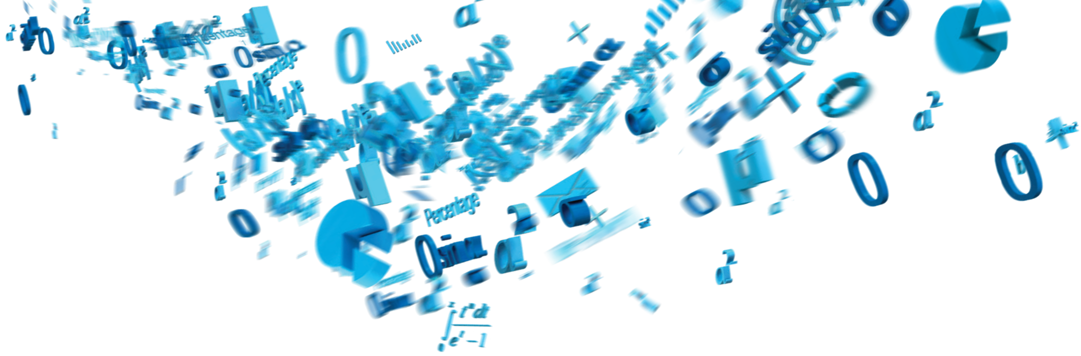


Global Benefits Governance and Operations Study 2018/19 Summary

Intoduction

In 2012, the first study into global benefits governance showed a strong desire among participants to implement strong governance of benefit plans globally.

Five key elements were identified that were critical to strong governance (as shown below).

Companies that indicated some effectiveness across all five of these elements were classified as applying best practice benefits governance. Very few companies achieved this.

In 2015, the second study indicated that those who had implemented best practice identified stronger alignment with their corporate aims. The vast majority (80%) of participants indicated a desire to achieve best practice by 2018, but only 20% indicated that they met the criteria in 2015.

The biggest challenges related to information collection and monitoring.

In 2018, we explored whether further progress has been made towards best practice governance, and whether value is still being seen in achieving best practice.

We have also dug a little deeper into the drivers and enablers for governance, as well as the barriers to progress that many have experienced. We also collected information on the areas in which companies are developing their strategy, how responsibilities are allocated between global and local roles, the information being collected and the manner and frequency of doing so.

The wide range of participating companies has also enabled analysis by size, geographic spread and industry – though the most interesting outcome from this deeper analysis is perhaps that in general there are a lot more commonalities than differences.

American Benefits Institute

AON

Executive summary

Progress made, but desire still greater than progress

This 2018/19 Study confirms a strong desire to implement best practice global governance

74% of companies aim to achieve best practice global governance by 2021.

Best practice global governance has been defined by the previous studies as:

1. **Strategy:** Clearly defined policies to manage the risks deemed to be important
2. **Structure:** Clear responsibilities globally and locally for executing these strategies
3. **Alignment:** Ready access to information to identify misalignments with policies
4. **Prioritization:** Insights into local costs, risks and opportunities to prioritize actions
5. **Monitoring:** Regular receipt of reports on risk and emerging risks to aid decisions

The 2012 and 2015 studies indicated a similarly strong desire for best practice within three years, and while each of the five elements has now been achieved by 50% to 70% of companies, only 31% of companies have implemented all five (Best Practice companies).

What has delayed progress, and what can be done to overcome the barriers?

For many companies, the main challenges in implementing or improving global benefits governance have been a **lack of** resources, technology, money, local expertise, and time.

Those with least progress towards best practice also highlight barriers of **not knowing**: where to start; who to work with; or how to demonstrate value to gain budget.

Hopefully, this report can help address some of these challenges and barriers, and enable multinational companies to achieve their aims of effective global governance.

Executive summary

Learnings from those who have made progress

What can be learned from those who exhibit best practice global governance?

Organizational centralization has also been a key driver and facilitator for many.

71% of participating companies described themselves as 'at least somewhat centralized', and 83% expect to be so by 2021. So, the environment for making progress with global governance may be easier now than it was in 2015, when only 40% of these companies described themselves in this way.

But centralization alone has not enabled companies to achieve best practice governance

Those with best practice governance cite **internal and external collaboration** as critical.

They were also better aware of where to start, and identified value delivered through governance.

