



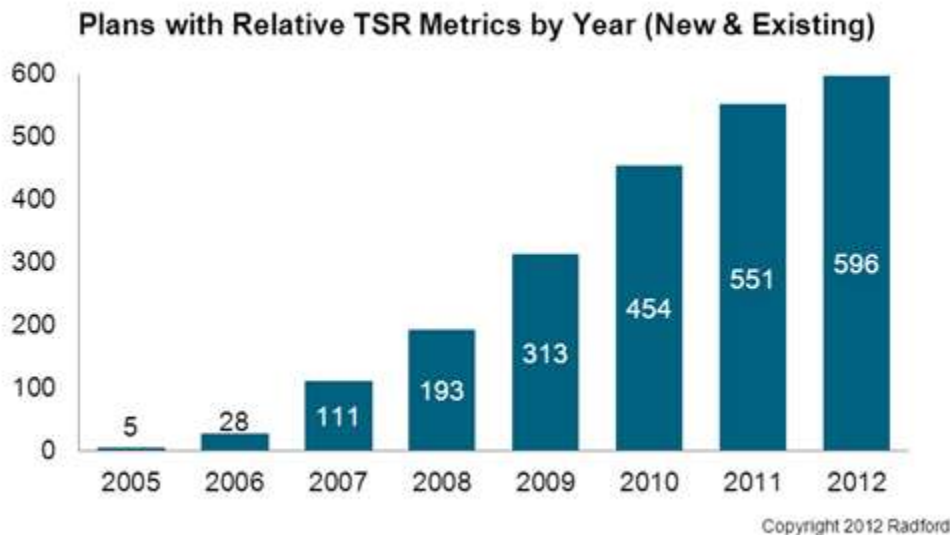
## Radford Launches Industry-Leading Web Portal to Monitor Equity Incentive Plans With Relative TSR Metrics

*The adoption of equity incentive plans with Relative Total Shareholder Return (“Relative TSR”) metrics continues to surge as investors demand stronger links between shareholder value creation and executive compensation. Radford’s new web portal, [www.RelativeTSR.com](http://www.RelativeTSR.com), explores the design, implementation and management of Relative TSR plans in unmatched detail.*

**FOR IMMEDIATE RELEASE – San Jose, Calif. – August 9, 2012** – As shareholders call for closer links between executive compensation and corporate performance, companies continue to migrate toward the use of performance-based equity over traditional stock options and restricted shares. In particular, performance-based equity plans using Relative Total Shareholder Return (“Relative TSR”) metrics are on the rise. Radford’s new web portal, launched today at [www.RelativeTSR.com](http://www.RelativeTSR.com), explores Relative TSR plans in unmatched detail and reveals a number of emerging trends. Key findings are presented below.

### Relative TSR Is the Top Metric for Performance-Based Equity Compensation

According to new research published today by Radford, an Aon Hewitt Company, nearly 600 US companies have adopted Relative TSR plans since 2005, including more than 140 new plans in the last two years. Under Relative TSR plans, final award payouts are typically tied to relative stock price returns against a peer group or a stock market index. These findings make Relative TSR the most prevalent performance metric for equity compensation programs today.



Prior to the economic downturn of 2008, Relative TSR plans were considered fairly uncommon. However, they now serve as a go-to strategy for creating improved alignment between the long-term interests of executives and shareholders.

### Relative TSR Plans Offer Companies Diverse Strategic Benefits

Performance-based equity incentive plans with Relative TSR metrics offer companies a wide range of important benefits, including:

1. Reduced forecasting requirements for long-term performance goals, especially in an uncertain macro-economic environment.
2. Increased flexibility for companies to disclose performance goals to shareholders in a clear and concise manner without the risk of releasing key business strategies.
3. Reduced use of redundant performance metrics between annual cash incentive plans and long-term equity incentive plans, improving the overall risk profile of executive compensation programs.
4. The ability to motivate and focus employees to perform against a defined set of competitors.
5. Clearer links between final executive compensation payouts and shareholder value creation.
6. A renewed focus on setting transparent goals that matter to shareholders.

