

COMPANY REGISTRATION NUMBER 07876075

AON plc

(formerly Aon Global Limited, formerly Achai Limited)

Annual Report and Accounts

For the year ended 31 December 2012

AON plc
(formerly Aon Global Limited, formerly Achai Limited)

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REPORT OF THE DIRECTORS

The directors present their annual report together with the audited consolidated financial statements for the year ended 31 December 2012, as well as the parent company financial statements for the period from 8 December 2011 to 31 December 2012.

Basis of Presentation

The directors have elected to prepare Consolidated Financial Statements in accordance with accounting principles generally acceptable in the United States of America (U.S. GAAP) as permitted by Statutory Instrument 2012 No. 2405, *The Accounting Standards (Prescribed Bodies) United States of America and Japan) Regulations 2012* (SI 2012 No. 2405). The Directors Report and Consolidated Financial Statements are also prepared in accordance with the Companies Act 2006.

The parent company balance sheet is prepared in accordance with the Companies Act 2006 and U.K. Generally Accepted Accounting Practice (U.K. GAAP), as well as under the historical cost accounting rules as modified by the revaluation of investments as set out in the investment in subsidiary undertaking as noted in Parent Company Note 1.

The accompanying Consolidated Financial Statements include the accounts of Aon plc, a U.K. company, and its controlled subsidiary companies (collectively, the “Company”). In this Directors’ Report, we use the terms “Aon,” “we,” the “Company,” “our” and “us” to refer to Aon plc and its subsidiaries.

The Consolidated Financial Statements include the Consolidated Balance Sheets of Aon plc and its subsidiaries as of 31 December 2012, and the related Consolidated Statements of Income, Comprehensive Income, Shareholders’ Equity, and Cash Flows for the period ended 31 December 2012. The Consolidated Financial Statements and the majority of the information in the Notes thereto have been reconciled to the Company’s Annual Report on Form 10-K for the fiscal year ended 31 December 2012 filed with the U.S. Securities and Exchange Commission on 22 February 2013.

Company Name Change

Aon plc (“the Company”) was incorporated in Great Britain on 8 December 2011 with the name Achai Limited and having the company number 07876075. The Company changed its name from Achai Limited to Aon Global Limited on 23 December 2011. The Company converted from a private limited company to a public limited company on 30 March 2012, and at the time of the conversion, changed its name to Aon plc.

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Redomestication

On 2 April 2012, a reorganization of the corporate structure of the group of companies controlled by the Company's predecessor, Aon Corporation, was completed, pursuant to which an indirect, wholly-owned subsidiary of the Company merged with Aon Corporation, and Aon plc became the group's publicly-held parent company ("the Redomestication").

In connection with the Redomestication, each issued and outstanding share of common stock of Aon Corporation was converted into the right to receive one Class A Ordinary Share, par value \$0.01 of the Company, with 326,415,020 shares exchanged for shares of common stock of Aon Corporation. Prior to the Redomestication, the Company also had outstanding 125,000 Class B Ordinary Shares of £0.40 each, held by Aon Corporation. The Class B ordinary shares have no voting rights or rights to dividends or distributions as they are held by a subsidiary undertaking, which is in accordance with the Companies Act 2006.

Directors

L B Knight	(appointed 2 April 2012)
E D Jannotta	(appointed 2 April 2012)
J M Losh	(appointed 2 April 2012)
R S Morrison	(appointed 2 April 2012)
R C Notebaert	(appointed 2 April 2012)
R B Myers	(appointed 2 April 2012)
G Santona	(appointed 2 April 2012)
C Y Woo	(appointed 2 April 2012)
F Conti	(appointed 2 April 2012)
C A Francis	(appointed 2 April 2012)
G C Case	(appointed 9 January 2012)
C M Davies	(appointed 9 January 2012, resigned 2 April 2012)
L G Meissner	(appointed 9 January 2012, resigned 2 April 2012)
R Ferris	(appointed 8 December 2011, resigned 9 January 2012)
J Cullen	(appointed 8 December 2011, resigned 9 January 2012)
J Kalff	(appointed 2 April 2012, retired 18 May 2012)
R E Martin	(appointed 2 April 2012, retired 18 May 2012)
J W Rogers Jr.	(appointed 2 April 2012, retired 18 May 2012)

Principal Activities

Aon plc's strategy is to be the preeminent professional service firm in the world, focused on the topics of risk and people. Aon plc (which may be referred to as "Aon," "the Company," "we," "us," or "our") is the leading global provider of risk management services, insurance and reinsurance brokerage, and human resource consulting and outsourcing, delivering distinctive client value via innovative and effective risk management and workforce productivity solutions. Our predecessor, Aon Corporation, was incorporated in 1979 under the laws of Delaware. Aon is the parent corporation of both long-established and acquired companies. On April 2, 2012, we completed the change of our jurisdiction of incorporation from Delaware to the U.K. and moved our

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corporate headquarters to London. Additionally, as part of the Redomestication, we completed a reorganization of our corporate structure of the group of companies controlled by our predecessor, Aon Corporation, as holding company of the Aon group, pursuant to which Aon Corporation merged with one of its indirect, wholly-owned subsidiaries and Aon plc became the publicly-held parent company of the Aon group. Moving our global headquarters to the U.K. is expected to enhance our focus on growth, product and broking innovations at Aon Broking, talent development and financial flexibility. The transaction is expected to support our strategy and is expected to deliver significant value to our shareholders.

We have approximately 65,000 employees and conduct our operations through various subsidiaries in more than 120 countries and sovereignties.

We serve clients through the following reportable segments:

- **Risk Solutions** acts as an advisor and insurance and reinsurance broker, helping clients manage their risks via consultation, as well as negotiation and placement of insurance risk with insurance carriers through our global distribution network.
- **HR Solutions** partners with organizations to solve their most complex benefits, talent and related financial challenges, and improve business performance by designing, implementing, communicating and administering a wide range of human capital, retirement, investment consulting, health care, compensation and talent management strategies.

Our clients are globally diversified and include all segments of the economy (individuals through personal lines, mid-market companies and large global companies) and every industry in the economy in over 120 countries globally. This diversification of our customer base provides stability in different economic scenarios that may affect specific industries, customer segments or geographies.

Over the last five years we have focused our portfolio on higher margin, capital light professional services businesses that have high recurring revenue streams and strong free cash flow generation. Aon drives its capital decision making process around return on invested capital (“ROIC”). This focus on ROIC, measured on a cash on cash basis, led to a number of significant portfolio changes:

- In April 2008, we completed the sale of our Combined Insurance Company of America (“CICA”) and Sterling Insurance Company (“Sterling”) subsidiaries, which represented the majority of the operations of our former Insurance Underwriting segment.

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- In August 2009, we completed the sale of our remaining property and casualty insurance underwriting operations that were in run-off. The results of all of these operations are reported in discontinued operations for all periods presented.
- In November 2008, we expanded our Risk Solutions product offerings through the merger with Benfield Group Limited (“Benfield”), a leading independent reinsurance intermediary. Benfield products have been integrated with our existing reinsurance products.
- In October 2010, we completed the acquisition of Hewitt Associates, Inc. (“Hewitt”), one of the world’s leading human resource consulting and outsourcing companies. Hewitt operates globally together with Aon’s existing consulting and outsourcing operations under the newly created Aon Hewitt brand in our HR Solutions segment.

Following the acquisitions of Benfield in 2008 and Hewitt in 2010, the Company has successfully transformed the portfolio towards higher-margin, capital light professional services businesses with 66% of total revenues in Risk Solutions and 34% of total revenues in HR Solutions, resulting in higher-margin recurring revenue streams and strong free cash flow generation characteristics.

BUSINESS SEGMENTS

Risk Solutions

The Risk Solutions segment generated approximately 66% of our consolidated total revenues in 2012, and has approximately 31,000 employees worldwide. We provide risk and insurance brokerage and related services in this segment.

Principal Products and Services

We operate in this segment through two similar transactional product lines: retail brokerage and reinsurance brokerage. In addition, a key component of this business is our risk consulting services.

Retail brokerage encompasses our retail brokerage services, affinity products, managing general underwriting, placement, and captive management services. The Americas’ operations provide products and services to clients in North, Central and South America, the Caribbean, and Bermuda. Our International operations in the United Kingdom; Europe, Middle East and Africa; and Asia Pacific offer similar products and services to clients throughout the rest of the world.

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Our employees draw upon our global network of resources, industry-leading data and analytics, and specialized expertise to deliver value to clients ranging from small and mid-sized businesses to multi-national corporations. We work with clients to identify their business needs and help them assess and understand their total cost of risk. Once we have gained an understanding of our clients' risk management needs, we are able to leverage our global network and implement a customized risk approach with local Aon resources. The outcome is a comprehensive risk solution provided locally and personally. The Aon Client Promise[®] enables our colleagues around the globe to describe, benchmark and price the value we deliver to clients in a unified approach, based on the ten most important criteria that our clients believe are critical to managing their total cost of risk.

Knowledge and foresight, unparalleled benchmarking and carrier knowledge are the qualities at the heart of our professional services excellence. Delivering superior value to clients and differentiation from competitors will be driven through key Aon Broking initiatives, such as the development of the Global Risk Insight Platform[®] ("GRIP") in 2010, which uniquely positions us to provide our clients and insurers with additional market insight as well as new product offerings and facilities. GRIP helps insurers strengthen their value proposition to Aon clients by providing them with cutting-edge analytics in preparation for renewal season and business planning consultation regarding strategy, definition of risk appetite, and areas of focus. GRIP provides our clients with insights into market conditions, premium rates and best practices in program design, across all industries and economic centers.

As a retail broker, we serve as an advisor to clients and facilitate a wide spectrum of risk management solutions for property liability, general liability, professional and directors' and officers' liability, workers' compensation, various healthcare products, as well as other exposures. Our business is comprised of several specialty areas structured around specific product and industry needs.

We deliver specialized advice and services in such industries as technology, financial services, agribusiness, aviation, construction, health care and energy, among others. Through our global affinity business, we provide products for professional liability, life, disability income and personal lines for individuals, associations and businesses around the world.

In addition, we are a major provider of risk consulting services, including captive management, that provide our clients with alternative vehicles for managing risks that would be cost-prohibitive or unavailable in traditional insurance markets.

Our health and benefits consulting practice advises clients about structuring, funding, and administering employee benefit programs, which attract, retain, and motivate employees. Benefits consulting and brokerage includes health and welfare, executive benefits, workforce strategies and productivity, absence management, data-driven health, compliance, employee commitment, and elective benefits services.

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Reinsurance brokerage offers sophisticated advisory services in program design and claim recoveries that enhance the risk/return characteristics of insurance policy portfolios, improve capital utilization, and evaluate and mitigate catastrophic loss exposures worldwide. An insurance or reinsurance company may seek reinsurance or other risk-transfer solutions on all or a portion of the risks it insures. To accomplish this, our reinsurance brokerage services use dynamic financial analysis and capital market alternatives, such as transferring catastrophe risk through securitization. Reinsurance brokerage also offers capital management transaction and advisory services.

We act as a broker or intermediary for all classes of reinsurance. We place two main types of property and casualty reinsurance: treaty reinsurance, which involves the transfer of a portfolio of risks, and facultative reinsurance, which entails the transfer of part or all of the coverage provided by a single insurance policy. We also place specialty lines such as professional liability, workers' compensation, accident, life and health.

We also provide actuarial, enterprise risk management, catastrophe management and rating agency advisory services. We have developed tools and models that help our clients understand the financial implications of natural and man-made catastrophes around the world. Aon Benfield Securities provides global capital management transaction and advisory services for insurance and reinsurance clients. In this capacity, Aon Benfield Securities is recognized as a leader in:

- the structuring, underwriting and trading of insurance-linked securities;
- the arrangement of financing for insurance and reinsurance companies, including Lloyd's syndicates; and
- providing advice on strategic and capital alternatives, including mergers and acquisitions.

In addition, our Inpoint business is a leading provider of consulting services to the insurance and reinsurance industry, helping carriers improve their performance to achieve growth and profitability.

Compensation

Our Risk Solutions segment generates revenues through commissions, fees from clients, and compensation from insurance and reinsurance companies for services we provide to them. Commission rates and fees vary depending upon several factors, which may include the amount of premium, the type of insurance or reinsurance coverage provided, the particular services provided to a client, insurer or reinsurer, and the capacity in which we act. Payment terms are consistent with current industry practice.

