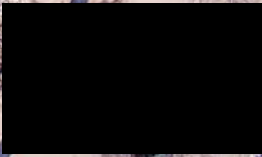


Corporate transactions:
human capital expertise for
successful integration



Corporate transactions: human capital expertise for successful integration

Corporate transactions – acquisitions, mergers, divestitures and spin-offs – are time-tested ways for organizations to expand market share, strengthen competitiveness, cut their losses on unprofitable or nonstrategic businesses, or otherwise reorganize for efficiency. And in today's deal environment – with increasing regulatory hurdles, market volatility and deal complexity – deal makers are under more pressure than ever to quickly demonstrate a transaction's operational and financial value.

Willis Towers Watson's integration services address the critical people-related areas that our research and extensive experience have found to materially affect deal success.

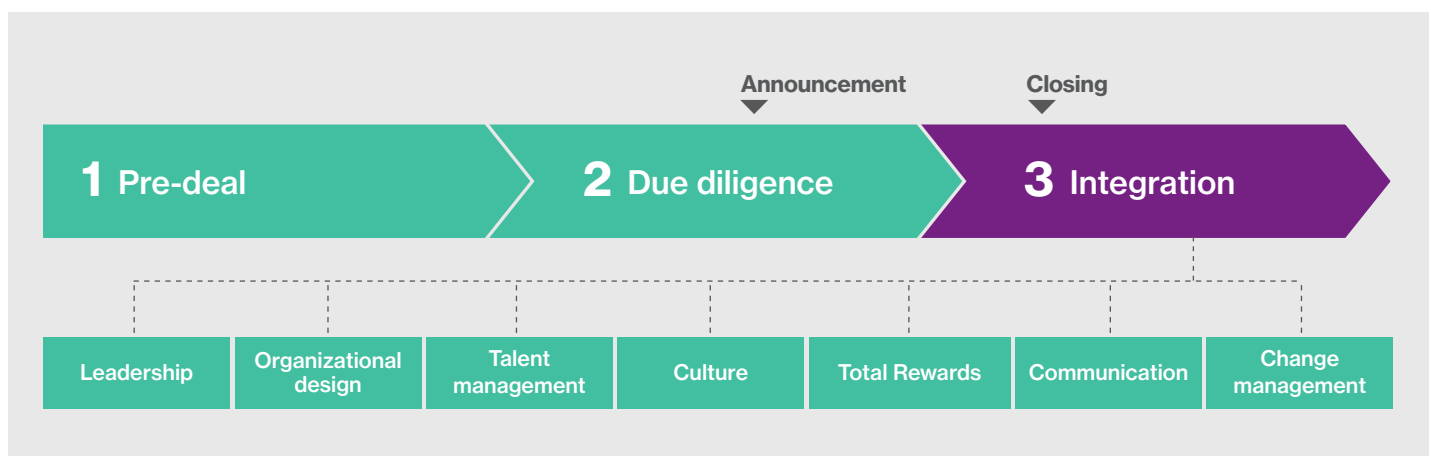
This demonstration must begin immediately after the deal closes, even though the post-close period is a time of significant change for the workforce. Employees typically have new managers, colleagues and tasks, and very often new pay and benefit programs. Such changes can threaten employee engagement and productivity.

For the transaction to be successful, business and HR leaders must keep a laser focus on a spectrum of human capital challenges that time and time again have either made or broken a deal: mitigating talent disruption, managing cultural integration and recognizing the need for strong change management, to name a few.

Willis Towers Watson's integration services address the critical people-related areas that our research and extensive experience have found to materially affect deal success:

- Leadership
- Organizational design
- Talent management
- Culture
- Total Rewards
- Communication
- Change management

Building on work completed in the due diligence and integration planning phases of your deal, we partner with you to assess the affected people programs and develop detailed integration plans, including priorities for Day One and beyond.





Leadership

During periods of organizational transition, employees look to leaders for guidance, motivation and focus. Our research has found leadership to be *the* most important driver of employee engagement during a transaction. To be effective, your leaders can't be distracted by concerns about their own futures. So it's critical to start the integration process by addressing the concerns and engagement of senior leaders, ensuring they understand and are aligned with the deal goal and strategy.

