4 Overlook Point
Lincolnshire, IL 60069

March 4, 2022

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, DC 20549-1090

Dear Vanessa,

Subject: Comments on Proposed Rules Relating to Pay Versus Performance – File Number S7-07-15

We respectfully submit this letter in response to the solicitation by the U.S. Securities and Exchange Commission (the "Commission") for the Reopening of Comment Period for Pay Versus Performance on February 2, 2022, as it relates to proposed amendments to Item 402 of Regulation S-K relating to Pay Versus Performance disclosures (the "Proposed Rules"). The Proposed Rules are intended to implement Section 953(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd Frank") and would amend the current executive compensation disclosure rule to require a description of how executive compensation actually paid by a registrant related to the financial performance of that company. This reopens the comment period for the proposed rule that was originally published May 7, 2015 with Release No. 34-74835.

Aon Human Capital Solutions' business spans over 2,000 colleagues in more than 30 countries and is the foremost human resources and human capital consulting firm, applying expertise supported by market-leading workforce data and analytics in order to help our clients tackle transformational projects related to people. In our view, the data that supports our practices and the institutional knowledge to apply the data appropriately makes us uniquely positioned to understand the impact of the Proposed Rules on our clients both theoretically and in application.

We appreciate the opportunity to offer our commentary on the Proposed Rules and we hope that the Commission finds our observations and recommendations useful in the definition of the final rules. We have limited our comments to the sections of the Proposed Rules that we feel are likely to have the greatest impact on an issuer's compliance burden as well as on a shareholder's understanding of the overarching relationship between compensation actually paid and the holistic performance of the issuer, whether that be from a financial standpoint, a return standpoint, or an Environmental, Social, and Governance standpoint.

Please note that these comments are submitted to the Commission by Aon Human Capital Solutions solely in its capacity as a compensation consulting firm and do not represent any positions taken by its affiliated reporting company, Aon plc.

Sincerely,

Aon Human Capital Solutions

Michael Burke
CEO, Human Capital Solutions

AON

Amy Jennings
Partner & North America Executive Compensation Practice Leader

Richard Harris
Partner & Executive Compensation Pay for Performance Practice Leader

Amanda Benincasa Arena
Associate Partner & North American Practice Leader Equity Services

Aon Human Capital Solutions supports providing information to investors and other stakeholders that improves the understanding of what drives a company's performance and a company's pay versus performance relationship.. However, there are many opportunities under current disclosure requirements that enable investors to assess the factors impacting company performance in the forms of other public filings as well as statements publicly made by the companies that address what is being done to improve performance. Therefore, Aon Human Capital Solutions believes that the focus of the Compensation Discussion and Analysis ("CD&A") disclosure and accompanying tables should primarily address the relationship of pay versus performance.

Criteria for evaluating whether additional disclosures, data and/or descriptions would be helpful, neutral, or harmful to the understanding of the relationship of pay to performance should include:

- Can the disclosure be applied consistently across registrants?
- Does the disclosure provide additional insight beyond existing required disclosures (i.e., the CD&A and currently required tables)?
- Does the disclosure address substantially all of the information needed for improved insight and understanding?
- Will the additional length of the disclosure materially add to the burden of the reader thereby mitigating the benefit of even helpful additional information?
- Will the additional disclosures add materially to the cost to the registrant beyond the additional value to investors and other stakeholders?

Aon Human Capital Solutions believes that the table proposed by the SEC in 2015 is a reasonable approach to providing additional information on pay realized over a three-year period as a supplement to the Summary Compensation Table ("SCT"). The primary benefit of this supplemental information is to provide an alternative to the prospective values for equity-based compensation (driven by accounting-mandated valuations and financial theory) in the SCT. The new table substitutes values realized for the year based on vested equity and current share price as an alternative view of what the Named Executive officers were paid.

Realized equity values are impacted by:

- Performance delivered on specific performance measures for performance-based equity versus the performance goals set at the time of grant (which are typically shown at target in the SCT) – both of which are typically disclosed in the CD&A.
- The number of shares or options granted – for most companies some combination of one, two, or three years ago – under different competitive environments and with varying economic inputs.
- The change in stock price over the time period since grant.
- The vesting schedule which varies across in length and whether vesting is ratable or cliff.

