Manufacturers ALLIANCE

Strategies for Executive Compensation and Sales Team Success in U.S. Manufacturing

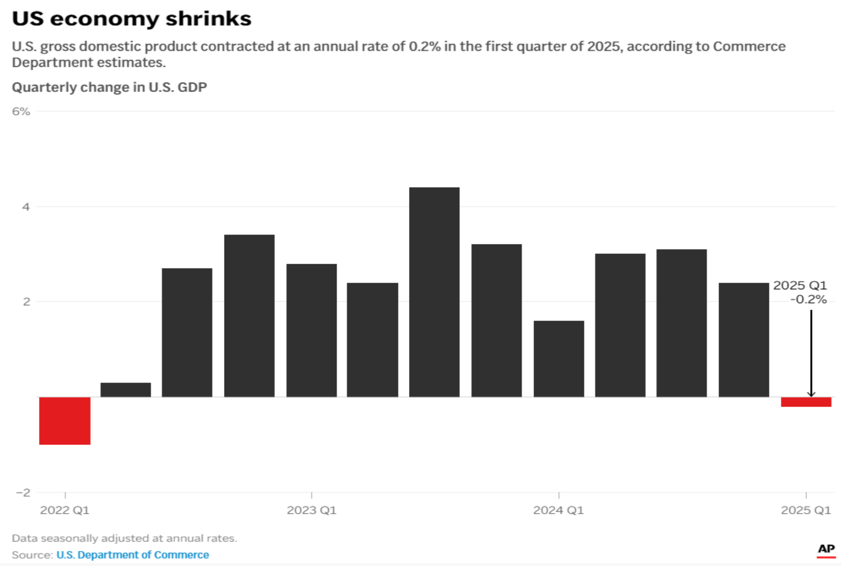
Strategies for Executive Compensation

Poll Question #1:
What are your top concerns for your 2026 executive pay strategy?

[select all that apply]
1. Retention
2. Disclosure requirements
3. Target setting for incentives
4. Share price volatility
5. Market pay movements

Macro Trends

U.S. Macro Economic Highlights



Inflation

2.7%

The annual inflation rate in June was the highest since February.

June Unemployment

4.1%

Unemployment remained low.

Wage Growth

3.7%

Wage growth continues to outpace inflation.

Job Openings

7.77m

Job openings unexpectedly increased in June.

147,000 jobs added in June, more than the 139,000 in May.

Interest Rate Outlook

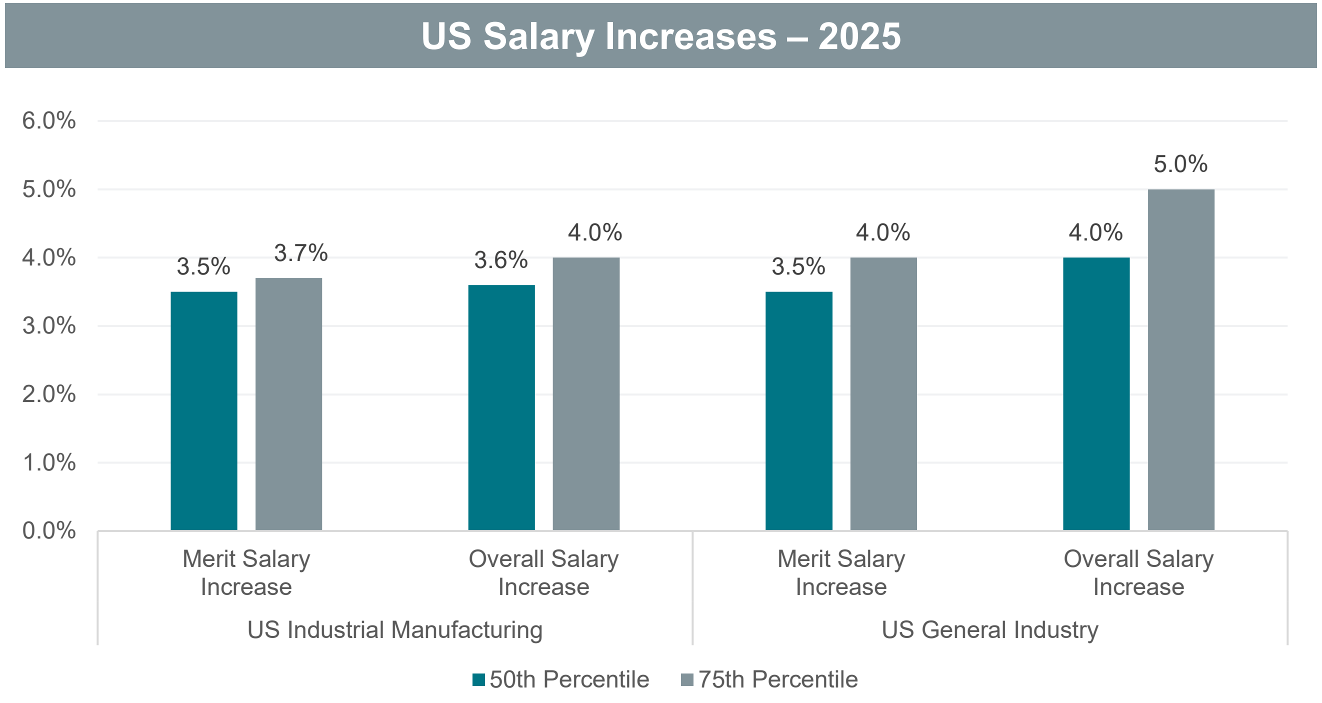
Probability of 1-2 quarter point rate cuts by year-end based on CME Fedwatch. With inflation above the 2% target rate, the risk of higher prices due to tariffs and a relatively healthy labor market, the Fed has been reluctant to cut rates. Furthermore, several trillion dollars of capital investments in the US economy have been announced in 2025. As that capital is deployed it is likely to increase demand (and cost) for labor and material.

Source: Bloomberg, The Consumer Board, CNN, U.S. Bureau of Labor Statistics, US Dept of Commerce

Executive Compensation

2025 Salary Increase Budgets

2025 salary increase budgets are consistent with the levels seen during 2024



YOY Comparison of Median	Merit Salary Increase Budgets (P50)		Overall Salary Increase Budgets (P50)	
	2025	2024	2025	2024
General Industry	3.5%	3.5%	4.0%	4.0%
Industrial Manufacturing	3.5%	3.5%	3.6%	4.0%

Source: 2025 Salary Increase & Turnover Study – First Edition (Published May 2025)

- Merit Salary Budget: The increase in pay typically based on the employee's work performance and contribution to the organization.
- Overall Salary Budget: The sum of merit, promotions, special adjustments, mandatory and general adjustments.