We help you:

- Assess retention risks for executives and other key talent
- Design financial and nonfinancial retention frameworks
- Develop and deliver tools and programs to enhance change leadership skills
- Facilitate leadership sessions to obtain alignment on key people and culture decisions
- Assess leadership competencies and coaching for integration success
- Align executive performance and rewards with drivers of shareholder value

Willis Towers Watson leadership assessment tools: identifying effective M&A leaders

Not all leaders have what it takes to be effective during a transaction. Our proprietary leadership assessment tools use leading-edge psychometrics to help you identify the leaders best equipped to enable M&A success.

The tools provide insight into the target company's leadership style and approach, which you benchmark against proven M&A success factors. You identify potential leaders with the "right" characteristics – matching leaders' profiles to the specific leadership requirements of the deal – and effectively plan for integration. Such analysis also helps you identify potential operating conflicts, so you can address them early on.



Executive compensation in M&A

All corporate transactions are disruptive for the business. And when the two organizations' executive compensation plans and strategic objectives are misaligned, senior leaders can be distracted from running the business. Proactive acquirers design and administer a post-close executive compensation plan that keeps executives' behavior aligned with shareholder interests and appropriately rewards them for superior business performance.

Our executive compensation experts help you with:

- Due diligence project management and compensation modeling
- Executive compensation philosophy that encompasses peer group development, pay positioning and target pay mix
- Executive compensation road map and to-do list
- In-cycle incentive compensation plans and unvested equity grants at the time of closing; compensation tax deductibility for U.S.-based companies
- Calculations of change-in-control payments and any taxes due, and assistance with say-on-parachute shareholder votes
- Post-transaction incentive programs, including annual cash and long-term incentive rewards
- Executive employment agreements, and severance and retention policies
- Market-competitive executive retention plans
- One-time, transaction-related compensation, including project success bonuses and earn-out plans for acquired executives
- Executive compensation-related disclosures in regulatory filings, communications and registrations
- Employee Matters Agreement and/or Transition Services Agreement
- Employee communications about compensation-related decisions

Organizational design

Often a transaction requires an organizational redesign to take advantage of synergies and align the business structure with the new operating model. Our organizational design approach is focused on the long-term business strategy. That is, we work with you to align the business and support functions with the new company's strategic priorities.

Our organizational design services include:

- Side-by-side analysis of business functions to pinpoint opportunities to reduce duplication, complexity and cost
- Organizational design health-check tools to optimize new structures
- Integration of team structures to leverage business synergies
- Design of roles and primary accountabilities, including new governance frameworks
- Population of new business units and support functions

We also help your HR team:

- Develop an HR strategy, structure and service delivery model to meet the new company's needs
- Assess and harmonize HR policies
- Develop transition services to smooth changes and minimize disruption to HR services
- Select and implement enterprise-wide HR software tools (see below)

Our organizational design approach is focused on the long-term business strategy. That is, we work with you to align the business and support functions with the new company's strategic priorities.

HR support for corporate transactions: Willis Towers Watson HR software

Willis Towers Watson HR Software helps your team meet the complex, people-related needs of a newly transformed organization. It enables you to provide the personalized, engaging employee experiences so crucial in any transaction.

Use Willis Towers Watson HR Software to effectively manage people programs during a transaction, including:

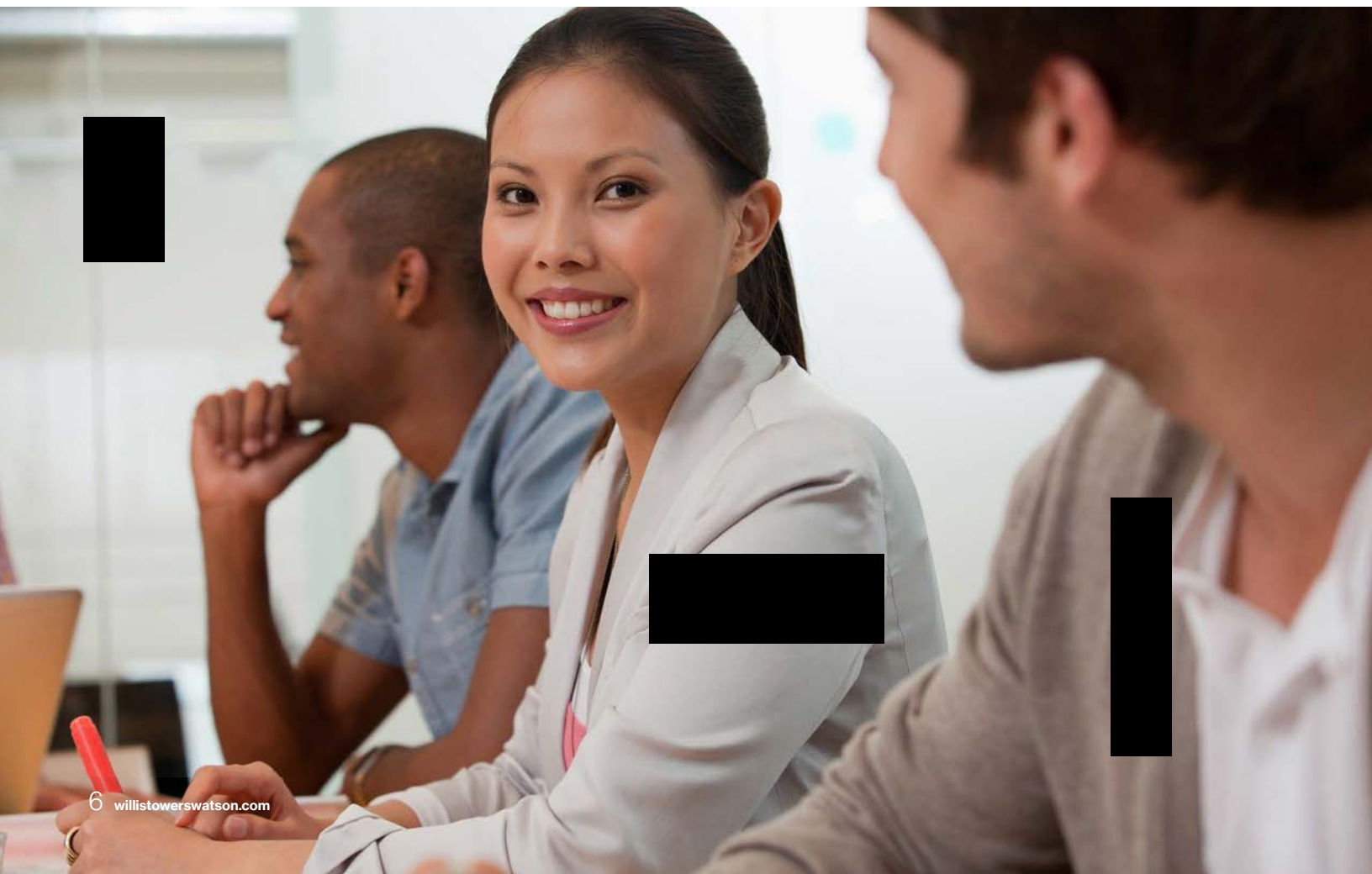
- Compensation Software. Design balanced compensation programs, manage budgets and appropriately reward employees in global organizations.
- Data Services. Access the world's largest proprietary database of compensation and HR data.
- Employee Engagement Software. Motivate employees to go the extra mile for the company and themselves.
- HR Portal Software. Provide your workforce with an easily accessible, user-friendly hub that integrates all critical HR services and content.
- Talent Analytics Software. Use context-driven analytics to make smart, data-based decisions that enhance workforce productivity.
- Talent Assessment Software. Harness global data, consulting and technology to make confident, data-driven decisions on recruitment and employee development.
- Talent Management Software. Design and implement an integrated suite of performance-based talent management programs to help you attract, develop and retain top performers.

HR transition service agreements

When buying or spinning off a business unit, you likely need a transition service agreement (TSA). Careful crafting of the TSA will help smooth the transition and separation of employees for both organizations. The TSA explains what outsourced or shared people-related services the seller must provide for a specific time period, from the legal deal close until the new company implements its own HR solutions.

To help you ensure the TSA is comprehensive and effective, we provide:

- Support and data during TSA pricing negotiations
- Governance and tracking of TSA activities at local, regional and global levels
- Administration of benefit plans, including retirement; medical, dental, prescription drug, life and disability insurance; and employee assistance program
- Administration of benefit policies, including paid time off, educational assistance and COBRA notifications
- Support during the next annual benefit enrollment period
- Health and welfare actuarial (pricing and renewal) support for the next plan year
- Retirement plan consulting, excluding the calculation and payment of pension benefits, IT support and interface modification



Talent management

In today's world of flexible workforce configurations and an array of employment relationships, we help you craft the right talent strategy to realize a deal's projected value. We help translate the deal strategy into the nuts and bolts of talent selection, employee tracking and onboarding. We align talent-related steps and activities with other crucial activities, including organizational design and compensation.