We typically hold funds on behalf of clients as a result of premiums received from clients and claims due to clients that are in transit to and from insurers. These funds held on behalf of

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clients are generally invested in interest-bearing premium trust accounts and can fluctuate significantly depending on when we collect cash from our clients and when premiums are remitted to the insurance carriers. We earn interest on these accounts; however, the principal is segregated and not available for general operating purposes.

Competition

The Risk Solutions business is highly competitive and very fragmented, and we compete with two other global insurance brokers, Marsh & McLennan Companies, Inc. and Willis Group Holdings Ltd., as well as numerous specialists, regional and local firms in almost every area of our business. We also compete with insurance and reinsurance companies that market and service their insurance products without the assistance of brokers or agents; and with other businesses that do not fall into the categories above, including commercial and investment banks, accounting firms, and consultants that provide risk-related services and products.

Seasonality

The Risk Solutions segment typically experiences higher revenues in the first and fourth calendar quarters of each year, primarily due to the timing of policy renewals.

HR Solutions

The HR Solutions segment generated approximately 34% of our consolidated total revenues in 2012, and has approximately 29,000 employees worldwide with operations in the U.S., Canada, the U.K., Europe, South Africa, Latin America, and the Asia Pacific region.

Principal Products and Services

We provide products and services in this segment primarily under the Aon Hewitt brand, which was formed following the acquisition of Hewitt.

Aon Hewitt works to maximize the value of clients' human resources spending, increase employee productivity, and improve employee performance. Our approach addresses a trend towards more diverse workforces (demographics, nationalities, cultures and work/lifestyle preferences) that require more choices and flexibility among employers — so that they can provide benefit options suited to individual needs.

We work with our clients to identify options in human resource outsourcing and process improvements. The primary areas where companies choose to use outsourcing services include benefits administration, core human resource processes, workforce and talent management.

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Aon Hewitt offers a broad range of human capital services in the following practice areas:

Retirement specializes in providing global actuarial services, defined contribution consulting, pension de-risking, tax and ERISA consulting, and pension administration.

Compensation focuses on compensation advisory/counsel including: compensation planning design, executive reward strategies, salary survey and benchmarking, market share studies and sales force effectiveness assessments, with special expertise in the financial services and technology industries.

Strategic Human Capital delivers advice to complex global organizations on talent, change and organizational effectiveness issues, including talent strategy and acquisition, executive on-boarding, performance management, leadership assessment and development, communication strategy, workforce training and change management.

Investment consulting advises public and private companies, other institutions and trustees on developing and maintaining investment programs across a broad range of plan types, including defined benefit plans, defined contribution plans, endowments and foundations.

Benefits Administration applies our HR expertise primarily through defined benefit (pension), defined contribution (401(k)), and health and welfare administrative services. Our model replaces the resource-intensive processes once required to administer benefit plans with more efficient, effective, and less costly solutions.

Exchanges is building and operating health care exchanges that provide employers with a cost effective alternative to traditional employee and retiree healthcare, while helping individuals select the insurance that best meets their needs.

Human Resource Business Process Outsourcing ("HR BPO") provides market-leading solutions to manage employee data; administer benefits, payroll and other human resources processes; and record and manage talent, workforce and other core HR process transactions as well as other complementary services such as absence management, flexible spending, dependent audit and participant advocacy.

Compensation

HR Solutions revenues are principally derived from fees paid by clients for advice and services. In addition, insurance companies pay us commissions for placing individual and group insurance contracts, primarily life, health and accident coverages, and pay us fees for consulting and other services that we provide to them. Payment terms are consistent with current industry practice.

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Competition

Our HR Solutions business faces strong competition from other worldwide and national consulting companies, as well as regional and local firms. Competitors include independent consulting firms and consulting organizations affiliated with accounting, information systems, technology, and financial services firms, large financial institutions, and pure play outsourcers. Some of our competitors provide administrative or consulting services as an adjunct to other primary services. We believe that we are one of the leading providers of human capital services in the world.

Seasonality

Due to buying patterns in the markets we serve, revenues tend to be slightly higher in the fourth quarter.

Licensing and Regulation

Our business activities are subject to licensing requirements and extensive regulation under the laws of countries in which we operate, as well as U.S. federal and state laws. See the discussion contained in the “Risk Factors” section of this Director’s Report for information regarding how actions by regulatory authorities or changes in legislation and regulation in the jurisdictions in which we operate may have an adverse effect on our business.

Risk Solutions

Regulatory authorities in the states or countries in which the operating subsidiaries of our Risk Solutions segment conduct business may require individual or company licensing to act as producers, brokers, agents, third party administrators, managing general agents, reinsurance intermediaries, or adjusters.

Under the laws of most states in the U.S. and most foreign countries, regulatory authorities have relatively broad discretion with respect to granting, renewing and revoking producers’, brokers’ and agents’ licenses to transact business in the state or country. The operating terms may vary according to the licensing requirements of the particular state or country, which may require, among other things that a firm operates in the state or country through a local corporation. In a few states and countries, licenses may be issued only to individual residents or locally owned business entities. In such cases, our subsidiaries either have such licenses or have arrangements with residents or business entities licensed to act in the state or country.

Our subsidiaries must comply with laws and regulations of the jurisdictions in which they do business. These laws and regulations are enforced by federal and state agencies in the U.S., by the Financial Services Authority (“FSA”) in the U.K., and by various regulatory agencies and other

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supervisory authorities in other countries through the granting and revoking of licenses to do business, licensing of agents, monitoring of trade practices, policy form approval, limits on commission rates, and mandatory remuneration disclosure requirements.

Insurance authorities in the U.S. and certain other jurisdictions in which our subsidiaries operate, including the FSA in the U.K., also have enacted laws and regulations governing the investment of funds, such as premiums and claims proceeds, held in a fiduciary capacity for others. These laws and regulations generally require the segregation of these fiduciary funds and limit the types of investments that may be made with them.

Further, certain of our business activities within the Risk Solutions segment are governed by other regulatory bodies, including investment, securities and futures licensing authorities. In the U.S., we use Aon Benfield Securities, Inc., a U.S.-registered broker-dealer and investment advisor, member of the Financial Industry Regulatory Authority (“FINRA”) and Securities Investor Protection Corporation, and an indirect, wholly owned subsidiary of Aon, for capital management transaction and advisory services and other broker-dealer activities.

HR Solutions

Certain of the retirement-related consulting services provided by Aon Hewitt and its subsidiaries and affiliates are subject to the pension and financial laws and regulations of applicable jurisdictions, including oversight and/or supervision by the Securities and Exchange Commission (“SEC”) in the U.S., the FSA in the U.K., and regulators in other countries. Aon Hewitt subsidiaries that provide investment advisory services are regulated by various U.S. federal authorities including the SEC and FINRA, as well as authorities on the state level. In addition, other services provided by Aon Hewitt and its subsidiaries and affiliates, such as trustee services, and retirement and employee benefit program administrative services, are subject in various jurisdictions to pension, investment, and securities and/or insurance laws and regulations and/or supervision by national regulators.

Clientele

Our clients operate in many businesses and industries throughout the world. No one client accounted for more than 1% of our consolidated total revenues in 2012. Additionally, we place insurance with many insurance carriers, none of which individually accounted for more than 10% of the total premiums we placed on behalf of our clients in 2012.

Segmentation of Activity by Type of Service and Geographic Area of Operation

Financial information relating to the types of services provided by us and the geographic areas of our operations is incorporated herein by reference to Note 18 “Segment Information” of the Notes to Consolidated Financial Statements of this report.

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Employees

At December 31, 2012, we employed approximately 65,000 employees, of which approximately 23,000 worked in the U.S.

Information Concerning Forward-Looking Statements

This report contains certain statements related to future results, or states our intentions, beliefs and expectations or predictions for the future which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to expectations or forecasts of future events. They use words such as “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “project,” “intend,” “plan,” “potential,” and other similar terms, and future or conditional tense verbs like “could,” “may,” “might,” “should,” “will” and “would.” You can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. For example, we may use forward-looking statements when addressing topics such as: market and industry conditions, including competitive and pricing trends; changes in our business strategies and methods of generating revenue; the development and performance of our services and products; changes in the composition or level of our revenues; our cost structure and the outcome of cost-saving or restructuring initiatives; the outcome of contingencies; dividend policy; the expected impact of acquisitions and dispositions; pension obligations; cash flow and liquidity; future actions by regulators; and the impact of changes in accounting rules. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from either historical or anticipated results depending on a variety of factors. Potential factors that could impact results include:

- general economic conditions in different countries in which Aon does business around the world, including conditions in the European Union relating to sovereign debt and the continued viability of the Euro;
- changes in the competitive environment;
- changes in global equity and fixed income markets that could influence the return on invested assets;
- changes in the funding status of our various defined benefit pension plans and the impact of any increased pension funding resulting from those changes;
- rating agency actions that could affect our ability to borrow funds;
- fluctuations in exchange and interest rates that could impact revenue and expense;
- the impact of class actions and individual lawsuits including client class actions, securities class actions, derivative actions and ERISA class actions;

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- the impact of any investigations brought by regulatory authorities in the U.S., U.K. and other countries;
- the cost of resolution of other contingent liabilities and loss contingencies, including potential liabilities arising from errors and omission claims against us;
- failure to retain and attract qualified personnel;
- the impact of, and potential challenges in complying with, legislation and regulation in the jurisdictions in which we operate, particularly given the global scope of our business and the possibility of conflicting regulatory requirements across jurisdictions in which we do business;
- the effect of the Redomestication on our operations and financial results, including the reaction of our clients, employees and other constituents, the effect of compliance with applicable U.K. regulatory regimes or the failure to realize some or all of the anticipated benefits;
- the extent to which we retain existing clients and attract new businesses and our ability to incentivize and retain key employees;
- the extent to which we manage certain risks created in connection with the various services, including fiduciary and advisory services, among others, that we currently provide, or will provide in the future, to clients;
- the possibility that the expected efficiencies and cost savings from the acquisition of Hewitt will not be realized, or will not be realized within the expected time period;
- the risk that the Hewitt businesses will not be integrated successfully;
- our ability to implement restructuring initiatives and other initiatives intended to yield cost savings, and the ability to achieve those cost savings;
- the potential of a system or network disruption resulting in operational interruption or improper disclosure of personal data;
- any inquiries relating to compliance with the U.S. Foreign Corrupt Practices Act (“FCPA”) and non-U.S. anti-corruption laws and with U.S. and non-U.S. trade sanctions regimes; and
- our ability to grow and develop companies that we acquire or new lines of business.

Any or all of our forward-looking statements may turn out to be inaccurate, and there are no guarantees about our performance. The factors identified above are not exhaustive. Aon and its

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subsidiaries operate in a dynamic business environment in which new risks may emerge frequently. Accordingly, readers should not place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. We are under no obligation (and expressly disclaim any obligation) to update or alter any forward-looking statement that we may make from time to time, whether as a result of new information, future events or otherwise. Further information about factors that could materially affect Aon, including our results of operations and financial condition, is contained in the “Risk Factors” section of this Directors’ Report.

Future Developments

The directors do not anticipate that the Company’s activities will change in the foreseeable future.

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Business Review

Selected Financial Data

(millions except shareholders, employees and per share data)

	2012	2011	2010	2009	2008
Income Statement Data					
Commissions, fees and other	\$11,476	\$11,235	\$8,457	\$7,521	\$7,357
Fiduciary investment income	38	52	55	74	171
Total revenue	\$11,514	\$11,287	\$8,512	\$7,595	\$7,528
Income from continuing operations	\$1,021	\$1,006	\$759	\$681	\$637
(Loss) income from discontinued operations (1)	(1)	4	(27)	111	841
Net income	1,020	1,010	732	792	1,478
Less: Net income attributable to noncontrolling interest	27	31	26	45	16
Net income attributable to Aon shareholders	\$993	\$979	\$706	\$747	\$1,462
Basic Net Income (Loss) Per Share Attributable to Aon Shareholders (2)					
Continuing operations	\$3.03	\$2.91	\$2.50	\$2.25	\$2.12
Discontinued operations	—	0.01	(0.09)	0.39	2.87
Net income	\$3.03	\$2.92	\$2.41	\$2.64	\$4.99
Diluted Net Income (Loss) Per Share Attributable to Aon Shareholders (2)					
Continuing operations	\$2.99	\$2.86	\$2.46	\$2.19	\$2.04
Discontinued operations	—	0.01	(0.09)	0.38	2.76
Net income	\$2.99	\$2.87	\$2.37	\$2.57	\$4.80
Balance Sheet Data					
Fiduciary assets (3)	\$12,214	\$10,838	\$10,063	\$10,835	\$10,678
Intangible assets including goodwill (4)	11,918	12,046	12,258	6,869	6,416
Total assets	30,486	29,552	28,982	22,958	22,940
Long-term debt	3,713	4,155	4,014	1,998	1,872
Total equity (5)	7,805	8,120	8,306	5,431	5,415
Class A Ordinary Shares and Other Data					
Dividends paid per share	\$0.62	\$0.60	\$0.60	\$0.60	\$0.60
Price range:					
High	57.92	54.58	46.24	46.19	50.00
Low	45.04	39.68	35.10	34.81	32.83
At year-end:					
Market price	\$55.61	\$46.80	\$46.01	\$38.34	\$45.68
Common shareholders	240	8,107	9,316	9,883	9,089
Shares outstanding	310.9	324.4	332.3	266.2	271.8
Number of employees	64,725	62,443	59,100	36,200	37,700

- (1) We have sold certain businesses whose results have been reclassified as discontinued operations, including AIS Management Corporation and our P&C Operations (both sold in 2009) and CICA and Sterling Life Insurance Company (both sold in 2008).
- (2) Effective January 1, 2009, we adopted additional guidance regarding participating securities and computing net income per share using the two-class method. Prior years' basic and diluted net income per share have been adjusted to conform to the new guidance.

