

## News from Aon

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*For Immediate Release*

### **Stock Options Continue to Dominate Tech Compensation, Despite Shrinking Grant Size, Says Aon's Radford Surveys + Consulting**

*Pressure to Reduce Option Grants Spawns More Diversity in Program Design, Including Introduction of Full-Value Shares and Pay-for-Performance Metrics*

**San Jose, Calif. – November 15, 2007** – The use of restricted stock has risen significantly among high-technology companies, says recently released analysis by Aon Consulting's Radford Surveys + Consulting, a leading provider of market compensation intelligence and consulting to the high-technology and life sciences industries. The analysis also reported that while options remain the dominant form of equity compensation, employers continue to decrease grant sizes and participation rates in response to stock option expensing and shareholder pressure to control dilution.

Data from Radford Advisory Service's Equity Trends Analysis indicated that annual equity burn rates\* have steadily declined from 4.1 percent of total common shares outstanding in 2003 to 3.2 percent in 2006 in the high-technology industry. This is the result of companies diversifying equity plans between full-value shares and stock options.

"While nearly all high-technology companies still are using options as an incentive tool, restricted stock increasingly is being introduced, especially by larger, more mature high-technology organizations," said Brett Harsen, vice president, Radford Surveys + Consulting. "Greater sophistication in the type of awards provided is largely driven by a need to stretch an increasingly limited equity pool during a period of growth and greater labor competition in the high-technology sector."

In addition, one in four high-technology companies are using performance-contingent vesting for full-value shares to ensure that equity compensation is linked to company performance metrics, particularly for executives. This approach typically appeals to larger companies with the stability to enable long-term goal setting and that experience greater institutional shareholder pressure for transparency in the linkage between pay and performance.

\*Burn Rates – a measure of annual equity usage stated as the number of shares granted during the fiscal year as a percent of the total common shares issued and outstanding at fiscal year end.

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“Companies using performance vesting are doing so almost exclusively for those top executives whose pay packages are disclosed to shareholders in annual proxy statements and are therefore subject to greater scrutiny. Very few high-technology companies are holding employees below this level to such performance requirements,” said Harsen.

The [Equity Trends Analysis](#) from Radford Advisory Services represents the next generation in equity research. Driven by a variety of forces ranging from changing accounting standards to greater shareholder scrutiny of compensation and corporate governance practices, the equity landscape for the high-technology sector has changed radically in the past few years. This leading-edge analysis represents the most in-depth source of equity usage rates and vehicle mix available for high-technology companies.

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## **About Radford Advisory Services**

Bridging Radford's deep survey databases with consulting expertise, the Radford Advisory Services (RAS) team provides customized market analyses and survey services that simplify survey participation and improve market data analyses, helping clients reduce internal/external resources for these activities, and make better-informed compensation decisions. RAS analyses provide innovative, relevant metrics for today's compensation environment, with multiple levels of customization. Advisers work directly with clients to create insightful peer group competitive assessments. In addition, the RAS team offers several levels of global survey services, from job matching to completing the input submission, as well as data interpretation support. For more information on RAS, please visit [www.radford.com/advisoryservices](http://www.radford.com/advisoryservices).

## **About Radford Surveys + Consulting**

For more than 30 years, Radford has provided compensation market intelligence to the technology and life sciences industries. Global survey databases, which include nearly three million incumbents, offer current, reliable data to 2,000+ clients. Leveraging Radford survey data, our thought-leading global Radford Consulting team creates tailored solutions for the toughest global business and compensation challenges facing companies at all stages of development. In addition to our consulting team, we also offer equity valuation assistance via Radford Valuation Services, and leading-edge market analyses and survey services with Radford Advisory Services. For more information on Radford, please visit [www.radford.com](http://www.radford.com).

## **About Aon**

Aon Corporation (NYSE:AOC) is the leading global provider of risk management services, insurance and reinsurance brokerage, human capital and management consulting, and specialty insurance underwriting. Through its 43,000 professionals worldwide, Aon readily delivers distinctive client value via innovative and effective risk management and workforce productivity solutions. Our industry-leading global resources, technical expertise and industry knowledge are delivered locally through more than 500 offices in more than 120 countries. Aon was ranked by *A.M. Best* as the number one global insurance brokerage in 2007 based on brokerage revenues, and voted best insurance intermediary, best reinsurance intermediary, and

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best employee benefits consulting firm in 2007 by the readers of *Business Insurance*. For more information on Aon, log onto [www.aon.com](http://www.aon.com).

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