The current set of questions implies that knowing one or more performance measures will materially help the understanding of the relationship of performance versus pay. Aon Human Capital Solutions' position is that listing one or more performance measures – whether or not ones used to calculate annual or longer-term performance-based pay – is not sufficient to meet this criterion. First, the levels of performance delivered relative to the established performance goals is as important as the selection of metrics in both determining whether a company has created or destroyed value and the relationship of pay versus performance. Also, Aon Human Capital Solutions is concerned that additional disclosures to support the choice of listed metrics

will substantially lengthen the entirety of the pay disclosure thereby reducing, not enhancing, any additional insight.

Aon Human Capital Solutions recognizes that Total Shareholder Return ("TSR") is not a perfect measure. However, it can be consistently measured and reflects the change in share value that leads to changes in realized pay. Neither the adoption of GAAP pre-tax and/or net income (which can be consistently applied since it's a GAAP metric, but does not necessarily align with the performance indicators that companies are actively aligning with performance-based pay) nor company-selected measures will add material value in our opinion. We are also in a period where additional performance measures, especially those related to Environment, Social, and Governance ("ESG"), are being introduced and describing the impact of those new measures will likely require more than just listing results.

Therefore, Aon Human Capital Solutions' overall position is that no additional disclosure of performance measures in the tabular section will enhance the totality of the pay disclosure in a way that meets our proposed criteria.

The responses to the specific questions, below, address our position in greater detail. Due to our overall position, Aon Human Capital Solutions has responded only to Questions 1–5, 7, 10, 15, and 19–22.

Comments and Recommendations

1. Should disclosure of additional financial performance measures beyond TSR be required? Specifically, would investors find it useful to have pre-tax net income and net income presented in tabular format alongside the other metrics that would be required by the Proposing Release? Would these two additional metrics help investors to appropriately evaluate the relationship between executive compensation actually paid and the financial performance of the registrant? Would the inclusion of these measures alleviate concerns previously raised by commenters on the proposed rules about including only TSR and peer group TSR in this disclosure? Would their inclusion complicate the disclosure such that its usefulness could be reduced? Should we also require that these measures, if any, be discussed in the required description (which may be, e.g., narrative or graphical) that accompanies the tabular disclosure? Instead of requiring additional financial performance measures, should we instead include pre-tax net income and net income as examples of additional measures registrants could elect to disclose if they believed such disclosure would be beneficial for them? What would the benefits or drawbacks be of that approach?

   Aon Human Capital Solutions recommends no additional measures be required in the discussion to this table based on our position that any additional changes should: (1) be to increase understanding of the performance versus performance relationship; (2) only add things where the benefit to the reader's understanding exceeds the costs to the registrants in reporting; (3) reiterate that the levels of performance goals and actual performance are as important as the performance measures; (4) recognize that the measures appropriate for different industries/life cycles may be very different; and (5) realize that the CD&A already addresses the performance measures used to determine compensation and the rationale utilized in selecting the measures. While TSR measured over a three- or five-year interval does not fully explain the performance that drives pay, neither will adding additional measures. We do not believe that adding GAAP pre-tax income or net income as mandated metrics adds value. First, using GAAP measure in disclosure, while allowing for more consistency in reported numbers, is contrary to the fact that many companies name adjusted earnings measures as the bases for short-term and long-term incentives. Second, these two bottom line measures of income are not

consistently used in incentives and even when they are used they are often combined with other measures based on industry and/or company-specific economics.

2. Are there other measures of company performance that we should consider mandating in addition to or in lieu of pre-tax net income and/or net income? If so, which additional or alternative measures should we require and why? How would these additional or alternative measures should we require and why? How would these additional or alternative measures be useful for investors in measuring company performance? Should we also require that these measures, if any, be discussed in the required description (which may be, *e.g.,* narrative or graphical) that accompanies the tabular disclosure?

   No, as described in the response to question one, there are differences in what drives company value and pay based on industry and in some cases company-specific circumstances. Also, performance measure selection is only one of several factors impacting the pay to performance relationship.