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- (3) Represents insurance premiums receivables from clients as well as cash and investments held in a fiduciary capacity.
- (4) In 2010, we completed the acquisition of Hewitt. In connection with the acquisition, we recorded intangible assets, including goodwill, of \$5.7 billion.
- (5) Effective January 1, 2009, we adopted a new accounting standard requiring non-controlling interests to be separately presented as a component of total equity. Prior years have been adjusted to conform to the new standard.

Executive Summary of 2012 Financial Results

On April 2, 2012, we completed the Redomestication, moving our corporate headquarters to London. In the Redomestication, each issued and outstanding share of Aon Corporation common stock held by stockholders of Aon Corporation was converted into the right to receive one Class A Ordinary Share, nominal value \$0.01 per share, of Aon plc. In connection with the Redomestication, we have incurred costs related to the headquarters relocation of \$26 million in 2012. We anticipate that we will incur an additional \$4 million of costs through 2013 related to the headquarters relocation. We believe the Redomestication will strengthen our long term strategy by:

- enabling Risk Solutions to deliver superior value to our clients by executing on Aon Broking strategy;
- expanding the HR Solutions portfolio penetration, especially within consulting, which already has a significant presence in the U.K. and EMEA;
- enhancing our Risk Solutions' relationship with, and integration into, London markets;
- increasing our connection to emerging markets, accelerating our ability to grow there, and further aligning our strategy with underwriters and carriers who are also targeting these high growth markets;
- strengthening our international brand awareness and positioning as a global firm;
- advancing our talent strategy through better development, retention and acquisition of professional talent, with a special focus on London's insurance talent; and
- optimizing our fiscal planning and capital allocation and reducing our global tax rate in a manner that provides us with the increased flexibility to properly invest in our growth.

During 2012, we continued to face certain headwinds impacting our business. In our Risk Solutions segment, these included economic weakness in continental Europe and a significant decline in investment income due to lower short-term interest rates globally. In our HR Solutions

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segment, these included price compression in our benefits administration business and competitive pressures across continental Europe.

The following is a summary of our 2012 financial results:

- Revenue increased \$227 million, or 2%, to \$11.5 billion in 2012 due primarily to solid organic revenue growth of 4% in both the Risk Solutions and HR Solutions segments, partially offset by a 2% unfavorable impact from foreign currency. The increase in revenue was driven primarily by strong management of the renewal book portfolio across all regions and solid new business growth in Asia and other emerging markets, as well as solid growth across our Reinsurance business and new client wins in our HR Solutions segment.
- Operating expenses increased \$227 million, or 2%, from the prior year to \$9.9 billion in 2012, primarily as a result of organic revenue growth of 4%, higher intangible asset amortization expenses of \$61 million, and an increase in headquarters relocation costs of \$21 million, partially offset by benefits achieved from the restructuring plans, a decrease in Hewitt related integration costs of \$47 million, \$18 million related to the write-off of legacy receivables in 2011, and a decrease in restructuring charges of \$12 million.
- Our consolidated operating margin from continuing operations for the year on a U.S. generally accepted accounting principles (“GAAP”) basis was 13.9% in 2012, a decrease of 20 basis points from our operating margin of 14.1% in 2011.
- Net income from continuing operations attributable to Aon shareholders was \$994 million, an increase of \$19 million, or 2%, from \$975 million in 2011.
- Cash flows from operating activities was a record \$1.4 billion in 2012, an increase of \$401 million, or 28%, from \$1.0 billion in 2011.

We historically have focused on three key metrics that we communicate to shareholders: grow organically, expand margins, and increase earnings per share. Beginning in the fourth quarter of 2012, and going forward, we will add free cash flow to our key metrics given its fundamental importance to both the value of the firm and how we think about value creation for shareholders. The following is our measure of performance against these four metrics for 2012:

- Organic revenue growth, a non-GAAP measure as defined under the caption “Review of Consolidated Results — General” below, was 4% in 2012, demonstrating continued improvement compared to the prior year’s 2% organic revenue growth. Organic revenue growth was driven by solid growth across our businesses in both Risk and HR Solutions. In Risk Solutions, strong management of the renewal book portfolio across all regions, solid new business growth in Asia and emerging markets, and growth across our treaty

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business in Reinsurance drove organic revenue growth. In HR Solutions, organic growth was driven by new client wins in outsourcing and increased demand across consulting.

- Adjusted operating margin, a non-GAAP measure as defined under the caption “Review of Consolidated Results — General” below, was 18.6% for Aon overall, 21.7% for the Risk Solutions segment, and 16.6% for the HR Solutions segment in 2012. Adjusted operating margin was 19.0% for Aon overall, 21.6% for the Risk Solutions segment, and 17.6% for the HR Solutions segment in 2011. The increase in adjusted operating margin for the Risk Solutions segment reflects strong organic revenue growth and restructuring savings, partially offset by investments in Asia, Latin America and GRIP solutions, as well as lower investment income. The decrease in adjusted operating margin for both the HR Solutions segment and Aon overall reflects significant investment in new growth opportunities in health care exchanges and HR BPO and anticipated pricing compression in our benefits administration business, partially offset by new client wins.
- Adjusted diluted earnings per share from continuing operations attributable to Aon shareholders, a non-GAAP measure as defined under the caption “Review of Consolidated Results — General” below, was \$4.21 per share in 2012, an increase of \$0.15 per share, or 4%, from \$4.06 per share in 2011. The increase demonstrates solid operational performance and effective capital management despite a difficult business environment, as well as the impact of \$1.1 billion of share repurchases during 2012.
- Free cash flow, a non-GAAP measure as defined under the caption “Review of Consolidated Results — General” below, was \$1.2 billion in 2012, an increase of \$373 million, or 48%, from \$777 million in 2011. The increase in free cash flow from the prior year was driven by record cash flow from operations of \$1.4 billion in 2012.

REVIEW OF CONSOLIDATED RESULTS

General

In our discussion of operating results, we sometimes refer to supplemental information derived from consolidated financial information specifically related to organic revenue growth, adjusted operating margin, adjusted diluted earnings per share, and the impact of foreign exchange rate fluctuations on operating results.

Organic Revenue

We use supplemental information related to organic revenue to help us and our investors evaluate business growth from existing operations. Organic revenue excludes the impact of foreign exchange rate changes, acquisitions, divestitures, transfers between business units, fiduciary investment income, reimbursable expenses, and certain unusual items. Supplemental information

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related to organic growth represents a measure not in accordance with U.S. GAAP, and should be viewed in addition to, not instead of, our Consolidated Financial Statements and Notes thereto. Industry peers provide similar supplemental information about their revenue performance, although they may not make identical adjustments. Reconciliation of this non-GAAP measure, organic revenue growth percentages to the reported Commissions, fees and other revenue growth percentages, has been provided in the “Review by Segment” caption, below.

Adjusted Operating Margins

We use adjusted operating margin as a measure of core operating performance of our Risk Solutions and HR Solutions segments. Adjusted operating margin excludes the impact of certain items, including restructuring charges, intangible asset amortization and headquarters relocation costs. This supplemental information related to adjusted operating margin represents a measure not in accordance with U.S. GAAP, and should be viewed in addition to, not instead of, our Consolidated Financial Statements and Notes thereto.

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Reconciliations of this non-GAAP measure to the reported operating margin is as follows
(in millions):

	Total Aon (1)	Risk Solutions	HR Solutions
Year Ended December 31, 2012			
Revenue — U.S. GAAP	\$11,514	\$7,632	\$3,925
Operating income — U.S. GAAP	\$1,596	\$1,493	\$289
Restructuring charges	101	35	66
Intangible asset amortization	423	126	297
Headquarters relocation costs	24	—	—
Operating income — as adjusted	\$2,144	\$1,654	\$652
Operating margins — U.S. GAAP	13.9%	19.6%	7.4%
Operating margins — as adjusted	18.6%	21.7%	16.6%
Year Ended December 31, 2011			
Revenue — U.S. GAAP	\$11,287	\$7,537	\$3,781
Operating income — U.S. GAAP	\$1,596	\$1,413	\$336
Restructuring charges	113	65	48
Legacy receivables write-off	18	18	—
Intangible asset amortization	362	129	233
Transaction related costs — U.K. reincorporation	3	—	—
Hewitt related costs	47	—	47
Operating income — as adjusted	\$2,139	\$1,625	\$664
Operating margins — U.S. GAAP	14.1%	18.7%	8.9%
Operating margins — as adjusted	19.0%	21.6%	17.6%
Year Ended December 31, 2010			
Revenue — U.S. GAAP	\$8,512	\$6,989	\$1,545
Operating income — U.S. GAAP	\$1,244	\$1,328	\$121
Restructuring charges	172	115	57
Intangible asset amortization	154	114	40
Pension adjustment	49	—	—
Hewitt related costs	40	—	19
Anti bribery and compliance initiatives	9	9	—
Operating income — as adjusted	\$1,668	\$1,566	\$237
Operating margins — U.S. GAAP	14.6%	19.0%	7.8%
Operating margins — as adjusted	19.6%	22.4%	15.3%

(1) Includes unallocated expenses and the elimination of intersegment revenue.

Adjusted Diluted Earnings per Share from Continuing Operations

We also use adjusted diluted earnings per share from continuing operations as a measure of our core operating performance. Adjusted diluted earnings per share excludes the impact of

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restructuring charges, intangible asset amortization and headquarters relocation costs, along with related income taxes. This supplemental information related to adjusted diluted earnings per share represents a measure not in accordance with U.S. GAAP and should be viewed in addition to, not instead of, our Consolidated Financial Statements and Notes thereto.

Reconciliations of this non-GAAP measure to the reported diluted earnings per share are as follows (in millions except per share data):

Year Ended December 31, 2012	U.S. GAAP	Adjustments	As Adjusted
Operating income	\$1,596	\$548	\$2,144
Interest income	10	—	10
Interest expense	(228)	—	(228)
Other income	3	2	5
Income from continuing operations before income taxes	1,381	550	1,931
Income taxes	360	144	504
Income from continuing operations	1,021	406	1,427
Less: Net income attributable to noncontrolling interests	27	—	27
Income from continuing operations attributable to Aon shareholders	\$994	\$406	\$1,400
Diluted earnings per share from continuing operations	\$2.99	\$1.22	\$4.21
Weighted average common shares outstanding — diluted	332.6	332.6	332.6
Year Ended December 31, 2011	U.S. GAAP	Adjustments	As Adjusted
Operating income	\$1,596	\$543	\$2,139
Interest income	18	—	18
Interest expense	(245)	—	(245)
Other income (expense)	15	19	34
Income from continuing operations before income taxes	1,384	562	1,946
Income taxes	378	153	531
Income from continuing operations	1,006	409	1,415
Less: Net income attributable to noncontrolling interests	31	—	31
Income from continuing operations attributable to Aon shareholders	\$975	\$409	\$1,384
Diluted earnings per share from continuing operations	\$2.86	\$1.2	\$4.06
Weighted average common shares outstanding — diluted	340.9	340.9	340.9

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Year Ended December 31, 2010	U.S. GAAP	Adjustments	As Adjusted
Operating income	\$1,244	\$424	\$1,668
Interest income	15	—	15
Interest expense	(182)	14	(168)
Other income (expense)	(18)	—	(18)
Income from continuing operations before income taxes	1,059	438	1,497
Income taxes	300	133	433
Income from continuing operations	759	305	1,064
Less: Net income attributable to noncontrolling interests	26	—	26
Income from continuing operations attributable to Aon shareholders	\$733	\$305	\$1,038
Diluted earnings per share from continuing operations	\$2.46	\$1.02	\$3.48
Weighted average common shares outstanding — diluted	298.1	298.1	298.1

Free Cash Flow

We use free cash flow, defined as cash flow provided by operations minus capital expenditures, as a measure of our core operating performance. This supplemental information related to free cash flow represents a measure not in accordance with U.S. GAAP and should be viewed in addition to, not instead of, our Consolidated Financial Statements and Notes thereto. The use of this non-GAAP measure does not imply or represent the residual cash flow for discretionary expenditures.