Where to start:

- **Strategy and structure** typically tackled first for Best Practice companies – done by 70% of all companies
- **Data and insights** prioritized for tier 1 countries and expats – 80% of all companies have this

Demonstrating value:

- **Execution of priority actions** is far more successful among Best Practice companies
- **Quantified financial gains** for many companies – 15% are saving over $1m per annum

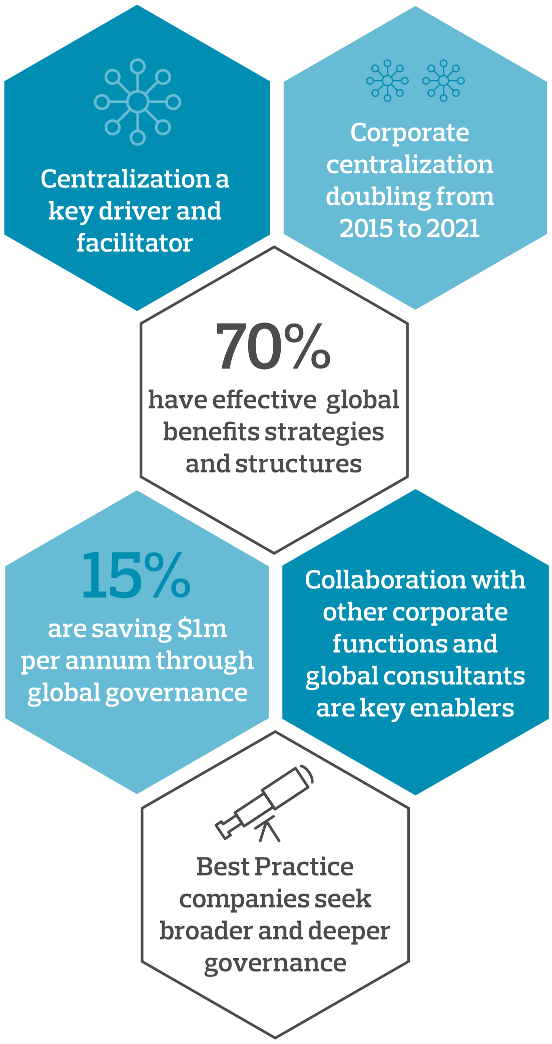
Who to work with:

- **Other corporate teams** collaborate best in Best Practice companies – 60% view as key enabler
- **Global consultants** strongly support Best Practice companies – 55% use consultant technology

And Best Practice companies are not standing still

They are now aiming for even stronger effectiveness across the five elements by:

- Broadening the range of benefits, countries and decision-types covered
- Deepening the levels of policies, information and involvement in decision-making



Executive summary

What next for those who have made progress?

Evolving areas of focus

Focus is increasingly moving from governance of DB towards Health and DC arrangements. Operations and communication are also gaining focus alongside design and financing activities.

Competitiveness and adequacy – well-established policies, approvals and global monitoring, linked to attraction and retention. Increasing focus on *improving health coverage, global minimum benefits, employee perception of value,* and measuring *effectiveness of provisions relative to outcomes.*

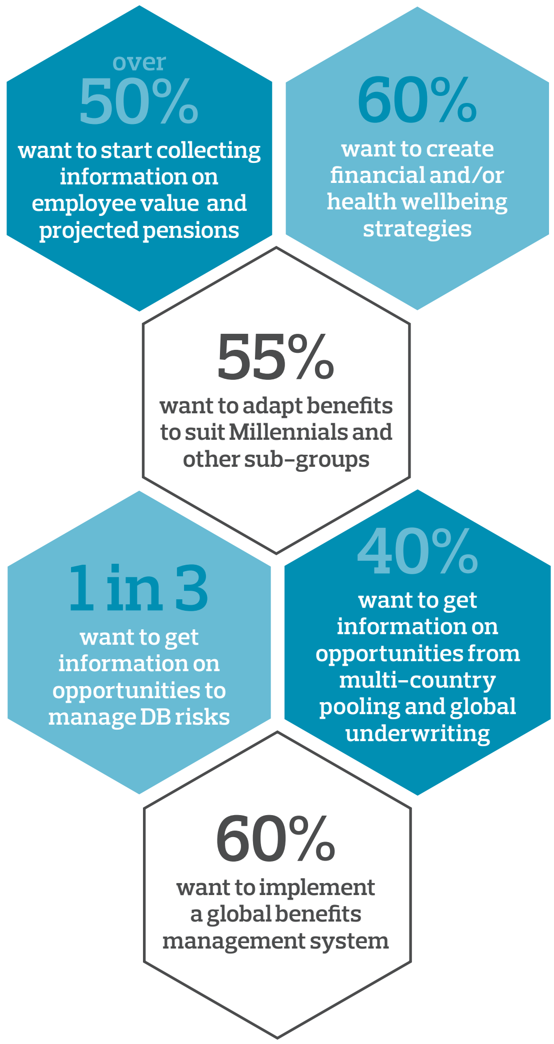
Consistency and fairness – policies, approvals and harmonization actions are much more prevalent amongst Best Practice companies. Review has been ad-hoc, but a strong desire to gain more information on *differences in choices across sub-groups,* and to develop *wellbeing strategies*.