We help you:

- Analyze the composition, flow and cost of the current and projected workforces
- Identify sub-executive-level roles important to the business's continuing success
- Plan tactics to close workforce gaps, and recognize the implications for sourcing, deployment, engagement, rewards and development
- Craft a sound talent selection strategy and processes, create a staffing operations center and implement appropriate tools
- Develop retention and transition plans needed to retain top talent and keep the business running without disruption
- Adopt tools and processes to enhance managers' ability to lead newly formed teams

In today's world of flexible workforce configurations and an array of employment relationships, we help you craft the right talent strategy to realize a deal's projected value.

Retaining top talent during a transaction and beyond

The importance of retaining high performers and other essential talent during a transaction has become a given. Many deal valuations are based on the premise that these key employees – both during the transaction and after the deal closes – will enhance and expand customer relationships, lead teams to higher levels of performance and create value for the business. So acquirers worldwide are focusing more sharply, early in the deal process, on identifying these employees and taking steps to ensure they don't leave.

To retain and engage critical talent during a deal, many employers design and offer retention agreements early on. Our research has found that cash retention bonuses are the most common type of financial award in retention agreements. While such bonuses can be effective, we've found that a well-crafted, enhanced severance plan can be less costly and equally effective in getting key employees to stay with the new organization.

Monetary incentives aside, deal makers must keep sight of the factors that foster *long-term* retention, including strong leadership, career development opportunities, pay differentiation for top performers and a clearly articulated employment deal.

Cyber risk and workforce culture: the impact of a corporate deal

The role of the human element in data security breaches is as enduring as it is troubling. Hackers continue to use unsecured laptops and phishing email scams to damage corporate servers and compromise confidential, sensitive information.

These risks increase during a transaction due to the disruption that normally occurs. The question is: How can deal makers assess and mitigate the risk inherent in employees' behavior?

The answer lies largely in understanding the workforce culture that shapes everyday behavior. An organization, and in particular its leaders, create and reinforce a culture that influences every employee. This culture holds the shared values, norms, beliefs and assumptions that ultimately drive employees' actions. Those cultural elements can support or inhibit behaviors that mitigate risk.

Specifically, our research has found that organizations experiencing data breaches are rated less favorably by employees in both the extent of the organization's customer orientation and the effectiveness of training. And that pertains to both general training that helps employees maintain job skills – which can include staying current on ways to reduce cyber risk – and the specialized training of new hires in the IT function.

Addressing workplace culture – especially in the context of a deal – is a first step to creating an environment that supports a holistic, integrated risk-mitigation strategy. In addition to shaping the right workplace culture, and developing and implementing employee incentive and training programs designed to foster cyber security, deal makers should consider the following steps to manage cyber risk:

- Ensure an enterprise-wide governance program is in place.
- Assume hackers are already inside the organization or its systems.
- Consider technology one of several lines of defense.
- Insure the organization against cyber threats that cannot be mitigated.
- Allocate enough capital to maintaining effective cyber defenses.

Culture

Whatever the nature of your transaction, it's essential to define the culture that will boost business performance and foster success in the new organization. And to lay the foundation for the articulation of the culture, you'll need to rally company leaders around a common purpose and vision. Cultural alignment is quite nuanced and depends on the deal strategy – for example, whether the acquired company will be fully integrated into the buying organization, whether the deal is positioned as a merger of equals, and whether the new company is meant to stand alone.

We work with you to develop the optimal cultural alignment strategy based on the deal value drivers and your strategic imperatives. Then together, we create a culture road map. It delineates the path for engaging leaders, managers and employees in knowing and acting on the cultural attributes – with a clear line-of-sight to how their behaviors matter.

We help you:

- See culture as an enabler of success.
- Assess the cultures of the acquiring and target organizations using proprietary tools.
- Assess the impact of national, cultural norms and behaviors on cross-border deals.
- Develop a culture change strategy and a set of culture-related interventions.
- Measure leader, manager and employee engagement throughout the transaction.

We work with you to develop the optimal cultural alignment strategy based on the deal value drivers and your strategic imperatives. Then together, we create a culture road map.



Getting culture right in M&A: Willis Towers Watson tools and approaches

Time and time again, we see deal failure caused by a poor cultural fit, and deal makers struggle with this seemingly intangible issue. Our proprietary culture assessment tools address this vexing problem and help your organization effectively tackle the issue of cultural fit head-on.