Years Ended December 31,	2012	2011	2010
Cash flow provided by operations-U.S. GAAP	\$1,419	\$1,018	\$783
Less: Capital expenditures	269	241	180
Free cash flow	\$1,150	\$777	\$603

Impact of Foreign Exchange Rate Fluctuations

Because we conduct business in more than 120 countries, foreign exchange rate fluctuations can have a significant impact on our business. In comparison to the U.S. dollar, foreign exchange rate movements may be significant and may distort true period-to-period comparisons of changes in revenue or pretax income. Therefore, to give financial statement users meaningful information about our operations, we have provided a discussion of the impact of foreign currency exchange rates on our financial results. For comparative purposes, the methodology used to calculate this impact is intended to isolate the impact of the change in currencies between periods by translating last year's revenue, expenses and net income at this year's foreign exchange rates. Currency fluctuations had an unfavorable impact of \$0.06 during the year ended December 31, 2012, on adjusted net income from continuing operations per diluted share when the Company translates prior year results at current year end foreign exchange rates for comparative purposes.

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Summary of Results

The consolidated results of continuing operations are as follows (in millions):

Years ended December 31	2012	2011	2010
Revenue:			
Commissions, fees and other	\$11,476	\$11,235	\$8,457
Fiduciary investment income	38	52	55
Total revenue	11,514	11,287	8,512
Expenses:			
Compensation and benefits	6,709	6,567	5,097
Other general expenses	3,209	3,124	2,171
Total operating expenses	9,918	9,691	7,268
Operating income	1,596	1,596	1,244
Interest income	10	18	15
Interest expense	(228)	(245)	(182)
Other income (expense)	3	15	(18)
Income from continuing operations before income taxes	1,381	1,384	1,059
Income taxes	360	378	300
Income from continuing operations	1,021	1,006	759
(Loss) income from discontinued operations, after-tax	(1)	4	(27)
Net income	1,020	1,010	732
Less: Net income attributable to noncontrolling interests	27	31	26
Net income attributable to Aon shareholders	\$993	\$979	\$706

Consolidated Results for 2012 Compared to 2011

Revenue

Revenue increased by \$227 million, or 2%, to \$11.5 billion in 2012, as compared to \$11.3 billion in 2011. The increase was driven by organic revenue growth of 4% for both the Risk Solutions and HR Solutions segments. Organic growth in the Risk Solutions segment was driven by solid growth across all regions, including strong new business growth for U.S. retail and continued management of the renewal book portfolio in the Americas. International organic revenue growth was driven by strong growth in Asia and in emerging markets, as well as modest growth in continental Europe. Reinsurance organic growth was driven by strong growth across global treaty, driven by favorable pricing in the near-term and new business growth, partially offset by a significant decline in capital market transactions and advisory business. Organic growth in the HR Solutions segment was driven by growth in investment consulting, pension administration services, talent and rewards, and communications consulting, as well as new client wins in HR BPO, partially offset by a modest decline in benefits administration.

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Compensation and Benefits

Compensation and benefits increased \$142 million, or 2%, when compared to 2011. The increase was driven by 4% organic revenue growth, partially offset by the impact of realization of benefits from restructuring initiatives.

Other General Expenses

Other general expenses increased by \$85 million, or 3%, in 2012 compared to 2011. The increase was due largely to an increase in intangible amortization of \$61 million and increased costs related to the headquarters relocation of \$21 million. These increased costs were partially offset by lower restructuring charges of \$12 million and restructuring savings.

Interest Income

Interest income represents income earned on operating cash balances and other income-producing investments. It does not include interest earned on funds held on behalf of clients. Interest income decreased \$8 million, or 44%, from 2011, due to lower average interest rates globally.

Interest Expense

Interest expense, which represents the cost of our worldwide debt obligations, decreased \$17 million, or 7%, from 2011. The decrease was due primarily to a lower average debt outstanding during the year, as well as the use of commercial paper to meet short-term working capital needs.

Other Income (Expense)

Other income (expense) in 2012 of \$3 million decreased \$12 million from 2011. The decrease in income is the result of foreign exchange gains (losses) that were \$26 million additional loss in 2012 and an \$11 million decrease in gains related to long-term investments, partially offset by \$6 million of additional income from equity method investments and \$19 million loss on extinguishment of debt in 2011.

Income from Continuing Operations before Income Taxes

Income from continuing operations before income taxes was \$1.4 billion, flat as compared to \$1.4 billion in 2011.

Income Taxes

The effective tax rate on income from continuing operations was 26.1% in 2012 and 27.3% in 2011. The 2012 rate reflects the release of a valuation allowance relating to foreign tax credits and net operating losses, partially offset by the impact of a U.K. tax rate change. The 2011 rate

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reflects the release of a valuation allowance relating to foreign tax credits offset partially by net unfavorable deferred tax adjustments in non-U.S. jurisdictions including the impact of a U.K. tax rate change. The underlying tax rate for continuing operations is estimated to be approximately 26.0% for 2013.

Income from Continuing Operations

Income from continuing operations remained at \$1.0 billion (\$2.99 diluted net income per share) in 2012 as compared to \$1.0 billion (\$2.86 diluted net income per share) in 2011.

Consolidated Results for 2011 Compared to 2010

Revenue

Revenue increased by \$2.8 billion, or 33%, in 2011 compared to 2010. This increase principally reflects a \$2.2 billion, or 145%, increase in the HR Solutions segment, and a \$548 million, or 8%, increase in the Risk Solutions segment. The 145% increase in the HR Solutions segment was principally driven by acquisitions, primarily Hewitt in October 2010, net of dispositions, and a 2% positive impact from foreign currency exchange rates with flat organic revenue growth. The 8% increase in the Risk Solutions segment was primarily driven by a 3% favorable impact from foreign currency exchange rates, a 2% increase in organic revenue growth reflecting the growth in both the Americas and International regions and a 1% increase from acquisitions, primarily Glenrand MIB Limited (“Glenrand”) in April 2011, net of dispositions.

Compensation and Benefits

Compensation and benefits increased \$1.5 billion, or 29%, when compared to 2010. The increase reflects a \$1.2 billion, or 120%, increase in the HR Solutions segment and a \$240 million, or 6%, increase in the Risk Solutions segment. In total, the increase for the year was driven by the impact of the Hewitt and Glenrand acquisitions and an unfavorable impact of foreign currency exchange rates, partially offset by the realization of benefits from restructuring initiatives. In addition, 2010 included a \$49 million non-cash U.S. defined benefit pension plan expense resulting from an adjustment to the market-related value of plan assets.

Other General Expenses

Other general expenses increased by \$953 million, or 44%, in 2011 compared to 2010. This increase reflects a \$775 million, or 202%, increase in the HR Solutions segment and a \$223 million, or 13%, increase in the Risk Solutions segment partially offset by a \$45 million decrease in unallocated expenses. The overall increase was due largely to the impact of the Hewitt and Glenrand acquisitions, reflecting the inclusion of operating expenses and intangible amortization, as well as the unfavorable impact of foreign currency exchange rates. These increased

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costs were partially offset by lower restructuring charges and restructuring savings and operational expense management.

Interest Income

Interest income represents income earned on operating cash balances and other income-producing investments. It does not include interest earned on funds held on behalf of clients. Interest income increased \$3 million, or 20%, from 2010, due to higher levels of interest bearing assets.

Interest Expense

Interest expense, which represents the cost of our worldwide debt obligations, increased \$63 million, or 35%, from 2010 due to an increase in the amount of debt outstanding for the full year primarily related to the Hewitt acquisition. Additionally, 2010 included charges of \$14 million attributable to a \$1.5 billion Bridge Loan Facility that was put in place to finance the Hewitt acquisition, but was cancelled following the issuance of the notes.

Other Income (Expense)

Other income (expense) of \$15 million in 2011 includes death benefits on certain Company owned life insurance plans, partially offset by losses and write-offs related to our ownership in certain insurance investment funds and other long-term investments and a \$19 million loss on the extinguishment of debt. Additionally, 2010 included a loss of \$8 million on extinguishment of debt and losses related to certain long-term investments, partially offset by gains related to our ownership in certain insurance investment funds.

Income from Continuing Operations before Income Taxes

Income from continuing operations before income taxes was \$1.4 billion, a 31% increase from \$1.1 billion in 2010. The increase in income was driven by the 2% increase in organic growth, the inclusion of Hewitt's and Glenrand's operating results, lower costs and increased benefits from restructuring initiatives and operational improvement, and favorable foreign currency exchange rates.

Income Taxes

The effective tax rate on income from continuing operations was 27.3% in 2011 and 28.4% in 2010. The 2011 rate reflects the release of a valuation allowance relating to foreign tax credits offset partially by net unfavorable deferred tax adjustments in non-U.S. jurisdictions including the impact of a U.K. tax rate change. The 2010 rate reflects the impact of the Hewitt acquisition in the fourth quarter, the favorable effect of a U.S. pension expense adjustment, which had a tax rate of 40%, and deferred tax adjustments.

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Income from Continuing Operations

Income from continuing operations increased to \$1.0 billion (\$2.86 diluted net income per share) in 2011 from \$759 million (\$2.46 diluted net income per share) in 2010. Currency fluctuations positively impacted income from continuing operations in 2011 by \$0.04 per diluted share, when the 2010 Consolidated Statement of Income is translated using 2011 foreign exchange rates.

Discontinued Operations

In 2011, after-tax income from discontinued operations of \$4 million (\$0.01 diluted net income per share) was recorded compared to after-tax loss from discontinued operations of \$27 million (\$0.09 diluted net loss per share) in 2010. The loss in 2010 was driven by the settlement of legacy litigation related to the *Buckner vs. Resource Life* case.

Restructuring Initiatives

Aon Hewitt Restructuring Plan

On October 14, 2010, we announced a global restructuring plan (the “Aon Hewitt Plan”) in connection with our acquisition of Hewitt. The Aon Hewitt Plan, which will continue into 2013, is intended to streamline operations across the combined Aon Hewitt organization. The restructuring plan is expected to result in cumulative costs of approximately \$325 million through the end of the plan, consisting of approximately \$192 million in employee termination costs and approximately \$133 million in real estate lease rationalization costs. An estimated 2,000 positions globally, predominantly non-client facing, are expected to be eliminated as part of the plan.

As of December 31, 2012, in excess of 1,900 jobs have been eliminated under the Aon Hewitt Plan and total expenses of \$255 million have been incurred. Charges related to the restructuring are included in Compensation and benefits and Other general expenses in the accompanying Consolidated Statements of Income.

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The following summarizes the restructuring and related costs, by type, that have been incurred and are estimated to be incurred through the end of the restructuring initiative related to the Aon Hewitt Plan (in millions):

	2010	2011	2012	Total to Date	Estimated Total Cost for Restructuring Plan (1)
Workforce reduction	\$49	\$64	\$74	\$187	\$192
Lease consolidation	3	32	18	53	95
Asset impairments	—	7	4	11	33
Other costs associated with restructuring (2)	—	2	2	4	5
Total restructuring and related expenses	\$52	\$105	\$98	\$255	\$325

- (1) Actual costs, when incurred, may vary due to changes in the assumptions built into this plan. Significant assumptions that may change when plans are finalized and implemented include, but are not limited to, changes in severance calculations, changes in the assumptions underlying sublease loss calculations due to changing market conditions, and changes in the overall analysis that might cause the Company to add or cancel component initiatives.
- (2) Other costs associated with restructuring initiatives, including moving costs and consulting and legal fees, are recognized when incurred.