Choice and responsibility – policies on employee choice are widespread, but encouragement of responsibility much more common amongst Best Practice companies. A strong desire for more *information about employee choices*, and to provide employees with assistance to make choices.

DB funding, investment and settlement – policies, approval processes and regular monitoring well-established, though more so among Best Practice companies, who have also completed more actions to reduce costs and risks. Increasing focus on information on *opportunities to reduce risk*.

Insurance solutions – information on insurance cover, premiums and opportunities is widespread. Policies and approvals, particularly among Best Practice companies, naturally focus on multi-country solutions: pooling, use of captives and increasingly on *global underwriting*.

Operational delivery – provider approval is common, but no other aspects of global governance. There is a strong desire to collect information centrally on *delivery performance* and *data breaches*, and for actions against *cyber risk*, and to establish *technology systems* and *centers of excellence*.



Executive summary

Key differences by type of company

Technology companies were the largest single sector represented in the study, and while this was still less than 20% of all responses, they had responses very similar to the total group. The participants in this sector demonstrated rapid centralization, clarity over budgets and the value of governance, and concerns about lack of local experience, an evolving workforce and employee awareness, value and health.

Banks and **chemical** companies have made the most progress with global governance. Half of the participants in these groups followed best practice and most of the rest were very close to achieving this. **Chemical** companies have, by far, made the most progress with actions that they want to take around the world, with most focus to date being design-oriented to attract and retain, reflecting employee choices and the need for information. They want to make more progress with settling DB and improving DC investment choices. **Banks** have taken more actions than others in relation to harmonization of plans and providers and retention of risks. Future focus will continue the path to individual responsibility for benefits, control of DB costs and enabling workforce transition.