U.S. Macro Economic Highlights

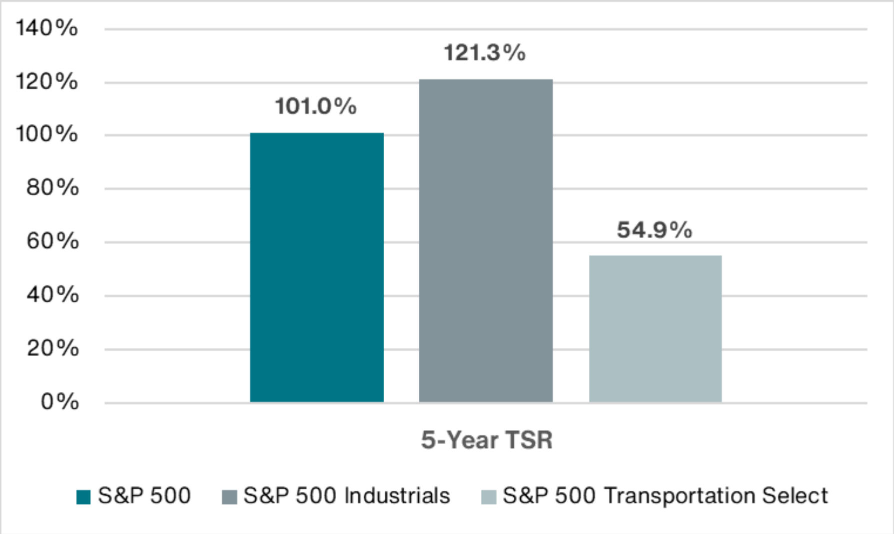
Total Shareholder Return Insights

Twelve-Month Total Shareholder Return*

	S&P 500	S&P 500 Industrials	S&P 500 Transportation Select
2024-2025	15.6%	20.6%	3.1%
2023-2024	20.3%	14.7%	-8.8%
2022-2023	12.5%	17.2%	13.5%
2021-2022	-5.3%	-6.3%	-6.1%
2020-2021	35.8%	45.8%	54.6%

*All Total Shareholder Return figures are sourced from S&P's Capital IQ platform based on Total Net Return, which includes reinvested dividends net of tax. Total Net Return calculated for LTM as of August 1st for each year.

5-Year Total Shareholder Return*



*5-Year Total Net Return, which includes reinvested dividends net of tax, as of 8/1/2025.

2025 Incentive Plan Adjustment Alternatives

- Boards and management teams are reviewing alternatives for potential adjustments to their 2025 short- and long-term incentive programs given the ongoing macroeconomic uncertainty (e.g. tariffs, supply chain, recession, etc.) which has created challenges in forecasting financial and operational performance.
- Outlined below is a summary of the potential actions to consider:

More Common

Action	Common Practice	Retentive	Incentive	S/H Aligned	Negative ISS/GL	Immediate Disclosure*	Quick Observation
Wait and Watch	✓						Monitor conditions until confidence in metric setting is restored
Utilize discretion at end of performance period	✓				✓		If positive discretion is utilized, moderation is advised
Lower threshold goal/Cap upside	✓	✓	✓		✓	?	Good incentive; threshold goal intended to provide confidence of some payout by setting at a level that is attainable
Shorten performance period	✓		✓		✓	?	Truncating performance periods for shorter, more confident forecasts (e.g., STI; quarterly or LTI; annual)
Reset goals			✓		✓	?	Likelihood another reset required unless conditions are stabilized
Change metrics completely			✓		✓		Only effective if there is confidence in forecasting
Grant additional time-based grant		✓		✓	✓	?	
Grant performance-based cash		✓	✓			?	Likely is not disclosable in the Summary Compensation Table (SCT) in grant year, but will inflate SCT in year earned
Guaranty threshold payout for STI or LTI		✓			✓		If guarantees are made, a discount should be taken off target amounts
Convert PSUs to RSUs at threshold level		✓		✓	✓	✓	If conversion from variable compensation to guaranteed compensation are made, a discount should be taken off

Less Common

** Immediate disclosure is to be determined; subject to opinion of counsel re: materiality*

Governance & Regulatory Developments

Governance / Regulatory Updates

Topic	Background	Key Takeaways & Next Steps
Navigating Tariffs in Executive Compensation	• President Trump's imposition of tariffs on imports from markets such as Canada, Mexico, and China has introduced external pressures that can significantly impact financial outcomes	• Most companies will approach tariff adjustments similar to how Covid was handled • Boards will stay informed of potential tariff impact over the course of 2025 • Boards will exercise 'measured judgement' based on a comprehensive understanding of impact • Avoid mid-cycle incentive adjustments unless tariffs materially alter the business model • Incentive adjustments should be transparently communicated to uphold credibility
SEC Guidance Regarding Investor Engagement	• In February 2025, the SEC clarified that investors who "pressure" companies on ESG or governance issues may need to file Schedule 13D instead of the simpler Schedule 13G, as they could be seen as "influencing" corporate control	• BlackRock and Vanguard temporarily paused engagements before resuming them with new engagement protocols to emphasize their passive investment approach • Engagements with large investors are becoming more formalized • Companies should proactively provide data and disclosures to align with investor expectations
Board Diversity Disclosure Trends	• Large institutional investors like BlackRock, Vanguard, and State Street have all softened their approach to board diversity for the 2025 proxy season	• Major asset managers have softened their diversity targets, focusing on broader perspectives • Proxy advisors have diverged in their approaches, with ISS halting diversity considerations and Glass Lewis continuing adverse recommendations • Due to changing investor and proxy advisor attitudes, many companies are reducing director diversity matrices while keeping overall diversity disclosures
Evolving DEI Landscape in 2025	• After the repeal of Nasdaq's board diversity rule, firms like BlackRock, Vanguard, and State Street are prioritizing board effectiveness over DEI mandates • Rising anti-DEI litigation is challenging corporate initiatives for alleged discrimination, compelling companies to reevaluate their DEI strategies to navigate reputational and legal risks	• Regularly evaluate DEI policies for compliance with legal frameworks and alignment with business objectives, while conducting legal reviews to mitigate regulatory risks • Document the business rationale for DEI initiatives, linking them to corporate performance and risk management, and engage relevant teams to adapt strategies to regulatory trends • Maintain open communication with employees, investors, and advocacy groups to align public disclosures and corporate statements with legal requirements and corporate values • DEI disclosure pullback and silent withdrawals are strategies to minimize legal and reputational risks