The following summarizes the restructuring and related expenses by segment that have been incurred and are estimated to be incurred through the end of the restructuring initiative related to the Aon Hewitt Plan (in millions):

	2010	2011	2012	Total to Date	Estimated Total Cost for Restructuring Plan (1)
HR Solutions	\$52	\$49	\$66	\$167	\$226
Risk Solutions	—	56	32	88	99
Total restructuring and related expenses	\$52	\$105	\$98	\$255	\$325

- (1) Costs included in the Risk Solutions segment are associated with the transfer of the health and benefits consulting business from HR Solutions to Risk Solutions effective January 1, 2012. Costs incurred in 2011 in the HR Solutions segment of \$41 million related to the health and benefits consulting business have been reclassified and presented in the Risk Solutions segment.

The restructuring plan, before any potential reinvestment of savings, is expected to deliver approximately \$280 million of annual savings in 2013, of which, approximately \$52 million will be

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achieved in the Risk Solution segment. We expect to achieve approximately \$355 million in annual cost savings across the Company in 2013, including approximately \$280 million of annual savings related to the restructuring plan, and additional savings in areas such as information technology, procurement and public company costs. All of the components of the restructuring and integration plan are not finalized and actual total savings, costs and timing may vary from those estimated due to changes in the scope or assumptions underlying the plan. We estimate that we realized approximately \$236 million and \$137 million of cost savings before any reinvestment in 2012 and 2011, respectively. Approximately \$196 million and \$40 million of the cost savings before reinvestment in 2012 was realized in the HR Solutions segment and Risk Solutions segment, respectively.

Aon Benfield Restructuring Plan

We announced a global restructuring plan (“Aon Benfield Plan”) in conjunction with our 2008 acquisition of Benfield. The restructuring plan was intended to integrate and streamline operations across the combined Aon Benfield organization. The Aon Benfield Plan included 810 job eliminations. Additionally, duplicate space and assets were abandoned. The plan was closed in January 2012 and \$6 million of costs were incurred in 2012.

The following is a summary of the restructuring and related expenses by type that were incurred related to the Aon Benfield Plan (in millions):

	Purchase Price Allocation	2009	2010	2011	2012	Total Cost for Restructuring Period
Workforce reduction	\$32	\$38	\$15	\$33	\$6	\$124
Lease consolidation	20	14	7	(15)	—	26
Asset impairments	—	2	2	—	—	4
Other costs associated with restructuring	1	1	2	1	—	5
Total restructuring and related expenses	\$53	\$55	\$26	\$19	\$6	\$159

All costs associated with the Aon Benfield Plan are included in the Risk Solutions segment. Charges related to the restructuring are included in Compensation and benefits and Other general expenses in the Consolidated Statements of Income. These restructuring activities and related expenses were concluded in January 2012.

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LIQUIDITY AND FINANCIAL CONDITION

Liquidity

Executive Summary

We believe that our balance sheet and strong cash flow provide us with financial flexibility to create long-term value for our shareholders. Our primary sources of liquidity are cash flow from operations, available cash reserves and debt capacity available under various credit facilities. Our primary uses of liquidity are operating expenses, capital expenditures, acquisitions, share repurchases, restructuring initiatives, funding pension obligations and shareholder dividends.

Cash on our balance sheet includes funds available for general corporate purposes. Funds held on behalf of clients in a fiduciary capacity are segregated and shown together with uncollected insurance premiums in Fiduciary assets in the Consolidated Statement of Financial Position, with a corresponding amount in Fiduciary liabilities. Fiduciary funds cannot be used for general corporate purposes, and should not be considered a source of liquidity for us.

Cash and cash equivalents and Short-term investments decreased \$420 million to \$637 million in 2012. During 2012, cash flow from operating activities increased \$401 million to a record \$1.4 billion. Additional sources of funds in 2012 included \$178 million in sales of long-term investments and \$440 million in net sales of short-term investments that were non-fiduciary. The primary uses of funds in 2012 included share repurchases of \$1.1 billion, cash contributions to our major defined benefit plans in excess of pension expense of \$585 million, capital expenditures of \$269 million, repayment of debt net of debt issuances of \$344 million, and dividends paid to shareholders of \$204 million.

Our investment grade rating is important to us for a number of reasons, the most important of which is preserving our financial flexibility. If our credit ratings were downgraded to below investment grade, the interest expense on any outstanding balances on our credit facilities would increase and we could incur additional requests for pension contributions. To manage unforeseen situations, we have committed credit lines of approximately \$1.3 billion and we manage our business to ensure we maintain our current investment grade ratings. At December 31, 2012, we had no borrowings on these credit lines.

Cash Flows Provided by Operating Activities

Net cash provided by operating activities in 2012 increased \$401 million to \$1.4 billion as compared to \$1.0 billion in 2011. Primary contributors to cash flow from operations included net income of \$1.0 billion and adjustments for non-cash items of \$772 million, primarily related to depreciation, amortization, and stock compensation expense. These items were partially offset by \$585 million of cash contributions to our major defined benefit plans in excess of pension expense.

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Pension contributions during 2012 were \$638 million as compared to \$477 million in 2011. In 2013, we expect to contribute \$548 million to our major defined benefit plans, with a modest decrease in pension expense. In 2013, we also expect to have cash payments related to restructuring plans of \$94 million

We continue to progress with elevated levels of invoicing and cash collections related to a delay in invoicing HR Solutions' customers in connection with the upgrade of our financial systems that occurred in 2011. We expect the increase in unbilled receivables and accounts receivable of approximately \$350 million to reverse and return to normalized levels in 2013.

Cash Flows Provided by (Used For) Investing Activities

Cash provided by investing activities in 2012 was \$177 million. Sales of long term investments provided \$178 million and net sales of short term investments provided \$440 million, partially offset by acquisitions which used \$160 million, and capital expenditures used \$269 million.

Cash used for investing activities in 2011 was \$186 million. Acquisitions used \$97 million, primarily related to the acquisition of Glenrand. Net purchases of non-fiduciary short-term investments used \$8 million, and capital expenditures used \$241 million. The sale of businesses provided \$8 million, consisting of proceeds from several small dispositions, and sales, net of purchases, of long-term investments provided \$160 million.

Cash used for investing activities in 2010 was \$2.5 billion. Acquisitions used \$2.1 billion, primarily related to the acquisition of Hewitt. Net purchases of non-fiduciary short-term investments used \$337 million, and capital expenditures used \$180 million. Sales, net of purchases, of long-term investments provided \$56 million.

Cash Flows Used For Financing Activities

Cash used for financing activities during 2012 was \$1.6 billion. Share repurchases were \$1.1 billion and dividends to shareholders were \$204 million. Net repayment of debt in 2012 used \$344 million. Proceeds from the exercise of stock options and issuance of shares purchased through employee stock purchase plans were \$118 million.

Cash used for financing activities during 2011 was \$896 million. Share repurchases were \$828 million and dividends to shareholders were \$200 million. Dividends paid to, and purchase of shares from non-controlling interests were \$54 million. Proceeds from the exercise of stock options and issuance of shares purchased through employee stock purchase plans were \$201 million.

Cash provided by financing activities during 2010 was \$1.8 billion. During 2010 we received \$2.9 billion from the issuance of debt, primarily a \$600 million 3.5% note due in 2015, a \$600 million 5% note due in 2020, a \$300 million 6.25% note due 2040, and a \$1 billion

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three-year term note due in 2013, all associated with the acquisition of Hewitt. Additionally, we borrowed \$308 million from our Euro credit facility and \$100 million of commercial paper during the year, which were repaid as of year end. We also repaid \$299 million of debt assumed in the Hewitt acquisition. Other uses of cash include \$250 million for share repurchases and \$175 million for dividends to shareholders. Proceeds from the exercise of stock options and issuance of shares purchased through the employee stock purchase plan were \$194 million.

Cash and Investments

At December 31, 2012, our Cash and cash equivalents and Short-term investments were \$637 million, a decrease of \$420 million as compared to the balance of \$1.1 billion as of December 31, 2011. In both 2012 and 2011, the Company was required to hold £77 million of operating funds in the U.K. as required by the Financial Services Authority, which were included in Short-term investments. These operating funds, when translated to U.S. dollars, were \$124 million and \$120 million at December 31, 2012 and 2011, respectively. Cash and cash equivalents included restricted balances of \$76 million and \$71 million at December 31, 2012 and 2011, respectively. The restricted balances primarily relate to cash required to be held as collateral.

At December 31, 2012, \$138 million of cash and cash equivalents and short-term investments were held in the U.S. and \$499 million were held in other countries. Due to differences in tax rates, the repatriation of funds from certain countries into the U.S., if repatriated, could have an unfavorable tax impact.

In our capacity as an insurance broker or agent, we collect premiums from insureds and, after deducting our commission, remit the premiums to the respective insurance underwriter. We also collect claims or refunds from underwriters on behalf of insureds, which are then remitted to the insureds. Unremitted insurance premiums and claims are held by us in a fiduciary capacity. In addition, some of our outsourcing agreements require us to hold funds on behalf of clients to pay obligations on their behalf. The levels of fiduciary assets and liabilities can fluctuate significantly, primarily depending on when we collect the premiums, claims and refunds, make payments to underwriters and insureds, collect funds from clients and make payments on their behalf. Fiduciary assets, because of their nature, are required to be invested in very liquid securities with highly-rated, credit-worthy financial institutions. In our Consolidated Statements of Financial Position, the amount we report for fiduciary assets and fiduciary liabilities are equal. Our fiduciary assets included cash and investments of \$4.0 billion and fiduciary receivables of \$8.2 billion at December 31, 2012. While we earn investment income on the fiduciary assets held in cash and investments, the cash and investments are not owned by us, and cannot be used for general corporate purposes.

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The majority of our short-term investments carried at fair value are money market funds. As disclosed in Note 15 “Fair Value Measurements and Financial Instruments” of the Notes to Consolidated Financial Statements, money market funds are carried at cost as an approximation of fair value. Based on market convention, we consider cost a practical and expedient measure of fair value. These money market funds are held throughout the world with various financial institutions. We do not believe that there are any significant market liquidity issues affecting the fair value of these investments.

As of December 31, 2012, our investments in money market funds and highly liquid debt instruments had a fair value of \$2.1 billion and are included in Cash and cash equivalents, Short-term investments and Fiduciary assets in the Consolidated Statements of Financial Position depending on their nature and initial maturity.

The following table summarizes our Fiduciary assets and non-fiduciary Cash and cash equivalents and Short-term investments as of December 31, 2012 (in millions):

Asset Type	Statement of Financial Position Classification			Total
	Cash and Cash Equivalents	Short-term Investments	Fiduciary Assets	
Certificates of deposit, bank deposits or time deposits	\$291	—	\$2,241	\$2,532
Money market funds	—	345	1,763	2,108
Highly liquid debt instruments	—	—	25	25
Other investments due within one year	—	1	—	1
Cash and investments	291	346	4,029	4,666
Fiduciary receivables	—	—	8,185	8,185
Total	\$291	\$346	\$12,214	\$12,851

Share Repurchase Program

In January 2010, our Board of Directors authorized a share repurchase program under which up to \$2 billion of common stock was authorized to be repurchased (“2010 Stock Repurchase Program”). Shares of common stock were authorized to be repurchased through the open market or in privately negotiated transactions, including structured repurchase programs, from time to time, based on prevailing market conditions, and were funded from available capital. Any repurchased shares of common stock were available for employee stock plans and for other corporate purposes.

The 2010 Stock Repurchase Program, which related to common stock of Aon Corporation and preceded the Redomestication, did not extend to the shares of Aon plc. In April 2012, our Board of Directors therefore authorized a share repurchase program under which up to \$5 billion of Class A Ordinary Shares may be repurchased (“2012 Share Repurchase Program”). Under this

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program, shares may be repurchased through the open market or in privately negotiated transactions, from time to time, based on prevailing market conditions, and will be funded from available capital.

During 2012, the Company repurchased 21.6 million shares at an average price per share of \$52.16 for a total cost of \$1.1 billion. The remaining authorized amount for share repurchase under the 2012 Share Repurchase Program is approximately \$4.0 billion.

During the period from January 1, 2013 to March 15, 2013, we repurchased 5.0 million shares at an average price per share of \$59.82 for a total cost of \$300 million. At March 15, 2013, the remaining authorized amount for share repurchase under the 2012 Share Repurchase Program is \$3.7 billion.

Dividends

During 2012, 2011, and 2010, we paid dividends on our ordinary shares of \$204 million, \$200 million, and \$175 million, respectively. Dividends paid per ordinary share were \$0.62 for the year ended December 31, 2012 and \$0.60 for each of the years ended December 31, 2011 and 2010.

In January 2013, the Board of Directors approved the declaration of a dividend to shareholders of \$0.16 per ordinary share. In February 2013, we paid those dividends in the amount of \$49 million.