3. How should we define the Company-Selected Measure, if we were to require its disclosure? We are considering defining the Company-Selected Measure as the measure that in the registrant's assessment represents the most important performance measure (that is not already included in the table) used by the registrant to link compensation actually paid during the fiscal year to company performance. Would such a definition provide sufficient clarity to a registrant as to what to disclose? What computations or considerations would be required in determining the Company-Selected Measure and what would be the associated costs for registrants? Should we require registrants to disclose the methodology used to calculate the Company-Selected Measure? Should that consideration depend on whether the measure is already disclosed in the Company's financial statements?

   Aon Human Capital Solutions does not believe that naming one or more company-specific measures increases the understanding of the pay to performance relationship beyond information provided in the CD&A. We expect great diversity in the types of metrics as more companies use ESG metrics in addition to shareholder, financial and operational metrics to determine pay with greater prevalence. We anticipate that mandating one or more company-specific metrics will lead to long explanations that accompany the tables and for the most part repeat much of the story presented in the CD&A.

4. Should we require the Company-Selected Measure to be the most important measure used by the registrant in a performance or market condition in the context of an incentive plan as defined in 17 CFR 229.402(a)(6)(iii)? Would including such a measure in the tabular disclosure allow investors to better evaluate the extent to which the total compensation reported as actually paid reflects the performance the Company explicitly chose to incentivize, and if so would such an evaluation be useful to investors? Should the Company-Selected Measure instead be the performance measure that is deemed most important by the registrant whether or not it is used in a performance or market condition in the context of an incentive plan (*i.e.,* including the effect of stock price movements on equity incentive plan compensation, even in the absence of a market condition; or measures that affect non-incentive plan compensation, such as the retrospective use of performance measures in determining compensation reportable in the bonus column of the Summary Compensation Table)?

   Given that we are recommending against the introduction of mandated company-specific metrics the definition of important becomes a moot point.

5. We recognize that there could be varying methods of evaluating which measures are the most important. Should we define “most important” for the purpose of the selection of the Company-Selected Measure, as well as for the ranking of any other measures, if required? If so, how? For example, should the “most important” measure be the one on which the highest aggregate dollars of compensation actually paid were contingent? Or should “importance” be based on the dollar impact of the measure's variation from its initial or expected level on compensation actually paid, whether positive or negative? Instead, should “importance” be weighed based on what considerations drove the registrant's executive compensation decisions rather than its executive compensation outcomes? Alternatively, should we not specify a particular method to use to evaluate the relative importance of a performance measure in driving compensation actually paid or define “most important,” and instead allow registrants to determine what they consider to be “important” for this purpose and select the Company-Selected Measure accordingly, with disclosure explaining how they made their choice? Instead of requiring that the “most important” measure be the measure generally used by the registrant to link compensation actually paid to company performance, should we require that the “most important” measure be the measure specifically used by the registrant to link only PEO compensation actually paid to company performance? What would the benefits and drawbacks be of narrowing the definition of “most important” to only PEO compensation?

6. What disclosure should be required if different measures are important in different years or if different measures determine compensation actually paid for the different NEOs? Would aggregating the NEOs for purposes of determining the most important measure be difficult, given that some NEOs may have their compensation linked to industry- or segment-specific performance measures, which are not used for other NEOs? If so, are there ways to mitigate these differences to provide useful disclosures for investors? What if different measures contribute equally to determining compensation actually paid? If the measure deemed most important is already included among the performance measures in the Proposed Rules or among the additional measures we are considering in this release, should the Company be permitted to designate that measure as the Company-Selected Measure, or should the Company be required to disclose an additional significant measure, such as the next-most important measure not already disclosed, as the Company-Selected Measure? What would the impact of either approach be on the usefulness of disclosure of the Company-Selected Measure? If we permit a registrant to designate TSR, peer group TSR, pre-tax net income, or net income as the Company-Selected Measure, or if a registrant did not use any measures other than those already included in the table, how should it indicate that fact in its disclosure? For example, should the registrant be required to include in the Company-Selected Measure column duplicate disclosure of the measure already included in the table, or should the registrant be required to include a note to the measure already included in the table indicating that measure is also the registrant's Company-Selected Measure?

   Since the measures important to realized pay may change year over year, and given the difficulty in weighting the measures across years or otherwise indicating their relative importance, Aon Human Capital Solutions recommends against mandating additional measures to the disclosure.