Governance / Regulatory Updates

Topic	Background	Key Takeaways & Next Steps
SEC Updates: Pay Versus Performance and Proxy Advisors	• On March 31, 2025, Republican House Financial Services Committee members requested the withdrawal of 14 rules, including the SEC's pay-vs-performance rule • On June 26, 2024, the 5th Circuit Court ruled in National Association of Manufacturers v. SEC that the SEC had acted “arbitrarily and capriciously” in 2022 by rescinding parts of its 2020 rule on proxy advisory firms	• Currently, there is no information available to indicate whether the SEC will respond to the letter or proceed with the initiation of any or all of the rules mentioned • Pending litigation on SEC proxy firm rule changes has created a split among the Circuit Courts • The SEC's next steps are uncertain—parties might pursue an en banc review of the Circuit Court decisions or appeal to the Supreme Court due to the split
Trends in Plane & Security Costs	• In past years, many companies bundled security costs under “other compensation” in proxy statements • The rising prevalence of executive perks, especially corporate aircraft use and security, is prompting greater disclosure demands from stakeholders	• As security costs rise, investor skepticism grows, prompting companies to keep expenses reasonable and aligned with peer benchmarks • Increased disclosure around executive perks, particularly security costs, is crucial for maintaining transparency • Companies should justify security costs by linking them to business needs, provide itemized disclosures to reduce investor skepticism, benchmark expenses against industry norms, and engage early with proxy advisors to avoid negative recommendations

Regulatory—SEC Roundtable on Executive Compensation

On June 26, 2025, the SEC hosted an executive compensation disclosure roundtable discussion with representatives of public companies, securities lawyers, consultants, institutional investors, and other experts

Topic	Details
Purpose of the Roundtable and Next Steps	**Stated objective:** To ensure the SEC's executive compensation disclosure requirements "continue to be cost-effective and result in disclosure of material information without an overload of immaterial information" • Comment letters from members of the public will continue to be accepted by the SEC electronically or on paper • Disclosure rules specifically addressed included the compensation discussion and analysis, pay versus performance, claw-back rules, perks and CEO pay ratio • Since many of these rules were mandated by statute, it appears the SEC is evaluating how to streamline the compliance burden associated with these disclosures • It is unclear at this time whether the SEC will elect to eliminate certain of the more problematic requirements listed above or engage in a full overhaul of the executive compensation reporting requitements. Continued monitoring of this topic for further developments is recommended.
Topics Addressed and Positions Taken	• The SEC's Republican majority expressed support for a full overhaul of the SEC's executive compensation disclosure rules, including specifically paring back disclosures on CEO Pay Ratio, Pay vs Performance, claw-back requirements and the disclosures related to perquisites • The panelists debated the merits of these disclosures, as well as the volume of disclosure requirements, in light of the time and cost to produce this information and the needs of investors for accurate material information regarding executive compensation decisions • Some panelists specifically urged the SEC to reconsider the SEC's long standing perk disclosure requirements considering recent events which created heightened security concerns related to public company executives and to streamline these disclosure requirements to focus on what is material to investors

Appendix

Detailed Discussion on Governance & Regulatory Developments

Navigating Tariffs in Executive Compensation

Regulatory Updates

Ensuring fairness, accountability, and shareholder trust in a volatile trade environment

In light of President Trump's imposition of tariffs on imports from markets such as Canada, Mexico, and China, boards face heightened challenges in aligning executive compensation with company performance. These tariffs introduce external pressures that can significantly impact financial outcomes.

Key Principles / How Boards Should Prepare During 2025	
Exercise Measured Judgement	• If incentive plan goals were approved prior to the implementation of tariffs, then most companies will treat 2025 payout determinations similar to how they handled Covid yearend adjustments • Throughout 2025, boards must stay informed re: the impact of tariffs on approved incentive plan financial metrics / goals • At yearend 2025, boards must exercise "measured judgement" based on a comprehensive understanding of the tariffs impact on incentive plan financial metrics • In-flight adjustments should not be made unless it can be disclosed that the tariffs fundamentally changed / materially impacted the business mid-course
Build Flexibility into Plan Design	• For long-term incentive plans, incorporate relative performance metrics as a hedge against similar unanticipated events in future years • Relative metrics can be problematic in an annual incentive plan • For annual incentive plans, consider expanding performance goal ranges as a hedge against future unanticipated events
Ensure Transparent Communication	• To maintain credibility with shareholders, yearend adjustments must be clearly explained and framed as "measured judgement" • Disclosures should emphasize shareholder alignment in conjunction with events beyond management's control

New SEC Guidance Regarding Investor Engagement

Regulatory Updates

What Happened

In February 2025, the SEC issued guidance clarifying that investors who “pressure” companies on ESG or governance matters may be deemed to be “influencing” corporate control, potentially requiring a Schedule 13D filing instead of the less burdensome Schedule 13G

What it Means

- Investors who acquire more than 5% of a public company’s voting shares must disclose their ownership via a Schedule 13D or 13G filing with the SEC
- Schedule 13D is required for investors who intend to influence or change control of a company, requiring detailed disclosures on their intentions, business plans, and potential activism
- Schedule 13G, by contrast, is a simpler, less burdensome filing reserved for passive investors who do not seek control or exert pressure on a company’s management

How Investors Responded

- BlackRock and Vanguard temporarily paused engagements before resuming them with new engagement protocols to emphasize their passive investment approach and avoid being classified as activists

What This Means for Companies

- Companies may note a **shift in the tone of engagements with large investors**. These firms may avoid making direct demands for governance or ESG-related changes
- **Engagements may become more formalized**, with explicit disclaimers at the start of meetings emphasizing the investor’s “passive” role and that the engagement is for investment purposes only
- **Companies should not assume that softened investor policies mean ESG concerns are irrelevant**. While some investors have backed away from prescriptive ESG demands, long-term risk management, governance, and financial materiality still drive engagement priorities

Best Practices for Navigating the New Landscape

- **Clarify investor expectations early in engagements**
- **Proactively provide data and disclosures** in line with market norms and established frameworks to preempt investor concerns and reduce the need for deeper engagement
- Expect fewer direct demands but continued scrutiny on governance and risk oversight. While investors may engage less aggressively on ESG or governance issues, they will still assess how companies manage long-term risks and shareholder value creation
- Conduct outreach to a broader set of shareholders, going beyond the top 10-15, including those below 5%

Board Diversity Disclosure Trends

Regulatory Updates

Asset Manager Policy Shifts

BlackRock, Vanguard, and State Street have all **softened their approach to board diversity** for the 2025 proxy season

- BlackRock removed explicit numerical diversity targets (previously 30% for S&P 500 companies and a requirement of two female directors) but may vote against nominating committee members if a board is an outlier compared to market norms
- Vanguard eliminated its prior expectation of at least one director with gender, racial, or ethnic diversity but maintains that cognitive diversity and a mix of skills and experience are critical for effective boards
- State Street removed its 30% gender diversity target and racial/ethnic minority requirement for S&P 500 boards, opting for a broader emphasis on the importance of diverse perspectives

Proxy Advisor Divergence

- **ISS has indefinitely halted its consideration of diversity factors when making board voting recommendations**, citing heightened legal and political scrutiny under recent US presidential administration executive orders
- Glass Lewis, by contrast, will **continue making adverse voting recommendations based on board diversity**, but will explicitly flag information that could support an alternative vote by the client

Implications for Proxy Filings

- Given the shift in investor and proxy advisor approaches, **many companies are scaling back director diversity matrices**
- Companies are instead **maintaining aggregate diversity disclosures** (e.g., pie charts showing gender and racial/ethnic diversity) to align with the evolving landscape

The Evolving DEI Landscape in 2025

Regulatory Updates

Following the repeal of Nasdaq's board diversity rule, **investors like BlackRock, Vanguard, and State Street have moved away from explicit DEI mandates**, instead framing board composition in terms of effectiveness rather than demographic diversity.

