision came at the behest of the chairman of the compensation committee, who spent months discussing executive compensation issues with the committee's compensation consultant and directors from other boards.

Best Buy's new principles are "based broadly" on the [Independent Directors Executive Compensation Project](#)'s principles, which are commonly referred to as the IDEC Project's principles, according to **Frank Trestman**, the comp committee chair.

The [IDEC Project's principles](#) were developed through meetings and discussions largely of directors that have taken place since at least early 2009.

Best Buy is the first company known to adopt the principles in some form.

The principles, which were first released in September and updated in January, provide a framework for boards to assess the quality and effectiveness of their executive compensation programs and practices. According to a document that was published in January by the IDEC Project, "Each board compensation committee should adopt a customized set of principles that reflects the culture and values of their organization, and should avoid one-size-fits-all approaches." The document lists alignment, accountability, engagement, fairness, objectivity and transparency as its principles.

Trestman developed an interest in establishing executive compensation principles at the beginning of the economic crisis, as executive compensation became a flashpoint for companies.

"Because certain organizations were being abusive, it was giving a lot of companies who were acting appropriately a bad name," Trestman says.

"My compensation committee and our independent compensation consultant thought it was appropriate that we be proactive in establishing guiding principles," he says.

The Best Buy comp consultant is **Don Delves**, president of the **Delves Group**, who was a driving force behind the meetings that led to the establishment of the IDEC Project and its principles.

In addition to the IDEC Project, organizations such as the **National Association of Corporate Directors** and the **Conference Board** have their own guiding principles, but the IDEC Project's principles best suited Best Buy's "culture and objectives," Trestman says.

Best Buy adopted five principles of executive compensation last month, three of which match the IDEC Project's principles. The company's full list of principles includes alignment, accountability, engagement, purpose and optimization, according to the company's proxy statement, which was filed on May 11.

The company chose to include optimization, which is not part of the IDEC Project's principles, as a guide for setting executive compensation to ensure that the board had the ability to reward exceptional performance with exceptional pay, Trestman says.

The principles have not led Best Buy to make any changes to its comp programs for this fiscal year, says Trestman, adding that in the future they will guide the kinds of metrics and equity awards that the company uses.