7. Would mandated disclosure of the Company-Selected Measure be useful to investors when placed alongside the metrics that would be required by the Proposing Release? How would these benefits, if any, compare to those of any supplemental financial performance measures that would voluntarily be disclosed by registrants in the absence of such a mandate? Would there be challenges to registrants to presenting information about the Company-Selected Measure in tabular form? If so, how could we elicit

comparable disclosure while also allowing registrants flexibility in presenting this information to accommodate their particular facts and circumstances? Is there another format we should consider for the Company-Selected Measure? Should we specifically limit any Company-Selected Measure only to those measures that relate to the financial performance of the registrant? Or should we allow the Company-Selected Measure to be any measure that could be disclosed under the existing C,D,&A requirements, including financial performance measures; environmental, social and governance related measures; or any other measures used by the registrant to link compensation actually paid during the fiscal year to company performance?

8. We are considering requiring the one Company-Selected Measure that is the most important measure over the time horizon of the disclosure to be identified in the table, and issuers would provide information about that measure, including the numerically quantifiable performance of the issuer with respect to that measure, for all of the years in the table. Would investors find such a presentation useful? Would there be challenges to registrants to presenting this information for all years? Should we instead allow companies to change their Company-Selected Measure from year to year, such that they would disclose in the table a potentially different Company-Selected Measure for each respective year? Would doing so have any impact on investors' ability to understand how pay relates to performance and compare across different years? If we do require a registrant to disclose one Company-Selected Measure to be identified in the table, and that registrant elects to change what that measure is in consecutive years, should we require that registrant to separately disclose in additional columns, or narratively, the Company-Selected Measures used in the table in prior years? How often do registrants change, from year to year, their primary performance measures used by the registrant to link executive compensation during a fiscal year to company performance?

9. Would a tabular list of a registrant's five most important performance measures used to determine compensation actually paid be useful to investors in addition to existing disclosures? As in the case of the Company-Selected Measure above, how should we define “importance” and how should performance measures be ranked for this purpose, particularly if multiple performance targets apply to the same elements of compensation? Should we require disclosure of the five most important performance measures or some other number of performance measures? Would the inclusion of an additional tabular list of a registrant's five most important performance measures dilute the impact of, or otherwise lead to confusion regarding, the table that would be required by the Proposing Release? Should we require that the five measures be listed in order of importance? How could we increase the usefulness of the tabular list of a registrant's five most important performance measures for investors? Should there be disclosure of the methodology behind those measures?

   Aon Human Capital Solutions believes that a listing of five metrics provides no additional value.

10. What would be the cost to registrants of any computations required to identify and rank the five most important performance measures? If registrants do not currently rank their performance measures, would requiring them to list their five most important performance measures in order of importance be unduly burdensome? Would such disclosure contain information that is sensitive or has competitive value to a registrant? Should an exemption from any requirement to disclose the five most important performance measures be available if the disclosure would contain such sensitive or competitive information? If so, how should we specify the scope of any such exemption?

11. What if a registrant's five most important performance measures include measures that are included in the proposed rules or the additional measures we are considering? Should registrants be permitted to disclose fewer than five measures if they deem fewer than five to be important or if they consider fewer than five measures?

12. Would a tabular format help investors locate, use and understand disclosure of the five most important performance measures? Are there practical or other considerations that would make such tabular disclosure challenging or unduly burdensome for registrants? Would this format impede registrants from providing meaningful disclosure about their primary performance measures that factor into determining pay?

13. Should we, either in addition to or in lieu of the proposed rules and the disclosure of the additional measures we are considering, revise Item 402 of Regulation S-K to explicitly require registrants to disclose all of the performance measures that actually determine NEO compensation? If registrants are already providing this disclosure, are there ways we could improve this disclosure? For example, do investors find current disclosures about executive compensation performance measures complicated or difficult to analyze? If so, how could we make these disclosures less complicated or facilitate their analysis while also meeting the requirements of Section 953(a) of the Dodd-Frank Act?

14. To what extent would the ability of registrants to voluntarily supplement the disclosure required by the proposed rules obviate the need for additional mandated elements of disclosure considered in this re-opening release? Should we rely on investor demand and individual registrant circumstances to drive any additional disclosures? Would such voluntary disclosures be more useful than the additional contemplated disclosures? Would such disclosures lack comparability or be overly subjective relative to the additional contemplated disclosures?