Meanwhile, regulatory bodies like the Federal Communications Commission (FCC) and US Equal Employment Opportunity (EEOC) have intensified their focus on DEI policies. The **FCC is considering restrictions on M&A approvals for companies with DEI programs that it deems "invidious,"** while the **EEOC has launched inquiries into DEI hiring and promotion practices at 20 major law firms**, signaling broader regulatory concerns over potential Title VII violations. Beyond government actions, anti-DEI litigation continues to gain momentum. Groups like **America First Legal (AFL) and the American Alliance for Equal Rights (AAER) have filed lawsuits challenging corporate DEI initiatives, alleging that they engage in unlawful discrimination based on race, gender, or other protected characteristics.** This has prompted companies to reevaluate how they structure and communicate their DEI commitments.

In response, **many organizations are adjusting their DEI strategies by rebranding or scaling back their DEI commitments** to balance corporate responsibility principles while mitigating reputational and legal risks.

Shifts in Corporate DEI Strategies:

DEI Disclosure Pullback: S&P 500 companies have reduced public references to "equity" in filings, shifting to terms like "belonging."

Program Adjustments: Some companies are refining supplier diversity policies and modifying external DEI commitments to balance compliance risks and corporate responsibility.

Silent Withdrawals: Certain organizations are removing or reframing public DEI statements to minimize legal and reputational risks.

At the same time, investor expectations, particularly in Europe under frameworks like CSRD and CSDDD, continue to shape global corporate reporting and DEI strategies. Companies operating across multiple jurisdictions must now navigate the tension between US-based anti-DEI pressures and international sustainability regulations, ensuring compliance while upholding inclusive business practices.

How We See Companies Adapting

Risk Management & Compliance

- Regularly assess DEI policies to ensure alignment with Title VII, EEOC guidance, and state/federal legal frameworks while maintaining business objectives
- Conduct legal reviews of DEI-related programs, including hiring, promotion, and supplier diversity, to mitigate regulatory risks
- Document business rationales for DEI initiatives, demonstrating their connection to corporate performance, risk mitigation, and talent strategies

Stakeholder Engagement

- Engage legal, HR, and investor relations teams to monitor regulatory trends and adjust DEI strategies accordingly
- Maintain dialogue with employees, investors, and advocacy groups to navigate evolving expectations. Public disclosures, investor reports, and corporate statements should be reviewed to ensure they reflect both legal considerations and corporate values

Global vs. US Compliance Alignment

- For multinational companies, balance US anti-DEI regulatory risks with EU sustainability and reporting requirements (CSRD, CSDDD) to ensure consistency across markets

SEC Updates: Pay Versus Performance and Proxy Advisor Rule

Regulatory Updates

The SEC's agenda during the Trump administration is expected to strongly favor corporations with a focus on minimizing regulatory burdens, adhering to existing materiality standards, and addressing concerns about enforcement overreach. Paul Atkins, a former SEC commissioner from 2002 to 2008, has chaired the SEC since April 2025.

Topic	Details
Congressional Committee Requested Retraction of SEC Pay vs. Performance Rule	• In 2022, the SEC finalized a rule mandating companies to disclose information in their annual proxy statements about the relationship between executive compensation actually paid by the company and the company's financial performance which is referred to as the pay-vs-performance rule • The rule took effect for the 2023 proxy season and companies have been disclosing the pay-versus-performance for the last two proxy seasons • On March 31, 2025, Republican members of the House Committee on Financial Services sent a letter requesting the withdrawal of 14 rules, both adopted and proposed. This list includes the SEC's pay-vs-performance rule • According to the Administrative Procedures Act, a federal agency can retract an adopted rule using a process similar to that of its adoption, which involves a public notice and comment period, unless an exception is applicable. At present, there is no information available to indicate whether the SEC will respond to the letter or proceed with the initiation of any or all of the rules mentioned
Pending Litigation on SEC Proxy Firm Rule Changes	• In 2022, the SEC adopted a rule that the advice provided by proxy advisory firms such as, ISS and Glass Lewis, constitute a "solicitation" under the SEC's proxy rules. The rule imposed three requirements on proxy advisors to be exempt from proxy rules' information and filing requirements applicable to a solicitation: (1) disclose conflicts of interest, (2) provide voting advice to companies at the same time as investors, and (3) provide a mechanism for making their institutional shareholder clients aware of the company's response before they vote. The 2022 amendments to this rule adopted by the SEC effectively eliminated these requirements. The full 2020 rule is summarized in our previous client alert • On June 26, 2024, the 5th Circuit Court of Appeals ruled in National Association of Manufacturers v. SEC that the **SEC acted "arbitrarily and capriciously" when, in 2022, it rescinded parts of its 2020 rule that advice from proxy advisory firms was a "solicitation" under the proxy rules** • In separate litigation, on September 11, 2024, the 6th Circuit Court of Appeals found in the SEC's favor and upheld the 2022 amendments in US Chamber of Commerce v. SEC. This ruling created a split among the Circuit Courts • The SEC's next steps are unclear. Parties may seek an en banc review of the Circuit Court rulings or, given the split, may seek to bring the matter to the Supreme Court. Alternatively, the SEC may repropose its 2022 amendments. Given the 6th Circuit ruling, it seems unlikely that the SEC will simply instead reinstate the original rule including the 2020 rule amendments

Trends in Plane & Security Costs (Year-to-Date 2025)

Regulatory Updates

Increased disclosure around executive perks, particularly the personal use of corporate aircraft and executive security, is being driven by the growing prevalence of these perks year over year. As these perks become more common, they are drawing increased attention from ISS, Glass Lewis, institutional investors and other stakeholders. Below are some disclosure considerations to stay ahead of evolving expectations and maintain transparency in both the rationale for and reporting of these expenses.

