

HEALTH WEALTH CAREER

# EXECUTIVE REWARDS

THE MERCER ADVANTAGE



MAKE TOMORROW, TODAY





The executive rewards and governance landscape is increasingly complex.

Scrutiny abounds from shareholders, proxy advisers, governments, and the media, who are demanding that executive pay be aligned with performance and appropriate levels of risk-taking.

At the same time, these programs need to attract key talent, motivate appropriate performance, and create an alignment with business imperatives and other talent strategies.



# MUCH IS AT STAKE AND WE HAVE YOU COVERED

Whether working for management or boards, Mercer consultants bring the expertise and resources of a global firm to bear on these important matters. You benefit from an objective, informed, and analytic approach.

## CLIENT FOCUS

Our clients come first. We listen, we learn their business, we apply our deep understanding of market and industry practices to their unique situation, and we quickly address their needs with the highest level of service.

## BEST-IN-CLASS RESOURCES

Our best-in-class resources include global data; unparalleled regulatory, legal, and accounting research; a governance and shareholder relations Center of Excellence; and an executive benefits consulting group. Both our consultants and our clients benefit from ultra-informed decision-making as a result.

## CRITICAL ADJACENCIES

Rewards strategies alone are not enough to combat today's global war for leadership talent. Sophisticated executive attraction and retention efforts benefit from Mercer's expertise in leadership assessment and development, succession planning, predictive modeling, and global mobility.

## OBJECTIVITY, INTEGRITY, AND QUALITY

To ensure the objectivity, integrity, and quality of our advice, we have established Global Business Standards to document a mutual understanding of our role and manage potential conflicts of interest inherent in advising boards of directors and management on executive rewards issues.

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## MERCER'S CORE OFFERINGS

Mercer consultants design and implement executive rewards programs that are aligned with business performance, secure key talent, and respond to stakeholders' concerns.



### EXECUTIVE REWARDS

- Rewards philosophy and strategy development for public and private for-profit organizations and tax-exempt organizations.
- Competitive assessment of salary, annual incentives, long-term incentives (cash and equity), benefits, perquisites, program design, pay practices (for example, clawbacks), and terms of employment.
- Assessment of pay and performance alignment.
- Assessment of risk in pay programs.
- Board of director compensation.



### INCENTIVE PLAN DESIGN AND PERFORMANCE MEASUREMENT

- Short- and long-term incentive plan design and implementation.
- Performance measurement selection, goal-setting, modeling, and calibration of payout levels to performance.
- Global equity strategy and usage: How equity is delivered, where it is used, who receives awards, how much equity is awarded, what performance is required to earn awards, and cost/valuation modeling.





## TALENT MANAGEMENT

- CEO succession planning.
- Talent management with a process and tools for the board's role in sponsoring talent as a business differentiator.



## GOVERNANCE

- Stakeholder relations — including disclosure, seeking approval of plans, positioning pay strategy and programs, and responding to concerns.
- Updates on trends and best practice developments in executive reward program design and governance.
- Reasonableness opinion letters for tax-exempt organizations.
- Ongoing advice on implications of regulatory, legislative, and market developments.
- Compensation committee charter, agenda, and process development and implementation.
- Board effectiveness and development, including director assessment and feedback.
- Board role definition and engagement.



## CORPORATE TRANSACTION SUPPORT

- Comprehensive support for initial public offerings, mergers, acquisitions, divestitures, and going-private transactions for corporate and private equity buyers, including:
  - Due diligence.
  - Program design (for example, targeted retention programs).
  - Ongoing entity pay strategy and program design.

## Our Commitment

Mercer consultants will proactively share information with you about the external environment, harness its plethora of resources to provide innovative solutions to your unique business challenges, and work with the compensation committee and management.



# CURRENT SITUATION

## EXECUTIVE REWARDS AS A BUSINESS DRIVER IN TODAY'S COMPLEX ENVIRONMENT

### TODAY'S CHALLENGING ISSUES

- Globalization and industry consolidation have led to a shortage of leaders with the expertise to run today's complex organizations.
- Increased mobility at executive levels has resulted in an intense competition for talent around the world and a surge in the cost of attraction and retention.
- Outdated or frail succession plans are left even more vulnerable given today's aging workforce, leaving organizations open to delaying or failing the achievement of committed business targets.
- Regulatory environments around the world are gaining steam and curbing executive pay levels, requiring organizations to look at attraction and retention strategies beyond pay.
- Proxy advisors are flexing their muscles on an ever-expanding list of executive compensation matters, resulting in a convergence of plans that look remarkably alike with little consideration given to unique business priorities and talent requirements.

### TAKE CONTROL: REBALANCE THE SCALES

It is easy to become overwhelmed by today's challenging issues and choose a path of least resistance. The few that manage executive rewards as a business driver often discover the competitive advantage to one or all of the following talent strategies.

#### **Integrate executive talent planning and rewards**

by reviewing succession and leadership development plans in tandem with compensation, and expanding the duties of the compensation committee.

#### **Consider the global talent market**

to enable comparisons across different executive rewards practices, mitigating internal equity concerns and harnessing the power of rigorous international mobility practices.

#### **Understand total career compensation**

by both considering realizable pay over an executive's full tenure and analyzing all elements of compensation, including benefits.

#### **Harness the power of data**

by regularly reviewing key dashboards with broad talent metrics and using sophisticated analytical techniques such as projections, simulations, and predictive modeling.

#### **Engage and collaborate with multiple stakeholders**

by seeking input from a broad range of voices inside and outside the company — shareholders/owners, executives, other employees, board members, and customers/clients.

By embracing these talent strategies, organizations achieve enhanced and sustainable value creation and engaged stakeholders.




## MERCER GLOBAL BUSINESS STANDARDS

**The relationship:** We establish a clear mutual understanding of our role, client-reporting relationship, project deliverables, timeframe, fees, and information-sharing protocols; we document everything in our letter of engagement.

**Quality advice:** Executive rewards assignments are led by senior consultants in the executive rewards line of business, and all advice is stringently peer reviewed. Any potential conflict between Mercer and our client is reviewed and disclosed.

**Business structure:** Consultants report to executive rewards consulting leadership, who also evaluate their performance and determine their rewards. Consultants are not compensated based on client revenue from other Mercer lines of business or subsidiary companies.

**Potential conflicts:** Consultants must seek guidance from our business leadership if there is any question of their objectivity or integrity being compromised. We may discontinue relationships where apparent or actual conflicts of interest would impact our advice.



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