    If naming additional measures were to be mandated, then an explanation should be required. Aon Human Capital Solutions recommends that neither be done. However, getting additional input from investors and other shareholders before taking any action should be considered essential to this process.

15. As noted above, based on staff analysis of filings in 2019, approximately 45 percent of registrants subject to the proposed rules would be SRCs, compared to approximately 40 percent at the time of publication of the proposed rules.[24] In light of this, should we reconsider the scaled requirements for SRCs in the proposed rules and/or the additional measures we are considering?

16. For SRCs, would disclosure of either pre-tax net income or net income be useful to investors when placed alongside the metrics included in the Proposing Release? Are there different measures of financial performance that would be more appropriate for SRCs? Should we require SRCs to disclose a Company-Selected Measure and the list of their five most important performance measures used to set NEO compensation? Why or why not? What would be the burdens on SRCs of providing this additional disclosure and would the benefits of requiring this disclosure for SRCs justify the burdens? Would any such burdens be mitigated by the fact that the Company-Selected Measure and the list of a company's five most important performance measures are by definition measures that the Company already uses to link compensation actually paid to financial performance? Is there relevant data on the long-term costs

from diminished transparency that we should consider in this regard?

17. The Commission proposed to require that registrants use XBRL to tag separately the values disclosed in the required table, and separately block-text tag the disclosure of the relationship among the measures, the footnote disclosure of deductions and additions used to determine executive compensation actually paid, and the footnote disclosure regarding vesting date valuation assumptions. We are considering requiring registrants to also tag specific data points (such as quantitative amounts) within the footnote disclosures that would be block-text tagged. In addition, we are considering requiring registrants to use Inline XBRL rather than XBRL to tag their pay versus performance disclosure.[25] Would additional detail tagging of some or all of those specific data points within the footnote disclosures be valuable to investors? If so, which specific data points within the footnote disclosures should we require registrants to detail tag and why? What would be the incremental costs of such a requirement? Should we require registrants to use Inline XBRL rather than XBRL to tag the proposed new pay versus performance disclosures? Is there an alternative machine-readable language to Inline XBRL that we should consider? Should we enable more flexibility by accommodating other machine-readable languages? If we were to require Inline XBRL detail tagging of the disclosures, should we exempt smaller reporting companies from that requirement? [26] Would the costs be different for smaller reporting companies to comply with such a requirement as compared to other registrants? Should we, as was proposed with respect to the original XBRL tagging requirement, provide a phase-in for smaller reporting companies for any Inline XBRL requirement that includes additional detail tagging?

18. Some commenters to the Proposing Release noted that the definition of compensation actually paid may result in some misalignment between the time period to which pay is attributed and the time period in which the associated performance is reported, but they generally disagreed on whether and how to revise the definition to improve such alignment.[27] Is there an alternative approach that would reduce the risk of misalignment of compensation actually paid with the associated financial performance and still provide for appropriate comparability across registrants, including the additional measures of financial performance discussed above?

    While the proposed response is imperfect there is no known approach that is materially better and none that eliminates all issues of comparability across companies and/or timeframes.

    Would the inclusion of additional measures of financial performance as contemplated above affect this potential mismatch?

    No.

19. Some commenters to the Proposing Release noted potential challenges with using the pension service cost as defined in FASB ASC Topic 715 to determine the amount attributable to pension plans to be included in compensation actually paid.[28]

    Aon Human Capital Solutions' comments on the previous Comment Window included that we believed it is appropriate to exclude pension benefits from the new disclosures entirely. Since these are not paid until separation of service, we believed that it's incorrect to include them in any discussion of compensation actually paid. We said, further, that if they are to be included, we agreed that the concept of service cost is far more representative of the compensation received than the change in

Present Value of Accrued Benefits which is disclosed in the SCT. Since the Proposed Regs did not provide guidance on how "service cost" would be determined, we have to defer to the ASC 715 pension expense, which we say may not be an accurate measure of compensation for the current year for a specific executive.