Proxy Advisory Firms

- **Excessive Security Perks:** ISS and Glass Lewis flag perks lacking justification or exceeding benchmarks, especially when costs are unjustified or disclosures are unclear
- **Justified Security Measures**: Companies with clear, risk-based justifications for security perks, backed by independent assessments, receive favorable evaluations

Investors

- **Investor Skepticism on Security Costs:** As security expenses rise, investors demand that costs remain reasonable and aligned with peers. High costs, like Apple's $1.4 million for CEO security and travel, can attract negative proxy advisor recommendations if risk assessments are not clearly disclosed.
- **Scrutiny on Private Jet Usage:** Investors closely examine whether security-based travel is necessary or benefits executives personally. Companies that clearly separate personal and business travel costs generally secure better investor support.

Shift Toward Greater Transparency

- In past years, many companies bundled security costs under "other compensation" in proxy statements. However, in 2025, we see a more deliberate effort to explain and justify these expenses.
- Companies like Apple and Adobe now justify security expenses in proxy statements, focusing on CEO safety and risk mitigation. Firms like Deere & Co. extend security to all employees. Detailed cost breakdowns by companies such as Adobe and Starbucks help address investor concerns and reduce proxy advisor scrutiny.

Key Takeaways for 2025 Proxy Season

✓ Justification is key – Companies must clearly link security costs to business needs rather than personal perks.

✓ Itemized disclosure is a best practice – Providing a breakdown of security costs reduces investor skepticism.

✓ Benchmarking against peers – Companies should ensure that their security-related expenses align with industry norms.

✓ Engage with proxy advisors early – Firms that proactively communicate their security cost rationale with ISS and Glass Lewis tend to avoid negative recommendations

Thank You

Contact Information:

Brian Tobin
Partner
Executive & Board Advisory
brian.tobin@aon.com

About Us

The Talent Solutions practice at Aon empowers business leaders to reimagine their approach to rewards in the digital age through a powerful mix of data, analytics and advisory capabilities. Our colleagues support clients across a full spectrum of needs, including compensation benchmarking, pay and workforce modeling, and expert insights on rewards strategy and plan design. To learn more, visit: rewards.aon.com.

About Aon

Aon is a professional services firm committed to helping clients make better decisions. To learn more, visit: aon.com.

Poll Question #2:

What part of your organization's pay strategy will tariffs impact the most in 2025?

[select one]

1. Executive incentives
2. Broad-based bonus / profit-sharing
3. Sales incentives
4. No impact on any of these in 2025

Powering Sales Performance: How HR & Sales Win Together

Topics for Today’s Discussion

01 The Macroeconomic Impact on U.S. Manufacturing

02 Identifying and Addressing Organic Growth Opportunities

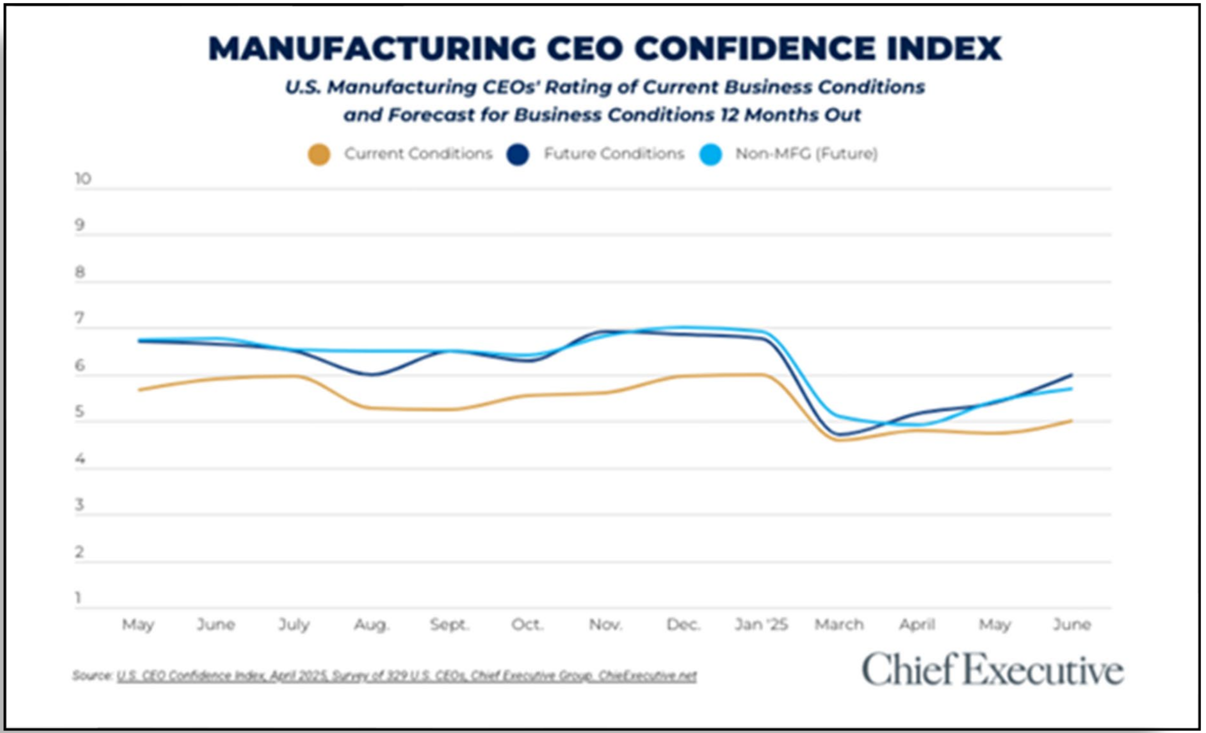
03 Defining Collaboration between Sales and HR

04 Impact of Roles, Recruiting, Rewards, & Retention on Growth

05 Open Discussion

The State of U.S. Manufacturing in 2025

Manufacturing in 2025 faces a volatile landscape, requiring HR leaders to play a part in supporting organic growth through strategic collaboration with their Sales counterparts



U.S. Manufacturing Overview

- U.S. manufacturing leaders continue to experience the ongoing impact of tariffs and trade disruptions
- Growth is broad but shallow, with minor gains in most sectors with higher performance in tech and defense
- The sector is adapting to elevated costs, relying on reshoring, innovation, and regional investments
- Resilience is notable, but the pace of recovery and expansion remains limited by external factors such as global trade tensions and domestic workforce challenges
- **Talent shortages plague 71% of firms, with a projected shortfall of 1.9 million manufacturing jobs by 2033 due to retiring boomers and skills gaps, exacerbating sales growth pressures in a competitive landscape**

HR-Sales collaboration can drive 5-15% revenue uplifts by aligning talent and rewards strategies with go-to-market models, turning workforce challenges into competitive advantages

