



Corporate Governance-Related Services

Helping organizations enhance shareholder value

Human Capital Consulting Services:

Corporate
Governance-Related
Services

Organization
Transformation

Talent Management

Total Rewards

A key element of corporate governance is the need to align the interests of management with those of shareholders. Conflicting interests between these parties could result in significant adverse impact on shareholder value or management turnover. It is in every organization's interest to ensure that interests of the two parties – shareholders and management – are aligned.

The alignment can be achieved by articulating management goals that are consistent with shareholder objectives, and by adequately rewarding management for achievement of their goals, and demonstration of the desired values and behaviors.

Aon Hewitt delivers value

At Aon Hewitt, we understand the importance of corporate governance and its impact on performance, compensation and leadership behaviors. We consult with companies to help them maximize shareholder value through:

- **Executive compensation & performance (including executive directors):** We benchmark compensation against an organization's peers. The benchmarking often includes base salary, short-term incentives and long-term incentives and pay mix. Aon Hewitt helps organizations articulate their performance agenda, including defining performance metrics for the corporate and senior executives.
- **Annual and long-term incentive review and design:** We analyze current practices and benchmark those practices against peer groups. We then propose rules and mechanisms that align the payout with market practices and shareholders' value. We also help establish mechanisms that encourage the desired behaviors by management, particularly focusing on consistent and sustained long-term performance.
- **Compensation and nominating committee advisory services:** We provide ongoing consulting services, which identify benchmarks and defines best practices. On request, this may also involve benchmarking company performance against peers to determine if there is a discord between pay positioning and performance positioning.
- **Equity expensing:** We determine fair value of share-based payments in compliance with accounting standards. Our team of consultants has mastery of financial models required to calculate the fair value of share-based payments under FAS 123(R) or equivalent accounting standards.
- **Non-executive director compensation & performance:** We benchmark fees and shareholding requirements, as well as evaluate board of directors' effectiveness.
- **Executive leadership selection and succession:** We evaluate competencies of potential candidates and assess their suitability for a position. Our consultants identify gaps and, in the case of succession planning, formulate a development plan to bridge such gaps.

The Aon approach

Aon Hewitt's experts give you an astute, in-depth analysis to ensure that the executive pay element in corporate governance is an effective investment. Our distinctive approach incorporates:

- **Industry context:** We define the strengths, weaknesses and opportunities of industry competitors relative to your organization.
- **Strategic and financial analysis:** We analyze your organization's business strategy, income statements, balance sheets, cash flow and other key measures, and determine their implications for your organization.
- **Accounting and stock exchange/securities commission regulatory compliance:** We design plans in compliance with the regulatory requirements and help your organization more accurately value the expense of share-based payments, using our proprietary methodologies.

We also strengthen our executive compensation analyses by mining leading sources of executive pay information, including Aon's own:

- **Radford** is the leading provider of compensation and benefits market intelligence for the technology and life sciences industries (www.radford.com).
- **McLagan** is the premiere domestic and global provider of compensation market information to the financial services industry (www.mclagan.com).

We can help you create value for your organization by synchronizing executive compensation, executive goals and shareholder objectives, as well as enhancing executive attraction and retention.

About Aon Hewitt

Aon Hewitt is the global leader in human capital consulting and outsourcing solutions. The company partners with organizations to solve their most complex benefits, talent and related financial challenges, and improve business performance. Aon Hewitt designs, implements, communicates and administers a wide range of human capital, retirement, investment management, health care, compensation and talent management strategies. With more than 29,000 professionals in 90 countries, Aon Hewitt makes the world a better place to work for clients and their employees. For more information on Aon Hewitt, please visit www.aonhewitt.com.

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