Future dividends on Aon plc ordinary shares, if any, and the timing of declaration of any such dividends, will be at the discretion of the Board of Directors of Aon plc and will depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that the Board of Directors of Aon plc may deem relevant, as well as our ability to pay dividends in compliance with the Companies Act 2006.

Redomestication

As a U.K. incorporated company, we must have “distributable reserves” to make share repurchases or pay dividends to shareholders. Distributable reserves may be created through the earnings of the U.K. parent company and, amongst other methods, through a reduction in share capital approved by the English Companies Court. Distributable reserves are not linked to a U.S. GAAP reported amount. On April 4, 2012, we received approval from the English Companies Court to reduce our share premium and in connection with that approval, recognized distributable reserves in the amount of \$8.0 billion. As of December 31, 2012, we had distributable reserves of \$7.0 billion.

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Debt Securities

We use proceeds from the commercial paper market from time to time in order to meet short-term working capital needs. We had \$50 million of commercial paper outstanding at December 31, 2012 and 2011, respectively. The weighted average commercial paper outstanding for 2012 and 2011 was \$67 million and \$35 million, respectively. The weighted average interest rate of the commercial paper outstanding during 2012 and 2011 was 0.41% and 0.35%, respectively.

On August 31, 2012, we filed a shelf registration statement with the SEC, registering the offer and sale from time to time of an indeterminate amount of, among other securities, debt, securities, preference shares, Class A Ordinary Shares and convertible securities. The availability of any potential liquidity for these types of securities is dependent on investor demand, market conditions and other factors.

On December 12, 2012, we issued \$166 million aggregate principal amount of 4.250% Notes Due 2042 in connection with an exchange offer of Aon Corporation's outstanding 8.205% junior subordinated deferrable interest debentures due January 2027. In connection with this exchange, the Company paid a premium of \$59 million which will be amortized into Interest expense over the life of the new notes. Concurrently with the issuance, the Company entered into a registration rights agreement that gives the holders of the new notes certain exchange and registration rights.

Credit Facilities

At December 31, 2012, we have a five-year \$400 million unsecured revolving credit facility in the U.S. ("U.S. Facility") that expires in 2017. The U.S. facility is for general corporate purposes, including commercial paper support. Additionally, we have a five-year €650 million (\$860 million at December 31, 2012 exchange rates) multi-currency European credit facility ("Euro Facility") available, which expires in October 2015. At December 31, 2012, we had no borrowings under either of the credit facilities.

For both our U.S. and Euro Facilities, the two most significant covenants require us to maintain a ratio of consolidated EBITDA (earnings before interest, taxes, depreciation and amortization), adjusted for Hewitt related transaction costs and up to \$50 million in non-recurring cash charges ("Adjusted EBITDA") to consolidated interest expense and a ratio of consolidated debt to Adjusted EBITDA. For both facilities, the ratio of Adjusted EBITDA to consolidated interest expense must be at least 4 to 1. For the Euro Facility, the ratio of consolidated debt to Adjusted EBITDA must not exceed 3 to 1. For the U.S. Facility, the ratio of consolidated debt to Adjusted EBITDA must not exceed the lower of (a) 3.25 to 1.00 or (b) the greater of (i) 3.00 to 1.00 or (ii) the lowest ratio of consolidated debt to Adjusted EBITDA then set forth in the Euro

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Facility or Aon's \$450,000,000 Term Loan Facility. We were in compliance with these and all other covenants during 2012.

Rating Agency Ratings

The major rating agencies' ratings of our debt at February 22, 2013 appear in the table below.

	Ratings		Outlook
	Senior Long-term Debt	Commercial Paper	
Standard & Poor's	BBB +	A-2	Stable
Moody's Investor Services	Baa2	P-2	Stable
Fitch, Inc.	BBB +	F-2	Stable

A downgrade in the credit ratings of our senior debt and commercial paper would increase our borrowing costs, reduce or eliminate our access to capital, reduce our financial flexibility, and increase our commercial paper interest rates or possibly restrict our access to the commercial paper market altogether.

Letters of Credit

We have total letters of credit ("LOCs") outstanding for approximately \$74 million and \$75 million at December 31, 2012 and 2011, respectively. These letters of credit cover the beneficiaries related to certain of our U.S. and Canadian non-qualified pension plan schemes and secure deductible retentions on our own workers compensation program. We have also issued LOCs to cover contingent payments for taxes and other business obligations to third parties, and other guarantees for miscellaneous purposes at its international subsidiaries.

Adequacy of Liquidity Sources

We believe that cash flows from operations and available credit facilities will be sufficient to meet our liquidity needs, including capital expenditures, pension contributions, cash restructuring costs, and anticipated working capital requirements, for the foreseeable future. Our cash flows from operations, borrowing capacity and overall liquidity are subject to risks and uncertainties. See "Information Concerning Forward-Looking Statements" and "Risk Factors" within this Directors' Report.

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Contractual Obligations

Summarized in the table below are our contractual obligations and commitments as of December 31, 2012 (in millions):

	Payments due in				Total
	2013	2014 – 2015	2016 – 2017	2018 and beyond	
Short- and long-term borrowings	\$452	\$1,294	\$514	\$1,905	\$4,165
Interest expense on debt	207	377	255	1,243	2,082
Operating leases	432	761	625	1,072	2,890
Pension and other postretirement benefit plan (1)(2)	548	884	670	943	3,039
Purchase obligations (3)(4)(5)	189	170	89	129	577
Insurance premiums payable	12,214	—	—	—	12,214
	\$14,042	\$3,486	\$2,153	\$5,292	\$24,967

- (1) Pension and other postretirement benefit plan obligations include estimates of our minimum funding requirements, pursuant to ERISA and other regulations and minimum funding requirements agreed with the trustees of our U.K. pension plans. Additional amounts may be agreed to with, or required by, the U.K. pension plan trustees. Nonqualified pension and other postretirement benefit obligations are based on estimated future benefit payments. We may make additional discretionary contributions.
- (2) In 2007, our principal U.K. subsidiary agreed with the trustees of one of the U.K. plans to contribute £9.4 million (\$15 million) per year to that pension plan for the next six years, with the amount payable increasing by approximately 5% on each April 1. The trustees of the plan have certain rights to request that our U.K. subsidiary advance an amount equal to an actuarially determined winding-up deficit. As of December 31, 2012, the estimated winding-up deficit was £260 million (\$420 million). The trustees of the plan have accepted in practice the agreed-upon schedule of contributions detailed above and have not requested the winding-up deficit be paid.
- (3) Purchase obligations are defined as agreements to purchase goods and services that are enforceable and legally binding on us, and that specifies all significant terms, including what is to be purchased, at what price and the approximate timing of the transaction. Most of our purchase obligations are related to purchases of information technology services or for claims outsourcing in the U.K.
- (4) Excludes \$74 million of unfunded commitments related to an investment in a limited partnership due to our inability to reasonably estimate the period(s) when the limited partnership will request funding.

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- (5) Excludes \$156 million of liabilities for uncertain tax positions due to our inability to reasonably estimate the period(s) when cash settlements will be made.

Financial Condition

At December 31, 2012, our net assets of \$7.8 billion, representing total assets minus total liabilities, were \$315 million lower than the balance at December 31, 2011. The decrease is primarily related to share repurchases of \$1.1 billion and dividends of \$204 million, partially offset by net income of \$1.0 billion. Working capital decreased \$713 million to \$1.0 billion, primarily due to a decrease in cash and short-term investments to fund share repurchases.

Borrowings

Total debt at December 31, 2012 was \$4.2 billion, a decrease of \$327 million from December 31, 2011. The decrease was primarily related to debt repayments during the year (see Note 8 “Debt”).

On March 20, 2012, we entered into the U.S. Facility. Borrowings under the U.S. Facility will bear interest, at the Company’s option, at a rate equal to either (a) the rate for eurodollar deposits as reflected on the applicable Reuters LIBOR01 page for the interest period relevant to such borrowing (“Eurodollar Rate”), plus the applicable margin or (b) the highest of (i) the rate of interest publicly announced by Citibank as its prime rate, (ii) the federal funds effective rate from time to time plus 0.5% and (iii) the one month Eurodollar rate plus 1.0%, in each case plus the applicable margin. The applicable margin for borrowings under the U.S. Facility may change depending on achievement of certain public debt ratings. The U.S. Facility has a maturity date of March 20, 2017. In conjunction with the Company entering into the U.S. Facility the prior revolving U.S. credit agreement dated December 4, 2009 was terminated.

Our total debt as a percentage of total capital attributable to Aon shareholders was 35.0% and 35.8% at December 31, 2012 and December 31, 2011, respectively.

Equity

Equity at December 31, 2012 was \$7.8 billion, a decrease of \$315 million from December 31, 2011. The decrease resulted primarily from an increase in share repurchases to \$1.1 billion in 2012, \$204 million of dividends to shareholders, and an increase in Accumulated other comprehensive loss of \$240 million, offset by net income of \$1.0 billion and stock compensation expense of \$212 million.

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Accumulated other comprehensive loss increased \$240 million since December 31, 2011, primarily reflecting the following:

- an increase in net foreign currency translation adjustments of \$109 million, which was attributable to the weakening of the U.S. dollar against foreign currencies;
- an increase of \$358 million in the net underfunded position of our post-retirement benefit obligations due primarily to a decrease in the discount rate used to determine the future benefit obligation; and
- net unrealized derivative gains of \$9 million.

REVIEW BY SEGMENT

General

We serve clients through the following segments:

- **Risk Solutions** acts as an advisor and insurance and reinsurance broker, helping clients manage their risks, via consultation, as well as negotiation and placement of insurance risk with insurance carriers through our global distribution network.
- **HR Solutions** partners with organizations to solve their most complex benefits, talent and related financial challenges, and improve business performance by designing, implementing, communicating and administering a wide range of human capital, retirement, investment consulting, health care, compensation and talent management strategies.

Risk Solutions

Years ended December 31	2012	2011	2010
Revenue	\$7,632	\$7,537	\$6,989
Operating income	1,493	1,413	1,328
Operating margin	19.6%	18.7%	19.0%

The demand for property and casualty insurance generally rises as the overall level of economic activity increases and generally falls as such activity decreases, affecting both the commissions and fees generated by our brokerage business. The economic activity that impacts property and casualty insurance is described as exposure units, and is closely correlated with employment levels, corporate revenue and asset values. During 2012 we began to see improvement in pricing on average globally; however, we would still consider this to be a “soft market,” which began in 2007. In a soft market, premium rates flatten or decrease, along with commission revenues, due to increased competition for market share among insurance carriers or increased underwriting capacity. Changes in premiums have a direct and potentially material impact on the

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insurance brokerage industry, as commission revenues are generally based on a percentage of the premiums paid by insureds. In 2012, pricing showed signs of stabilization and improvement in both our retail and reinsurance brokerage product lines and we expect this trend to slowly continue into 2013.

Additionally, beginning in late 2008 and continuing through 2012, we faced difficult conditions as a result of unprecedented disruptions in the global economy, the repricing of credit risk and the deterioration of the financial markets. Weak global economic conditions have reduced our customers' demand for our retail brokerage products, which have had a negative impact on our operational results.

Risk Solutions generated approximately 66% of our consolidated total revenues in 2012. Revenues are generated primarily through fees paid by clients, commissions and fees paid by insurance and reinsurance companies, and investment income on funds held on behalf of clients. Our revenues vary from quarter to quarter throughout the year as a result of the timing of our clients' policy renewals, the net effect of new and lost business, the timing of services provided to our clients, and the income we earn on investments, which is heavily influenced by short-term interest rates.

We operate in a highly competitive industry and compete with many retail insurance brokerage and agency firms, as well as with individual brokers, agents, and direct writers of insurance coverage. Specifically, we address the highly specialized product development and risk management needs of commercial enterprises, professional groups, insurance companies, governments, health care providers, and non-profit groups, among others; provide affinity products for professional liability, life, disability income, and personal lines for individuals, associations, and businesses; provide products and services via GRIP Solutions; provide reinsurance services to insurance and reinsurance companies and other risk assumption entities by acting as brokers or intermediaries on all classes of reinsurance; provide capital management transaction and advisory products and services, including mergers and acquisitions and other financial advisory services, capital raising, contingent capital financing, insurance-linked securitizations and derivative applications; provide managing underwriting to independent agents and brokers as well as corporate clients; provide risk consulting, actuarial, loss prevention, and administrative services to businesses and consumers; and manage captive insurance companies.