Consider Where Growth is Coming From

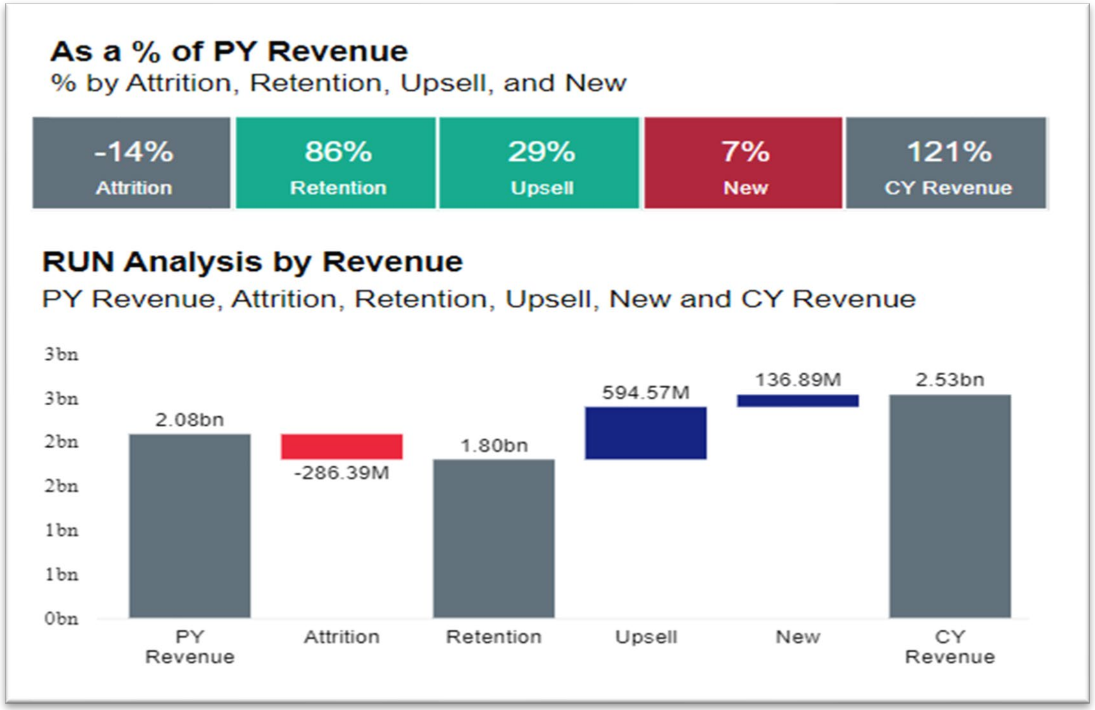
Organic revenue growth presents opportunities and choices for shareholders, employees, and customers

Retention, Upsell, New Sales Analyses (RUN)

Retention – Maintaining revenue/customers from prior business year (Retention = Prior Year – Attrition)

Up-Sell & Cross-Sell – Penetrating existing customers by **extending** current business and/or **expanding** to include new product and service offerings

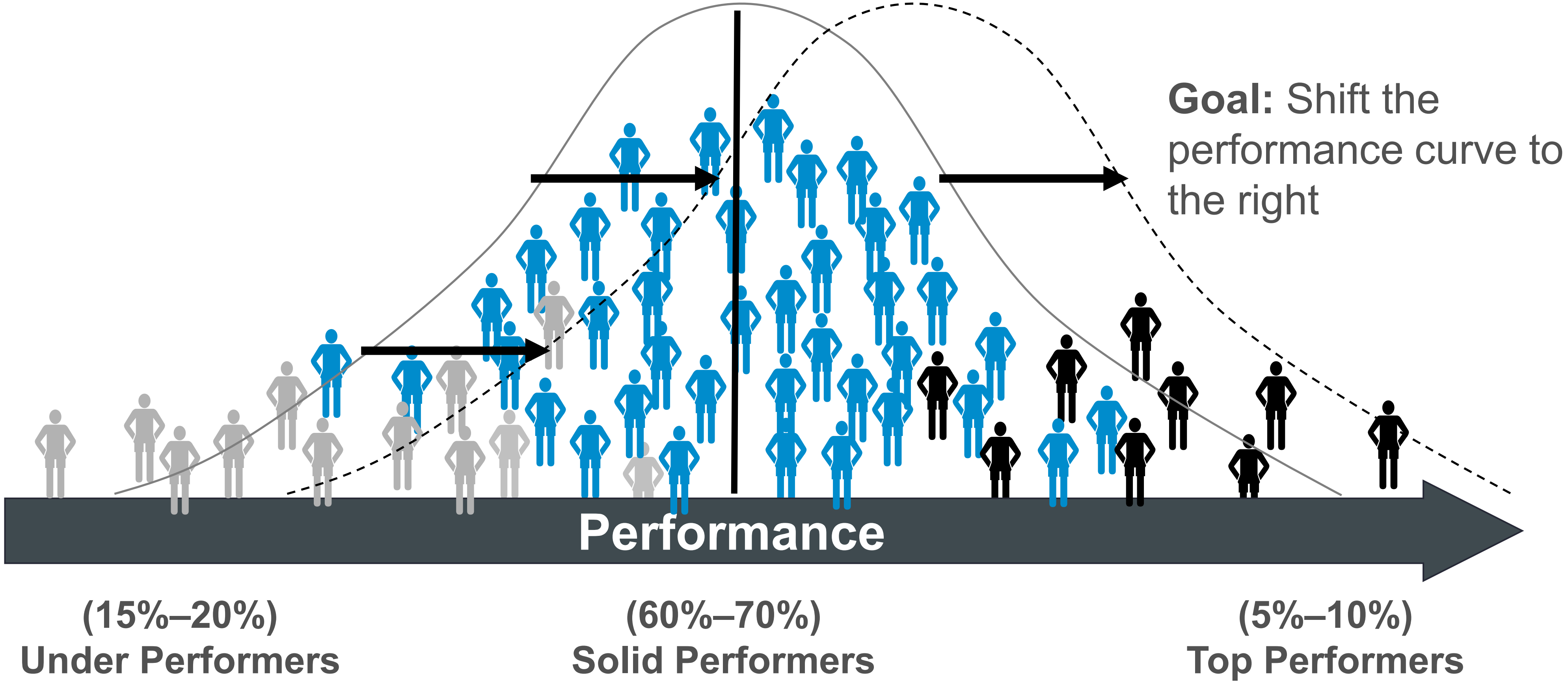
New Business – Expansion of **new revenue** through **new customers**



Clarity on where an organization's growth will come from is critical; then aligning sales roles, recruiting, rewards, and retention strategies is a must to realize that growth opportunity

