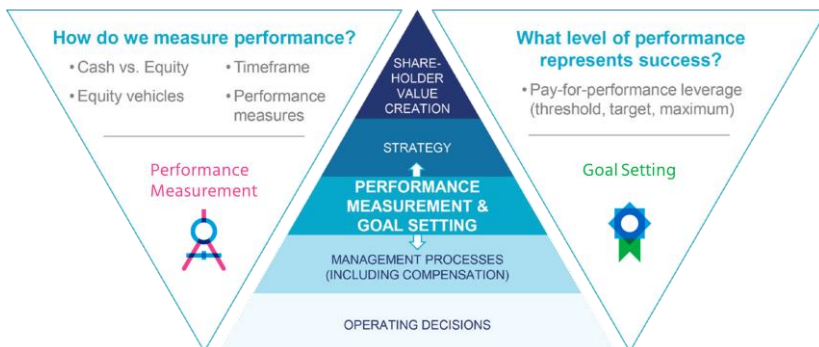


# Performance Measurement & Goal Setting

## What is performance measurement & goal setting?

For short-term and long-term incentive pay programs the process of determining how performance should be measured and goals should be set to align with business strategy, with a robust rationale for design and a defensible process.



## Why might your business need help with performance measurement & goal setting?

“Our performance-based long-term incentive program isn’t working.”

“Our pay-outs feel is connected from how the company is actually performing.”

“We’ve had some negative feedback regarding our goal setting process.”

“We want a better connection between our strategic plan and our compensation programs.”

## Why is performance measurement & goal setting important for your business?

### Shareholders

- Clear and transparent disclosure of performance standards and compensation decisions
- A direct linkage to shareholder value creation
- Meaningful performance contingencies between results and payouts

### Board

- Simplicity and ease of communication
- Reasonable, defensible pay and performance outcomes
- Flexibility to address both retention and measurement challenges as they arise

### Management & Employees

- A clear signal on the business strategy, and how employees can impact achievement of that strategy
- Motivational goals that reward various levels of performance with commensurate levels of compensation (acceptable performance will be rewarded appropriately and stretch performance will also be rewarded appropriately)

## Mercer's performance measurement & goal setting solution

Our solution and tools help companies by providing a tangible method of determining appropriate ways to measure performance and a robust method for setting goals. When tied to rewards, companies can demonstrate to stakeholders that they have applied due diligence in their approach.

This solution seeks to help companies address three primary questions:

### PERFORMANCE MEASURE SELECTION

How should we measure success in our incentive plans?

### GOAL-SETTING

What does "good" performance look like, and how should we translate that into measurable performance objectives?

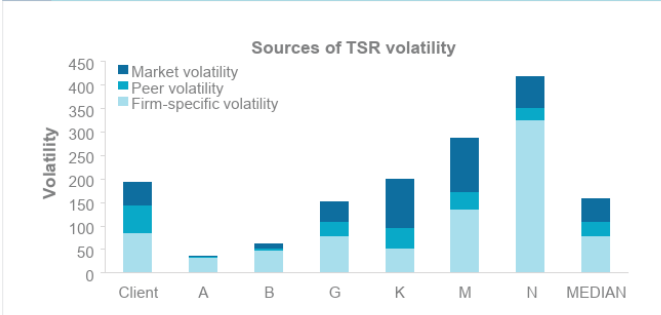
### PAY-FOR-PERFORMANCE CALIBRATION

How much should we pay for each given level of performance?

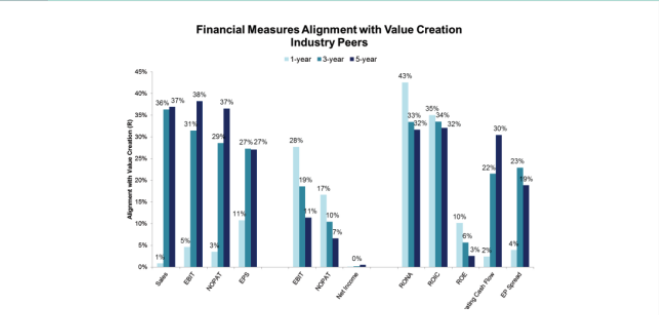
## Why choose Mercer as your provider for performance measurement & goal setting advice and analysis?

Mercer's proprietary tools and methodologies help provide a clear view to the complexities of performance measurement selection. Our approach uses a variety of lenses to assess the suitability and relevance of measures your organization can use to set effective goals — enabling incentive plans to drive desired behaviors and business results. Four example outputs are shown in the images below. We have a variety of other tools and regularly tailor the approach and methods used to best adapt to the company's specific situation.

### 1 PERFORMANCE SENSITIVITY ANALYSIS helps develop the right balance between internal and external performance metrics



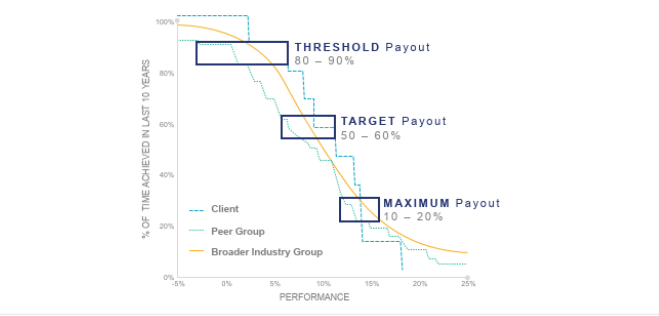
### 2 VALUE DRIVER ANALYSIS measures the correlation of financial measures and shareholder value to identify appropriate measures



### 3 GOAL SETTING using multiple reference points to "Triangulate" considering internal and external perspectives



### 4 GOAL SETTING based on the probability of achieving different levels of performance to determine what triggers payouts at different levels



Got questions? Contact us at: [www.mercer.com.hk](http://www.mercer.com.hk)  
 or by email at [mercershongkong@mercerc.com](mailto:mercershongkong@mercerc.com)

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