Often deal makers rely on their “gut” to make an initial cultural assessment based on due diligence interactions. But a more structured approach that includes the following tools can pay off:

Culture Cross Match. This is a relatively straightforward methodology. Respondents are asked to describe the current culture using a set of contrasting adjective pairs (e.g., bureaucratic versus entrepreneurial). The approach is highly flexible: You can conduct the survey with senior leaders or employees, and you can customize the adjective pairs to address the aspects of culture most relevant for the deal.

Culture Alignment Tool. Our Culture Alignment Tool is based on our research finding that, for financially successful companies, how they compete externally and the nature of their internal culture tend to be aligned. Using the tool, your senior leaders describe the company’s current and ideal cultures. The results show how well aligned the current and aspirational cultures are with the deal’s strategic priorities and help you see gaps that need closing. Leaders from both sides of the deal can use the tool to assess their premerger cultures.

Merger Monitor. Once integration is under way, this tool is extremely valuable. You use it to periodically conduct a focused pulse survey that asks each employee about the integration’s progress, as well as its implications for the organization’s success and for the respondent’s career. We compare the results to a variety of benchmark data, including data from other companies that have had a transition, to help you determine where changes in the integration process are needed.



Total Rewards

Transactions typically prompt a revisit to the Total Rewards programs, especially when there are changes in the company's strategic direction. In addition to helping you address the comparability requirements for transferring employees, we work with you to ensure that the new company's Total Rewards strategy and underlying programs will attract, engage and retain key talent from both the acquired workforce and the acquiring organization.

Our deal-related Total Rewards services include:

- Comparison of the two organizations' reward programs:
 - Total Rewards philosophies and analysis of how consistently they're applied across businesses and geographic areas
 - Side-by-side analysis of executive and broad-based compensation programs of both companies, including base pay, guaranteed pay, short- and long-term incentives, and salary structures
 - Side-by-side analysis of job architecture and leveling, performance management and recognition programs
 - Side-by-side analysis of benefit programs, workplace environment, work/life balance, paid time off, and perquisite programs and allowances of both companies to efficiently address comparability requirements of the deal
- Proprietary global databases to benchmark reward programs against statutory requirements, competitive norms and best practices
- Leading-edge tools that enable fact-based decision making and trade-offs in designing the new, integrated or harmonized Total Rewards strategy and/or portfolio
- Plan designs to support the new Total Rewards philosophy and harmonize legacy programs

- Design of new, global salary structures, career frameworks, and/or sales compensation and benefit implementation plans, as well as change management and communication plans to ensure the successful transition to new programs
- Design of performance management programs to foster behaviors needed for success in the new organization

Total Rewards Optimization: allocating reward investments for maximum return

Total Rewards Optimization (TRO) draws on rigorous and sophisticated analytic tools from consumer research and portfolio optimization to help organizations create reward portfolios that provide the highest return on investment.

Using TRO methodology, your organization can do the following:

- Determine the impact of reward changes on specific employee behaviors.
- Determine the value that specific groups of employees attach to various financial and nonfinancial rewards.
- Determine the ROI of different reward strategies – calculating cost to the organization versus value produced by achieving desired employee behaviors – to achieve the optimal combination.
- Develop relevant communications that give different employee groups the information and support they need to understand the value of their programs and use them efficiently and effectively.

Reevaluating global benefit program management following a transaction: Willis Towers Watson's Global Benefit Solutions

Depending on the nature of the deal, a transaction can prompt multinationals to redesign their global benefit programs or reassess their global benefit management approach. There are pressures on deal makers to take advantage of operational and revenue synergies, rein in costs, centralize oversight and mitigate retention risk through global consistency and modernized technology. Such pressures often lead employers to redefine their approaches to the overall management of benefit programs around the world.

Willis Towers Watson's Global Benefit Solutions offers a cutting-edge technology platform that makes it possible for you to manage your global health and benefit programs more efficiently and accurately, while providing globally consistent employee enrollment technology in more than 60 languages. Our on-the-ground, local brokerage support in over 160 countries and territories – coupled with our global coordination and consulting support – streamlines benefit plan review and decision making for your corporate and regional leadership teams.

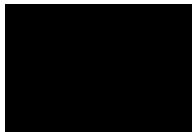
Communication

Clear, compelling communication during a corporate transaction cannot be overemphasized as a primary driver of employee engagement. From the early planning of the deal announcement to the periodic, holistic communications throughout integration, your employees need the right messages at the right time. The language you use to describe the deal, the integration process and the future employee value proposition sets employees' expectations about upcoming changes. Keeping employees informed all along the way helps you minimize disruptions and keep the workforce focused on customers and the business.