Sales Performance

In most companies, HR’s role in Sales is reactive, but performance problems usually start upstream, in how roles are defined, how talent is selected, and how reps are incentivized



AON

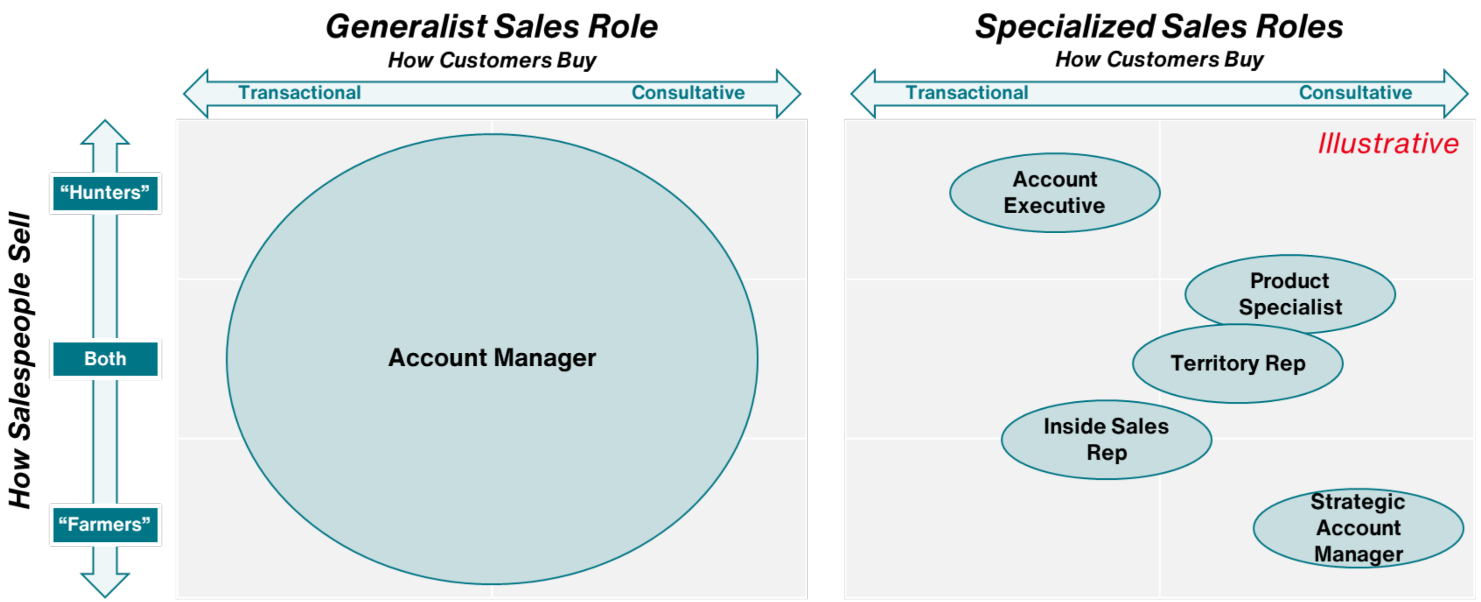
Role of HR Leaders in Motivating Sales Performance

Total Rewards and other HR Leaders have an opportunity to transform manufacturing's challenges into growth opportunities by proactively supporting specific Sales needs

Opportunity	Sales Action	HR / Total Rewards Action
Role Design *Defining Roles for Growth*	Sales leaders define the customer segments and how they will be served, what selling motions are needed, and where handoffs should occur	HR leaders provide **guidance on job architecture, leveling frameworks, and span of control** to target the right individuals within manufacturing sales
Recruiting *Attracting Top Talent*	Sales leaders outline competencies such as consultative selling and hiring requirements such as industry expertise to provide clarity on target candidates	HR **builds talent pipelines**, aligning recruitment with sales roles and needs; Total Rewards leverages market benchmarks to **ensure pay is competitive to attract the right talent**
Rewards *Motivating Results*	Sales leaders identify which strategic outcomes matter most, whether that is revenue retention, new business, product mix, or higher margins	Total Rewards leaders bring expertise in **compensation frameworks and behavioral economics**, aligning rewards and KPIs to drive performance
Retention *Securing High Performers*	Sales leaders evaluate team dynamics to flag retention risks, such as workload imbalances or skill mismatches, sharing insights for targeted interventions	Total Rewards leaders advocate for **'pay for performance'** approaches that foster loyalty by providing upside to high achieving reps; HR builds **clear career paths** for upward mobility

Opportunity #1: Designing Sales Roles for Growth

Defining roles based on the sales process activities they are responsible for and the customer segments they call on, helps align growth strategy with people/skills



Well-designed market coverage boost productivity by 4-7%, driving organic growth by reducing burnout and aligning talent with customer processes and opportunities

HR Action: Take these step-by-step actions to design growth-oriented sales roles

Step 1: Meet with sales leaders to review current role descriptions and identify gaps in skills like consultative or value-based selling

Step 2: Embed professional development opportunities, such as leadership training, into role structures to enhance career appeal

Step 3: Incorporate data-driven performance expectations (e.g., focus on new logo or customer retention) to align roles with market opportunities

Step 4: Test redesigned roles with a pilot group, collecting feedback to ensure effective impact on organizational goals, before scaling

Opportunity #2: Leveraging Competitive Pay to Attract Talent

Best-in-class organizations segment their sales population by job role and sustained performance and tailor pay positioning to be strategically aligned with high value roles

Pay Positioning Criteria (excludes internal equity considerations)

Sample Considerations	40th Percentile	50th Percentile	60th Percentile	75th Percentile
1. **Talent**	Abundant	Adequate	Limited	Scarce
2. **Employee target performance**	Low	Average	Stretch	Exceptionally High
3. **Staffing**	Excessive	Adequate	Light	Extremely Lean
4. **Name recognition**	High	Solid	Some	Low
5. **Industry Stability**	Solid	High	Moderate	Low (Shake Out)
6. **Productivity**	Low	Average	Stretch	Very High

Organizations are challenged by how to manage "hot skills" – those that do not adjust pay levels lose critical salespeople and incur comparable replacement costs; those that do are challenged with increased cost structure and internal equity issues

HR Action: Follow these step-by-step actions to attract high-caliber sales talent:

Step 1: Collaborate with sales to define candidate personas prioritizing customer-centric skills and resilience

Step 2: Conduct compensation benchmarking vs. industry to ensure competitive pay structures highlighting cash components and benefits

Step 3: Promote the broader Employee Value Proposition with a clear position on pay competitiveness and opportunity

Step 4: Monitor hiring metrics like candidate quality and ramp time, refining outreach with sales input to optimize results

Opportunity #3: Strategically Motivating Sales Performance

It is critical to ensure sales compensation is aligned to sales strategy and sales roles; note that practices vary considerably across all elements of sales rewards strategy

Aon Sales Compensation Framework

1 Business Objectives and Sales Strategy

2 Roles/Eligibility	5 Upside Opportunity	8 Quotas/Crediting
3 Pay Levels	6 Measures/Weights	9 Payout Timing
4 Pay Mix	7 Plan Mechanics	10 Administration/Communication
Competitive	**Aligned**	**Effective**
Detail critical success factors and priorities for each job and test for eligibility. Establish base salary and incentive mix based on job roles, length of sales cycle, and sales process.	Set upside potential for top performers and plan threshold. Select key performance measures and relative weights to link to incentive compensation. Determine payout formulas and mechanics that clearly communicate objectives and provide line-of-sight.	Set sales goals for each performance measure. Goals should take into consideration market-potential, size of territory and other performance factors. Develop communications materials, plan documents, and plan calculators as part of the communications package.