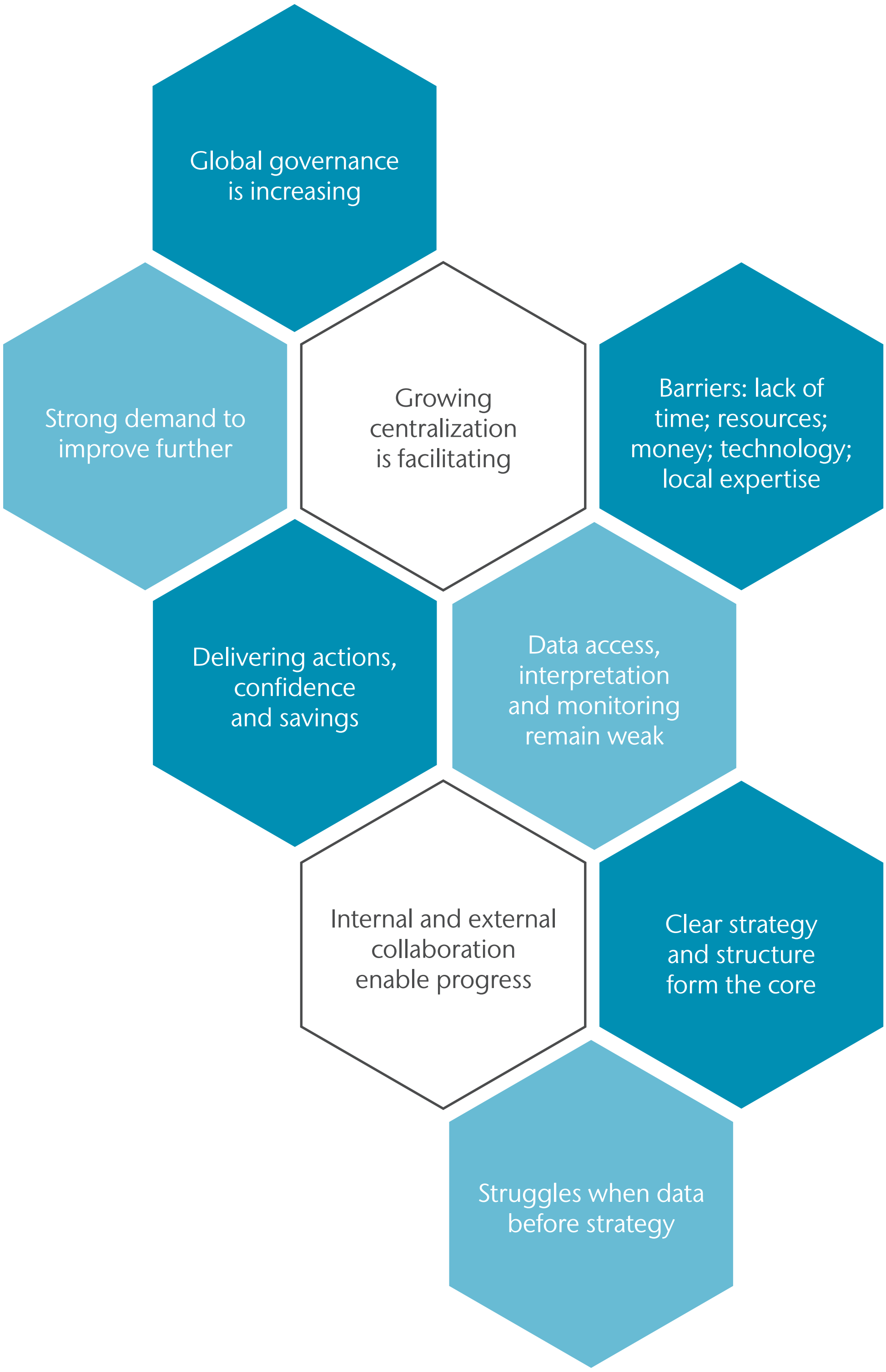
Insurers, machinery manufacturers and **life science** companies have made the least progress with global governance. The barriers experienced were very much in line with those highlighted in general within the study by companies who have struggled to make their desired progress with global governance, particularly de-centralization and the related challenges of internal collaboration and persuasion. Machinery manufacturers had the greatest challenge with the imbalance of resources to work volumes.

Consumer goods manufacturers who participated had either adopted best practice or made very little progress at all with global governance. They are generally driven by a desire for benefits to be consistent and fair, and to attract and retain while managing change in the workforce, but have made least progress with design-related actions.

Healthcare companies have, in contrast, made strong progress with design-related actions, though also want more focus on how benefits can help in managing workforce change. Future focus is on the level of risks to retain while improving health insurance coverage, as well as consistency of employee experience through benefits portals.

Oil and **gas** companies lead the way with financing-related actions, though have desires to explore multi-country pooling, captives or global underwriting. Future focus is also on financial wellbeing, including employee access to information to make choices.

Recap


Global governance is increasing
Strong demand to improve further
Growing centralization is facilitating
Barriers: lack of time; resources; money; technology; local expertise
Delivering actions, confidence and savings
Data access, interpretation and monitoring remain weak
Internal and external collaboration enable progress
Clear strategy and structure form the core
Struggles when data before strategy

To request a copy of the full 2018/19 Study when available, please email **talktous@aon.com**

About Aon

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About American Benefits Institute

The American Benefits Institute is the education and research affiliate of the American Benefits Council. The Institute conducts research on both domestic and international employee benefits policy matters to enable public policy officials and other stakeholders to make informed decisions. The Institute also serves as a conduit for global companies to share information about retirement, health, and compensation plan issues.

The Council is a public policy organization whose members include over 220 of the world's largest corporations, as ranked by Fortune and Forbes. Collectively, the Council's members either directly sponsor or administer health and retirement benefits for virtually all Americans covered by employer-sponsored plans.

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