

The 2015 PeerTracker Client Survey

Executive Summary

January 2015

Introduction

In January 2015, the Equity Valuation Services practice at Aon Hewitt and Radford launched the 2015 PeerTracker Client Survey by polling more than 180 clients with active PeerTracker subscriptions to learn more about how they communicate with award holders.

Our survey aimed at exploring how communication impacts overall plan effectiveness, focusing on the following key issues:

- Award recipient satisfaction with plan explanations
- The frequency of plan communication
- Plan design complexity.

Responses to the survey were then cross-referenced with each company's actual performance results based on data in PeerTracker. In total, information from more than 800 plans (some with completed and some with ongoing performance periods as of June 2015) was included in our analysis.

Without multiple years of data, covering both up and down market cycles, we believe it is premature to draw decisive conclusions about links between plan communication and performance results. However, in the second year of our study, the data we collected begins to suggest that effective communication has a positive impact on performance plan outcomes. Select results from the 2015 PeerTracker Client Survey are provided below to illustrate this finding:

Issue #1: Satisfaction with Plan Explanations

Responses	Very Satisfied	Satisfied	Neutral	Unsatisfied	Very Unsatisfied	n=Total
Companies	15	13	1	0	0	29
Average Percentile Rank	73%	55%	44%	n/a	n/a	
Average Payout	134%	95%	73%	n/a	n/a	

Responses	High Investment in Communication	Low Investment in Communication	n=Total
Companies	28	27	55
Average Percentile Rank	71%	47%	
Average Payout	119%	81%	

Issue #2: Frequency of Plan Communication

Frequency	Frequent	Infrequent	n=Total
Companies	37	18	55
Average Percentile Rank	72%	50%	
Average Payout	110%	89%	

Issue #3: Plan Design Complexity

Complexity	Low	Moderate	High
Plan Count	125	57	19
Average Percentile Rank	77%	60%	54%
Average Payout	129%	104%	94%

Research Note:

- **Frequency** is defined as follows: Responses ranging from "daily" to "quarterly" were deemed "frequent" and responses ranging from "annually" to "no communication" were deemed "infrequent".
- **Complexity** is defined as follows: A "low" rating indicates a basic market-based plan, a "moderate" rating indicates a market-based plan with one complex design feature, and a "high" rating indicates a plan with more than one complex design feature. Please see our full report of this study for more information.
- **Average Percentile Rank** is a calculation that ranks each company against its peers.
- **Payout** is the amount the participant earns when percentile rank is measured against the target level.

Conclusion

Based on the full set of survey results observed above, several performance trends are apparent. To start, there is a noticeable difference between performance results when plan participants are more or less satisfied with plan explanations; as satisfaction levels rise, so too does plan performance. Additionally, companies who communicate performance results more frequently experienced higher performance achievement. Finally, plans with less complexity, which are presumably easier to communicate, yield better performance outcomes. Together, these findings point to the powerful role effective communication likely plays in performance-based equity results.

Despite these trends, we believe further study is needed to correct not only for the many other variables at play in this system, but for the difference between communication for the sake of communication and high quality communication. Companies with strong plan explanations, frequent performance updates, and simple plan design might be taking a more proactive and simplified approach because they have good news to share. These same companies might also be performing better because they have better overall management, where quality communication is one of many positive symptoms of good leadership.

Still, one way or another, there is an association between effective communication and better performance.

Looking to the future, the Equity Valuation Services practice at Aon Hewitt and Radford plans to perform this analysis on an annual basis to monitor the relationship between plan communication and performance outcomes over a long-term period.

To learn more about the Equity Valuation Services practice at Aon Hewitt and Radford, visit our website:
<https://www.radford.com/home/valuation/>

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About PeerTracker

PeerTracker is a product of the [Equity Valuation Services](#) practice at [Aon Hewitt](#) and [Radford](#). It leverages the team's extensive background in valuing, designing and supporting complex equity compensation instruments to provide relative TSR award holders with real-time information in a highly accessible and easy-to-understand format. *PeerTracker* takes the guess work out of relative TSR plans, saving time, reducing expense, and minimizing confusion about what it takes to drive peak performance results. To request more information, please [click here](#).

About Equity Valuation Services

The [Equity Valuation Services](#) practice at [Aon Hewitt](#) and [Radford](#) works with top HR and finance leaders at technology, life sciences and general industry companies to design, value and communicate equity awards and other complex compensation programs. With a team of valuation and actuarial professionals across the US and global markets, the practice provides a full suite of advisory services covering equity expensing, financial reporting assistance for ASC Topic 718 and IFRS2, relative TSR plan design, proxy advisor policy modeling, golden parachute calculations, sabbatical plan valuations and more. To request more information, please [click here](#)

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