Manufacturers using performance-based rewards have realized 4-7% profit uplifts, driving organic growth by sustaining motivation in an otherwise slow growth market

HR Action: Implement these step-by-step actions to create impactful rewards programs:

Step 1: Host workshops with sales to align incentives with metrics like upselling in existing accounts during demand slumps

Step 2: Design a mix of variable monetary rewards and non-cash recognition, such as quarterly awards, to boost engagement

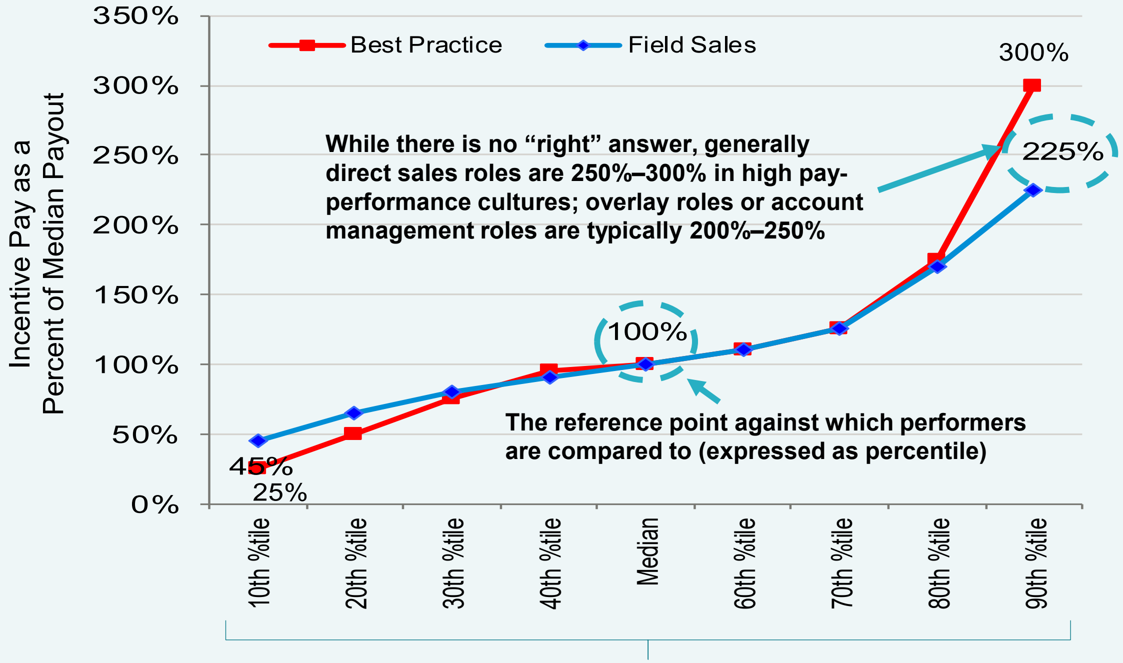
Step 3: Use analytics tools to ensure reward fairness and alignment with employee well-being, incorporating sales feedback on achievability

Step 4: Pilot the rewards program with a select team, evaluating performance outcomes and adjusting before full implementation

Opportunity #4: Retaining Your High Performers

Evaluating the degree of pay-for-performance as delivered by your sales incentive compensation program, provides a specific opportunity to ensure retention of star reps

Pay Differentiation Guide



Performance level based on % of quota achievement.
Performance improves from left to right.

HR Action: Execute these step-by-step actions to enhance high-performer retention:

Step 1: Analyze engagement surveys and exit data with sales to identify retention barriers, such as lack of work-life balance

Step 2: Introduce flexible benefits, like remote work options or wellness subsidies, tailored to sales team needs

Step 3: Develop pay-for-performance models that link bonuses and raises to individual sales achievements, ensuring top performers are rewarded

Step 4: Conduct quarterly retention reviews with sales leaders to assess impact and refine strategies based on turnover trends

Takeaways you can apply

The ultimate objective is to grow the business with the right talent and incentives, at the right cost

Initiate Collaboration

Conduct a session with sales leaders to review role designs and align them with market opportunities, using sales pipeline data to identify talent gaps

Optimize Rewards

Refine rewards programs with sales, incorporating variable incentives tied to strategic sales metrics and evaluate impact on performance in 6-12 months

Support Recruiting

Complete compensation benchmarking against a market peer group and launch a targeted recruiting campaign to attract new sales talent

Strengthen Retention

Implement flexible benefits and pay-for-performance models, conducting regular reviews on pay differentiation to reduce turnover of high performers

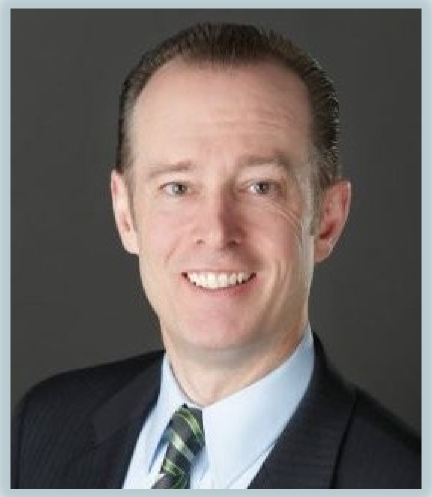
Poll Question #3:
What are your top talent-related challenges for increasing sales revenue organically?

[select all that apply]

1. Defining clear sales roles to cover your market
2. Recruiting qualified sellers to fill open roles
3. Coaching and developing sales talent
4. Retaining high-performing salespeople
5. Motivating and rewarding sales performance
6. Enabling sales leaders to drive results
7. Succession planning

AON

Open Discussion



Brian Tobin, Aon Partner
Executive & Board Advisory

Samir Bhatiani, Aon Partner
Sales Force Effectiveness