“Viewed from almost any angle, Relative TSR plans are an increasingly attractive alternative for Compensation Committees looking to improve the link between pay and performance,” notes [Linda E. Amuso](#), President, Radford. “Relative TSR plans, while not a cure-all in every situation, are easy to communicate to employees, directly link executive compensation to shareholder returns, can be communicated to shareholders in a transparent manner, and, when designed appropriately, can reduce the administrative burden of using performance-based equity.”

### Relative TSR Programs Continue to Evolve

Radford’s research also indicates Relative TSR programs continue to evolve as companies seek to further improve links between compensation and performance. Examples of novel design features include “outperformance” plans in which TSR is measured against benchmark performance levels for an appropriate market index, and “collared” plans in which potential payouts are capped to avoid oversized payouts when performance is exceptionally high or when absolute company performance is negative, but still above competitor companies.

“The pace of change in the design of Relative TSR plans is extraordinary, especially in recent years as companies try to create even more shareholder-friendly programs,” says [Jon Burg](#), Associate Partner, Radford. “For example, many of the newer design concepts in the market aim to integrate Relative TSR metrics with key operational metrics like earnings growth. This allows Compensation Committees and management to focus on core internal drivers of growth, while maintaining alignment with shareholder value creation by using Relative TSR as a payout modifier. In this model, payouts are moved up or down based on stock performance to ensure payouts tied to operational performance are sufficiently linked to gains for all shareholders.”

### Looking Ahead

While the vast majority of companies with Relative TSR metrics only make grants to executives, Radford believes there is potential to extend programs deeper into organizations. “To truly value and appreciate performance-based equity grants, employees need to have a transparent and measurable understanding of performance,” says [Terry Adamson](#), Partner, Radford. “Relative TSR plans make this possible on a daily basis, allowing employees to know where they stand as company stock prices move up or down against the market.”

### Additional Radford Resources

As more companies explore the adoption of Relative TSR programs, key implementation challenges remain, including peer group selection; award valuation; and employee and shareholder communication. To support clients in these areas, Radford's Relative TSR web portal, [www.RelativeTSR.com](http://www.RelativeTSR.com) is home to a number of tools and resources to support award design, program adoption and plan management. These resources include the enhanced *PeerTracker* tool, which provides customized real-time TSR tracking for more than 50,000 domestic and international companies, funds and market indices, and 180-plus currency exchange rates for multinational peer group tracking, and the following articles published this month:

- > [Key Plan Design Considerations When Adopting a Relative TSR Program](#)
- > [A Relative TSR Design Conundrum: Traditional Component-Rank Plans vs. Outperformance Plans](#)
- > [Strategies for Addressing Negative Returns When Using Relative TSR Metrics](#)
- > [Managing Relative TSR with Global Peers: The Impact of Currency Fluctuations](#)
- > [Integrated Relative TSR Programs: New Approaches for Mixing Operating Goals with Relative Measures](#)
- > [Relative TSR Myths and Realities](#)
- > [Communication: The Key to Winning the Relative TSR Race](#)

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## About Radford

Radford, an Aon Hewitt company, is the industry leader for providing strategic compensation advice and benchmarking services to technology and life sciences companies. We help Compensation Committees and human resources leaders address their toughest challenge: attracting, engaging and retaining talent in highly dynamic innovation-based industries. Our advisors utilize an analytical approach integrating unmatched data resources, trends analysis and consulting expertise to deliver market-leading guidance to more than 2,000 organizations – from Fortune 100 companies to start-ups. Radford clients benefit from our global survey platform, containing information from nearly five million incumbents in over 80 countries, which provides real-time insights into total rewards practices at all employee levels around the globe. Visit [www.radford.com](http://www.radford.com) for more information or contact [info.rad@radford.com](mailto:info.rad@radford.com).

## About Aon Hewitt

[Aon Hewitt](#) is the global leader in human resource 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](http://www.aonhewitt.com).

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