As discussed in the Proposing Release, the service cost for services rendered by the executive in the applicable year is meant to approximate the value that would be set aside currently by the registrant to fund the pension benefits payable upon retirement for the service provided during the applicable year, and is intended to provide a more meaningful comparison across registrants of the amounts "actually paid" under both defined benefit and defined contribution plans. Is there an alternative measure of the change in pension value attributable to the applicable fiscal year that is better representative of the "actually paid" amount of pension benefits for an executive and would reduce the burden of computing compensation actually paid while preserving the benefits of the measure for investors? If so, describe how that amount would be calculated and what assumptions or new or additional data would be necessary for such calculation.

20. Some commenters to the Proposing Release noted potential challenges associated with computing the fair value of options at the vesting date as opposed to the grant date.[29] Are there simplifications or other adjustments that we could permit for this purpose in order to mitigate such challenges? How, if at all, would any such simplifications or adjustments affect the cost of producing the disclosure and the usefulness of the disclosure? For example, are there certain assumptions used in the valuation of options that we should allow to be carried forward from the grant date rather than re-computed as of the vesting date? What is the likelihood that assumptions would vary significantly between grant date and vesting date? To what extent could any new assumptions required for a valuation as of the vesting date be determined based on computations that would be made for another purpose, such as the valuation of new grants made around the same time?

    We believe that, in order to apply the theoretical assumptions necessary to value options that are vested but have not yet been exercised, a registrant should provide an option valuation at vest whereby they calculate the inputs to the option-pricing model in a consistent manner in which they apply them for the valuation at grant (i.e. utilizing the same methodology to compute expected term, volatility, dividend yield, etc.) so that the theoretical value of the vested (and unexercised) option is presented alongside the grant date valuation of the same option. It is our belief that the only input that should remain consistent is the exercise price of the option, since the other economic inputs in the valuation are based on point-in-time measurements that should vary in order to get a better idea of the theoretical value. The assumptions for this valuation should be kept separate and not applied to other grants made around the same time since they will take into consideration the passage of time that has elapsed from grant to vesting, which would be incorrect to apply to a newly-granted option. We believe that this will not prove to be substantially costly or unwieldy to registrants to compute.

21. Some commenters to the Proposing Release had questions about which time periods should be disclosed in the TSR portions of the table.[30] Should we clarify what time periods should be disclosed?

    Aon Human Capital Solutions comments from the last Comment Window included that a three-year period is sufficient for illustrating the relationship between compensation actually paid and the financial performance of the issuer. In addition, Aon Human Capital Solutions believes that there have been

enough FASB Codification updates in the last five years that prove that there too many moving parts to make a five-year lookback period meaningful.

For example, should we require TSR to be a five-year cumulative and rolling average (*i.e.,* the TSR for the first year would be the average TSR over the five years preceding and including the first year, the TSR for the second year would be the average TSR over the five years preceding and including the second year, *etc.*); [31] should we require TSR to be a cumulative average within the five-year period in the table (*i.e.,* the TSR for the first year would be an average of the TSR over that first year, the TSR for the second year would be an average of the TSR over the first year and the second year, *etc.*); [32] or should we require TSR to be an annual year-over-year figure (*i.e.,* the TSR for the first year would be the average TSR over the first year, the TSR for the second year would be the average TSR for the second year, *etc.*)? [33] What would the benefits and drawbacks be of each of these approaches?

22. Are there any other developments (including with respect to executive compensation practices) since the Proposing Release that should affect our consideration of the proposed rules or their potential economic effects? How have qualitative measures in executive compensation packages changed and/or developed since the Proposing Release? How should we contemplate such changes in our consideration of the disclosures discussed above and in the Proposing Release? How have environmental, social and governance related metrics changed and/or developed since the Proposing Release? How should we contemplate such changes in our consideration of the disclosures discussed above and in the Proposing Release? Are there changes in market practices with respect to disclosures in the C,D,&A or voluntary disclosures that should affect our approach or affect our consideration of the economic effects of any rule changes? Are there any changes we should consider in the methodologies and estimates used to analyze the economic effects of the proposed rules in the Proposing Release?

    Aon Human Capital Solutions identifies: (1) the increasing use of ESG metrics in short- and/or long-term incentives; (2) increasing market compensation levels due to both increasing inflation and the demands for talent due to the Great Resignation; and (3) the increasing volatility of share prices as factors that have begun to impact the relationship of performance and pay levels realized. Requiring disclosure of additional performance measures will not address these factors adequately.