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Revenue

Risk Solutions commissions, fees and other revenue were as follows (in millions):

Years ended December 31	2012	2011	2010
Retail brokerage:			
Americas	\$3,071	\$3,001	\$2,676
International	3,018	3,021	2,815
Total retail brokerage	6,089	6,022	5,491
Reinsurance brokerage	1,505	1,463	1,444
Total	\$7,594	\$7,485	\$6,935

In 2012, commissions, fees and other revenue increased \$109 million, or 1%, from 2011 driven primarily by 4% organic revenue growth, partially offset by a 3% unfavorable impact of foreign currency exchange rates. Organic revenue growth was driven primarily by strong growth in Asia and emerging markets, solid growth across Latin America and U.S. retail, as well as modest growth in continental Europe.

Reconciliation of organic revenue growth to reported commissions, fees and other revenue growth for 2012 versus 2011 is as follows:

	Percent Change	Less: Currency Impact	Less: Acquisitions, Divestitures & Other	Organic Revenue
Retail brokerage:				
Americas	2%	(1)%	—%	3%
International	—	(4)	1	3
Total retail brokerage	1	(3)	1	3
Reinsurance brokerage	3	(2)	—	5
Total	1%	(3)%	—%	4%

Retail brokerage Commissions, fees and other revenue increased 1% driven by 3% growth in organic revenue in both the Americas and International operations and a 1% increase related to acquisitions, net of dispositions, partially offset by a 3% impact from unfavorable foreign currency exchange rates.

Americas Commissions, fees and other revenue increased 2% reflecting 3% organic revenue growth driven by strong growth in Latin America and solid management of the renewal book portfolio across the region, partially offset by a 1% impact from unfavorable foreign currency exchange rates.

International Commissions, fees and other revenue was flat versus the prior year, driven by a 3% organic revenue increase primarily reflecting growth in Asia and emerging markets and a 1%

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impact from acquisitions, net of divestitures, offset by a 4% unfavorable impact from foreign currency exchange rates.

Reinsurance Commissions, fees and other revenue increased 3% driven by 5% organic revenue growth, partially offset by a 2% unfavorable impact from foreign currency exchange rates. Organic revenue increased primarily resulting from strong growth in the global treaty business and a favorable market pricing impact in the near-term.

Operating Income

Operating income increased \$80 million, or 6%, from 2011 to \$1.5 billion in 2012. In 2012, operating income margins in this segment were 19.6%, up 90 basis points from 18.7% in 2011. Operating margin improvement was primarily driven by revenue growth, reduced costs of restructuring initiatives and realization of the benefits of those restructuring plans, which was partially offset by the negative impact of expense increases related to investment in the business.

HR Solutions

Years ended December 31	2012	2011	2010
Revenue	\$3,925	\$3,781	\$1,545
Operating income	289	336	121
Operating margin	7.4%	8.9%	7.8%

In October 2010, we completed the acquisition of Hewitt, one of the world's leading human resource consulting and outsourcing companies. Hewitt operates globally together with Aon's existing consulting and outsourcing operations under the Aon Hewitt brand. Hewitt's operating results are included in Aon's results of operations beginning October 1, 2010.

Our HR Solutions segment generated approximately 34% of our consolidated total revenues in 2012 and provides a broad range of human capital services, as follows:

- *Retirement* specializes in global actuarial services, defined contribution consulting, tax and ERISA consulting, and pension administration.
- *Compensation* focuses on compensatory advisory/counsel including: compensation planning design, executive reward strategies, salary survey and benchmarking, market share studies and sales force effectiveness, with special expertise in the financial services and technology industries.
- *Strategic Human Capital* delivers advice to complex global organizations on talent, change and organizational effectiveness issues, including talent strategy and acquisition, executive on-boarding, performance management, leadership assessment and development, communication strategy, workforce training and change management.

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- *Investment consulting* advises public and private companies, other institutions and trustees on developing and maintaining investment programs across a broad range of plan types, including defined benefit plans, defined contribution plans, endowments and foundations.
- *Benefits Administration* applies our HR expertise primarily through defined benefit, defined contribution, and health and welfare administrative services. Our model replaces the resource-intensive processes once required to administer benefit plans with more efficient, effective, and less costly solutions.
- *Exchanges* is building and operating health care exchanges that provide employers with a cost effective alternative to traditional employee and retiree healthcare, while helping individuals select the insurance that best meets their needs.
- *HR BPO* provides market-leading solutions to manage employee data; administer benefits, payroll and other human resources processes; and record and manage talent, workforce and other core HR process transactions as well as other complementary services such as absence management, flexible spending, dependent audit and participant advocacy.

Beginning in late 2008, the disruption in the global credit markets and the deterioration of the financial markets created significant uncertainty in the marketplace. Weak economic conditions globally continued throughout 2012. The prolonged economic downturn is adversely impacting our clients' financial condition and therefore the levels of business activities in the industries and geographies where we operate. While we believe that the majority of our practices are well positioned to manage through this time, these challenges are reducing demand for some of our services and putting continued pressure on pricing of those services, which is having an adverse effect on our new business and results of operations.

Revenue

Commissions, fees and other revenue were as follows (in millions):

Years ended December 31	2012	2011	2010
Consulting services	\$1,585	\$1,546	\$821
Outsourcing	2,372	2,258	731
Intersegment	(32)	(23)	(8)
Total	\$3,925	\$3,781	\$1,544

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Organic revenue growth in 2012, as detailed in the following reconciliation:

Year ended December 31	Percent Change	Less: Currency Impact	Less: Acquisitions, Divestitures & Other	Organic Revenue
Consulting services	3%	(1)%	—%	4%
Outsourcing	5	(1)	1	5
Intersegment	N/A	N/A	N/A	N/A
Total	4%	(1)%	1%	4%

Consulting services increased \$39 million, or 3%, due primarily to organic revenue growth of 4%, driven by solid growth across all businesses with strength in investment consulting, pension administration services for certain project-related work, talent and rewards, and communication consulting, partially offset by a 1% unfavorable impact from foreign currency exchange rates.

Outsourcing revenue increased \$114 million, or 5%, due primarily to 5% organic revenue growth driven by client wins in the HR BPO business and growth in the health care exchanges were partially offset by a modest decline in benefits administration.

Operating Income

Operating income was \$289 million, a decrease of \$47 million, or 14%, from 2011. This decrease was primarily driven by investments in long-term growth opportunities in the first half of 2012. Margins in this segment for 2012 were 7.4%, a decrease of 150 basis points from 8.9% in 2011 driven by the impact of investments in the business, higher intangible amortization expense related to the acquisition of Hewitt, and higher restructuring costs, partially offset by organic revenue growth and the realization of the benefits of those restructuring plans and operational improvement.

Unallocated Income and Expense

A reconciliation of our operating income to income from continuing operations before income taxes is as follows (in millions):

Years ended December 31	2012	2011	2010
Operating income (loss):			
Risk Solutions	\$1,493	\$1,413	\$1,328
HR Solutions	289	336	121
Unallocated	(186)	(153)	(205)
Operating income	1,596	1,596	1,244
Interest income	10	18	15
Interest expense	(228)	(245)	(182)
Other income (expense)	3	15	(18)
Income from continuing operations before income taxes	\$1,381	\$1,384	\$1,059

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Unallocated operating expense includes corporate governance costs not allocated to the operating segments. Net unallocated expenses increased \$33 million to \$186 million from \$153 million in 2011, driven primarily by an increase in costs of \$21 million related to the relocation of the Company's headquarters to London.

Interest income represents income earned on operating cash balances and other income-producing investments. It does not include interest earned on funds held on behalf of clients. Interest income decreased \$8 million, or 44%, from 2011, due to a lower average rate and lower cash balances.

Interest expense, which represents the cost of our worldwide debt obligations, decreased \$17 million, or 7%, from 2011 due to a decrease in the amount of debt outstanding for the full year.

Other income (expense) of \$3 million in 2012 includes gains on certain long-term investments and Company owned life insurance plans, partially offset by losses due to the unfavourable impact of exchange rates on the remeasurement of assets and liabilities on the balance sheet. Additionally, 2011 includes death benefits on certain Company owned life insurance plans, partially offset by losses and write-offs related to our ownership in certain insurance investment funds and other long-term investments and a \$19 million loss on the extinguishment of debt.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Consolidated Financial Statements and Notes thereto have been prepared in accordance with U.S. GAAP. To prepare these financial statements, we made estimates, assumptions and judgments that affect what we report as our assets and liabilities, what we disclose as contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the periods presented.

In accordance with our policies, we regularly evaluate our estimates, assumptions and judgments, including, but not limited to, those concerning revenue recognition, restructuring, pensions, goodwill and other intangible assets, contingencies, share-based payments, and income taxes, and base our estimates, assumptions, and judgments on our historical experience and on factors we believe reasonable under the circumstances. The results involve judgments about the carrying values of assets and liabilities not readily apparent from other sources. If our assumptions or conditions change, the actual results we report may differ from these estimates. We believe the following critical accounting policies affect the more significant estimates, assumptions, and judgments we used to prepare these Consolidated Financial Statements.

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Revenue Recognition

Risk Solutions segment revenues include insurance commissions and fees for services rendered and investment income on funds held on behalf of clients. Revenues are recognized when they are earned and realized or realizable. The Company generally considers revenues to be earned and realized or realizable when there is persuasive evidence of an arrangement with a client, there is a fixed or determinable price, services have been rendered, and collectability is reasonably assured. For brokerage commissions, revenue is typically considered to be earned and realized or realizable at the completion of the placement process, assuming all other criteria required to recognize revenue have been met. The placement process is typically considered complete on the effective date of the related policy. Commission revenues are recorded net of allowances for estimated policy cancellations, which are determined based on an evaluation of historical and current cancellation data. Commissions on premiums billed directly by insurance carriers are recognized as revenue when the Company has sufficient information to conclude the amount due is determinable, which may not occur until cash is received from the insurance carrier. Investment income is typically recognized as funds for clients are physically held by the company are bearing interest that is deemed probable of collection.

HR Solutions segment revenues consist primarily of fees paid by clients for consulting advice and outsourcing contracts. Fees paid by clients for consulting services are typically charged on an hourly, project or fixed-fee basis. Revenues from time-and-materials or cost-plus arrangements are recognized as services are performed, assuming all other criteria for recognizing revenue have been met. Revenues from fixed-fee contracts are recognized as services are provided using a proportional-performance model or at the completion of a project based on facts and circumstances of the client arrangement. Reimbursements received for out-of-pocket expenses are recorded as a component of revenues. The Company's outsourcing contracts typically have three-to-five year terms for benefits services and five-to-ten year terms for human resources business process outsourcing ("HR BPO") services. The Company recognizes revenues as services are performed, assuming all other criteria for recognizing revenue have been met. The Company may also receive implementation fees from clients either up-front or over the ongoing services period as a component of the fee per participant. Lump sum implementation fees received from a client are typically deferred and recognized ratably over the ongoing contract services period. If a client terminates an outsourcing services arrangement prior to the end of the contract, a loss on the contract may be recorded, if necessary, and any remaining deferred implementation revenues would typically be recognized over the remaining service period through the termination date.

In connection with the Company's long-term outsourcing service agreements, highly customized implementation efforts are often necessary to set up clients and their human resource or benefit programs on the Company's systems and operating processes. For outsourcing services sold separately or accounted for as a separate unit of accounting, specific, incremental and direct costs

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of implementation incurred prior to the services commencing are generally deferred and amortized over the period that the related ongoing services revenue is recognized. Deferred costs are assessed for recoverability on a periodic basis, to the extent the deferred cost exceeds related deferred revenue.

Restructuring

Workforce reduction costs

The method used to recognize workforce reduction costs depends on whether the benefits are provided under a one-time benefit arrangement or under an ongoing benefit arrangement. We account for relevant expenses as an ongoing benefit arrangement when we have an established termination benefit policy, statutory requirements dictate the termination benefit amounts, or we have an established pattern of providing similar termination benefits. The method to estimate the amount of termination benefits is based on the benefits available to the employees being terminated.

We recognize the workforce reduction costs related to restructuring activities resulting from an ongoing benefit arrangement when we identify the specific classification (or functions) and locations of the employees being terminated and notify the employees.

We recognize the workforce reduction costs related to restructuring activities resulting from a one-time benefit arrangement when we identify the specific classification (or functions) and locations of the employees being terminated, notify the employees, and expect to terminate employees within the legally required notification period. When employees receive incentives to stay beyond the legally required notification period, we recognize the cost of their termination benefits over the remaining service period.