In today's world of social media and big data, there are new opportunities to customize how we deliver information to employees throughout the integration process.

We help you:

- Design an engaging approach to the pre- and post-close employee experience
- Create a strategy and detailed plan for communicating with leaders, managers and employees
- Develop and deliver messages from the deal announcement through integration
- Develop materials and processes that address internal stakeholder needs, such as FAQs and town hall presentations
- Use a variety of media to deliver messages in the most effective ways, including video, web-based and social media



Change management

Integration leaders need to understand the impact of a transaction on various employee groups. Anticipating the potential effects of a deal on employee behavior, and subsequently on customers or clients, helps you shape the change management plan.

A well-reasoned, comprehensive change management plan increases the likelihood of deal success. Such a plan takes into account the potentially different agendas for various stakeholders. Successful change management starts with the understanding that each stakeholder group has a unique set of expectations about what the deal will mean for them. Those expectations, which are based on both biased

perceptions and reality, vary according to stakeholders' organizational level and geographic location. And both the *perceived* potential changes and the *real* changes inform the design of your change management tactics.

To manage deal-related change, we help you:

- Define and manage stakeholder engagement
- Identify specific employee behaviors that may need to change for the projected deal value to be realized
- Collect and analyze data to facilitate leadership decision making regarding change management
- Design focused interventions to mitigate risks

What does it take to be a great change leader during a transaction?

Our experience tells us that companies that are highly effective at managing change during a deal remain highly effective over time. And those that are ineffective at change management tend to remain so.

During a deal – a time of dramatic change – leaders' role is threefold: 1) to **inform** the workforce about the post-deal vision, 2) to **engage** stakeholders by displaying confidence about the change, and 3) to **enable** successful business outcomes by equipping others with necessary tools and removing obstacles.

Our Change Leadership Training equips your leaders and managers to:

- **Build** knowledge via a time-tested, effective change management methodology
- **Understand** the importance of leadership during any change initiative
- **Know** how to effectively lead change within an organization
- **Identify** capability gaps in the change leadership approach
- **Gain** tools and ideas for leading change

Participants in the training program assess their strengths and weaknesses, and create an action plan for managing change throughout the integration process.

Tips for managing deal-related change

- Begin by reviewing the lessons learned from the organization's change history.
- Show senior leaders the business case for change, explaining the connection between integration success and business results.
- Clarify the goal of the change effort. Focus all stakeholders on a common, clear purpose.
- Speak honestly about the potential impact of the transformation. Remember: Each stakeholder group has a unique set of expectations.
- Deputize experienced change leaders, and be crystal clear about roles and responsibilities for all phases of change management.
- Craft a change management strategy with a comprehensive, well-articulated communication plan, then communicate openly and often throughout the change effort.
- Measure the progress of the transformation, and adjust the change management plan as needed.
- Be cognizant of change fatigue.

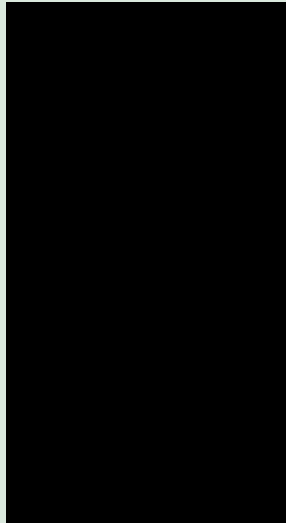
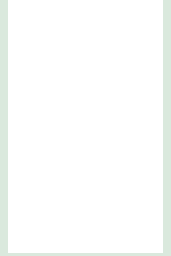
A well-reasoned, comprehensive change management plan increases the likelihood of deal success. Such a plan takes into account the potentially different agendas for various stakeholders.





Partnering with Willis Towers Watson

Our M&A consultants have the experience and expertise to help your organization achieve its deal objectives, no matter the deal type, location, time frame or business sector. Our global team has guided thousands of transactions across industry sectors and geographic borders, participating in every deal phase from pre-deal target evaluation, through due diligence, to post-deal integration strategy and execution. Our 39,000 colleagues in more than 120 countries work together to provide the perspectives and deliver the information that give your transaction team a clear path forward.



About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 39,000 employees in more than 120 countries. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com.