Lease termination costs

Where we have provided notice of cancellation pursuant to a lease agreement or abandoned space and have no intention of reoccupying it, we recognize a loss and corresponding liability. The liability reflects our best estimate of the fair value of the future cash flows associated with the lease at the date we vacate the property or sign a sublease arrangement. To determine the loss and corresponding liability, we estimate sublease income based on all information that is reasonably available, which typically includes current market quotes for similar properties.

Useful lives on leasehold improvements or other assets associated with lease abandonments may be revised to reflect a shorter useful life than originally estimated, which results in accelerated depreciation.

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Fair value concepts of severance arrangements and lease losses

Accounting guidance requires that the liabilities recorded related to our restructuring activities be measured at fair value.

Where material, we discount the lease loss calculations to arrive at their present value. Most workforce reductions happen over a short span of time and therefore no discounting is necessary. However, we may discount the termination benefit arrangement when we terminate employees who will provide no future service and we pay their severance over an extended period. The discount reflects our incremental borrowing rate, which matches the lifetime of the liability. Significant changes in the discount rate selected or the estimations of sublease income in the case of leases could impact the amounts recorded.

Other associated costs with restructuring activities

We recognize other costs associated with restructuring activities as they are incurred, including moving costs and consulting and legal fees.

Pensions

We sponsor defined benefit pension plans throughout the world. Our most significant plans are located in the U.S., the U.K., the Netherlands and Canada. Our U.S., U.K. and Canadian pension plans are closed to new entrants. We have ceased crediting future benefits relating to salary and service for our U.S., U.K. and Canadian plans.

Recognition of gains and losses and prior service

We defer the recognition of gains and losses that arise from events such as changes in the discount rate and actuarial assumptions, actual demographic experience and plan asset performance.

Unrecognized gains and losses are amortized as a component of periodic pension expense based on the average expected future service of active employees for our plans in the Netherlands and Canada, or the average life expectancy of the U.S. and U.K. plan members. After the effective date of the plan amendments to cease crediting future benefits relating to service, unrecognized gains and losses are also based on the average life expectancy of members in the Canadian plans. We amortize any prior service expense or credits that arise as a result of plan changes over a period consistent with the amortization of gains and losses.

As of December 31, 2012, our pension plans have deferred losses that have not yet been recognized through income in the Consolidated Financial Statements. We amortize unrecognized actuarial losses outside of a corridor, which is defined as 10% of the greater of market-related value of plan assets or projected benefit obligation. To the extent not offset by future gains,

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incremental amortization as calculated above will continue to affect future pension expense similarly until fully amortized.

The following table discloses our combined experience loss, the number of years over which we are amortizing the experience loss, and the estimated 2013 amortization of loss by country (amounts in millions):

	U.S.	U.K. and Non U.S.
Combined experience loss	\$1,591	\$2,472
Amortization period (in years)	27	66
Estimated 2013 amortization of loss	\$52	\$75

The unrecognized prior service cost at December 31, 2012 was \$29 million in the U.K. and non-U.S. plans.

For the U.S. pension plans we use a market-related valuation of assets approach to determine the expected return on assets, which is a component of net periodic benefit cost recognized in the Consolidated Statements of Income. This approach recognizes 20% of any gains or losses in the current year's value of market-related assets, with the remaining 80% spread over the next four years. As this approach recognizes gains or losses over a five-year period, the future value of assets and therefore, our net periodic benefit cost will be impacted as previously deferred gains or losses are recorded. As of December 31, 2012, the market-related value of assets was \$1.6 billion. We do not use the market-related valuation approach to determine the funded status of the U.S. plans recorded in the Consolidated Statements of Financial Position which is based on the fair value of the plan assets. As of December 31, 2012, the fair value of plan assets was \$1.6 billion.

Our non-U.S. plans use fair value to determine expected return on assets.

Rate of return on plan assets and asset allocation

The following table summarizes the expected long-term rate of return on plan assets for future pension expense and the related target asset mix:

	U.S.	U.K. and Non U.S.
Expected return (in total)	8.8%	5.7 – 6.5%
Expected return on equities (1)	10.2%	7.9 – 8.4%
Expected return on fixed income	6.1%	4.1 – 4.8%
Asset mix:		
Target equity (1)	70.0%	38.4 – 60.0%
Target fixed income	30.0%	40.0 – 61.6%

(1) Includes investments in infrastructure, real estate, limited partnerships and hedge funds.

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In determining the expected rate of return for the plan assets, we analyzed investment community forecasts and current market conditions to develop expected returns for each of the asset classes used by the plans. In particular, we surveyed multiple third party financial institutions and consultants to obtain long-term expected returns on each asset class, considered historical performance data by asset class over long periods, and weighted the expected returns for each asset class by target asset allocations of the plans.

The U.S. pension plan asset allocation is based on approved allocations following adopted investment guidelines. The actual asset allocation at December 31, 2012 was 65% equity and 35% fixed income securities for the qualified plan.

The investment policy for each U.K. and non-U.S. pension plans is generally determined by the plans' trustees. Because there are several pension plans maintained in the U.K. and non-U.S. category, our target allocation presents a range of the target allocation of each plan. Further, target allocations are subject to change. As of December 31, 2012, the U.K. and non-U.S. plans were invested between 35% and 59% in equity and between 41% and 65% in fixed income securities.

Impact of changing economic assumptions

Changes in the discount rate and expected return on assets can have a material impact on pension obligations and pension expense.

Holding all other assumptions constant, the following table reflects what a one hundred basis point increase and decrease in our estimated liability discount rate would have on our net underfunded status at December 31, 2012 (in millions):

Estimated liability discount rate Increase (decrease) in net underfunded status of December 31, 2012 (1)	Change in discount rate	
	Increase	Decrease
U.S. plans	\$(262)	\$304
U.K. and non-U.S. plans	(797)	925

- (1) Increases to the net underfunded status reflect increases to the Company's pension obligations, while decreases in the net underfunded status are recoveries toward fully funded status.

Holding all other assumptions constant, the following table reflects what a one hundred basis point increase and decrease in our estimated liability discount rate would have on our estimated 2013 pension expense (in millions):

Increase (decrease) in expense	Change in discount rate	
	Increase	Decrease
U.S. plans	\$(1)	\$—
U.K. and non-U.S. plans	(37)	34

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Holding other assumptions constant, the following table reflects what a one hundred basis point increase and decrease in our estimated long-term rate of return on plan assets would have on our estimated 2013 pension expense (in millions):

Increase (decrease) in expense	Change in long-term rate of return on plan assets	
	Increase	Decrease
U.S. plans	\$(16)	\$16
U.K. and non-U.S. plans	(59)	59

Estimated future contributions

We estimate contributions of approximately \$548 million in 2013 as compared with \$638 million in 2012.

Goodwill and Other Intangible Assets

Goodwill represents the excess of cost over the fair market value of the net assets acquired. We classify our intangible assets acquired as either trademarks, customer relationships, technology, non-compete agreements, or other purchased intangibles.

Where compliance with any of the provisions of the Companies Act 2006 is inconsistent with the requirements to give a true and fair view of the state of affairs and profit or loss in accordance with U.S. GAAP, the Directors have invoked the true and fair override. The Companies Act 2006 requires that goodwill is carried at cost reduced by provisions for depreciation calculated to write off the goodwill systematically over a period chosen by the Directors, which does not exceed its useful economic life. Under U.S. GAAP, Aon plc does not amortize goodwill. Instead goodwill is carried at cost less impairment, with impairment tested at least annually. Aon's treatment of goodwill conflicts with the requirement of U.K. Companies Act and the Directors have invoked a true and fair override in order to overcome the prohibition on non-amortisation of goodwill in the Companies Act 2006.

Goodwill is not amortized, but rather tested for impairment at least annually in the fourth quarter. In September 2011, the Financial Accounting Standards Board ("FASB") issued final guidance that gives an entity the option to perform a qualitative assessment that may eliminate the requirement to perform the annual two-step test. We adopted this guidance in the fourth quarter of 2011. In the fourth quarter, we also test the acquired tradenames (which also are not amortized) for impairment. We test more frequently if there are indicators of impairment or whenever business circumstances suggest that the carrying value of goodwill or trademarks may not be recoverable. These indicators may include a sustained significant decline in our share price and market capitalization, a decline in our expected future cash flows, or a significant adverse change in legal

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factors or in the business climate, among others. No events occurred during 2012 that indicate the existence of an impairment with respect to our reported goodwill or tradenames.

We perform impairment reviews at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment (referred to as a “component”). A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that component. An operating segment shall be deemed to be a reporting unit if all of its components are similar, if none of its components is a reporting unit, or if the segment comprises only a single component.

The goodwill impairment test is initially a qualitative analysis to determine if it is “more likely than not” that the fair value of each reporting unit exceeds the carrying value, including goodwill, of the corresponding reporting unit. If the “more likely than not” threshold is not met, then the goodwill impairment test becomes a two step analysis. Step One requires the fair value of each reporting unit to be compared to its book value. Management must apply judgment in determining the estimated fair value of the reporting units. If the fair value of a reporting unit is determined to be greater than the carrying value of the reporting unit, goodwill and trademarks are deemed not to be impaired and no further testing is necessary. If the fair value of a reporting unit is less than the carrying value, we perform Step Two. Step Two uses the calculated fair value of the reporting unit to perform a hypothetical purchase price allocation to the fair value of the assets and liabilities of the reporting unit. The difference between the fair value of the reporting unit calculated in Step One and the fair value of the underlying assets and liabilities of the reporting unit is the implied fair value of the reporting unit’s goodwill. A charge is recorded in the financial statements if the carrying value of the reporting unit’s goodwill is greater than its implied fair value.

In determining the fair value of our reporting units, we use a discounted cash flow (“DCF”) model based on our most current forecasts. We discount the related cash flow forecasts using the weighted-average cost of capital method at the date of evaluation. Preparation of forecasts and selection of the discount rate for use in the DCF model involve significant judgments, and changes in these estimates could affect the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period. We also use market multiples which are obtained from quoted prices of comparable companies to corroborate our DCF model results. The combined estimated fair value of our reporting units from our DCF model often results in a premium over our market capitalization, commonly referred to as a control premium. We believe the implied control premium determined by our impairment analysis is reasonable based upon historic data of premiums paid on actual transactions within our industry. Based on tests performed in both 2012 and 2011, there was no indication of goodwill impairment, and no further testing was required.

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We review intangible assets that are being amortized for impairment whenever events or changes in circumstance indicate that their carrying amount may not be recoverable. There were no indications that the carrying values of amortizable intangible assets were impaired as of December 31, 2012. If we are required to record impairment charges in the future, they could materially impact our results of operations.

Contingencies

We define a contingency as an existing condition that involves a degree of uncertainty as to a possible gain or loss that will ultimately be resolved when one or more future events occur or fail to occur. Under U.S. GAAP, we are required to establish reserves for loss contingencies when it is probable and we can reasonably estimate its financial impact. We are required to assess the likelihood of material adverse judgments or outcomes as well as potential ranges or probability of losses. We determine the amount of reserves required, if any, for contingencies after carefully analyzing each individual item. The required reserves may change due to new developments in each issue. We do not recognize gain contingencies until the contingency is resolved.

Share-based Payments

Share-based compensation expense is measured based on the estimated grant date fair value and recognized over the requisite service period for awards that we ultimately expect to vest. We estimate forfeitures at the time of grant based on our actual experience to date and revise our estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Share Option Accounting

We generally use a lattice-binomial option-pricing model to value share options granted. Lattice-based option valuation models use a range of assumptions over the expected term of the options, and estimate expected volatilities based on the average of the historical volatility of our share price and the implied volatility of traded options on our shares.

In terms of the assumptions used in the lattice-based model, we:

- use historical data to estimate option exercise and employee terminations within the valuation model. We stratify employees between those receiving Leadership Performance Plan (“LPP”) options, Special Share Plan options, and all other option grants. We believe that this stratification better represents prospective stock option exercise patterns,
- base the expected dividend yield assumption on our current dividend rate, and
- base the risk-free rate for the contractual life of the option on the U.S. Treasury yield curve in effect at the time of grant.

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The expected life of employee share options represents the weighted-average period share options are expected to remain outstanding, which is a derived output of the lattice-binomial model.

Restricted Share Units

Restricted share units (“RSUs”) are service-based awards for which we recognize the associated compensation cost on a straight-line basis over the service period. We estimate the fair value of the awards based on the market price of the underlying share on the date of grant.

Performance Share Awards

Performance share awards (“PSAs”) are performance-based awards for which vesting is dependent on the achievement of certain objectives. Such objectives may be made on a personal, group or company level. We estimate the fair value of the awards based on the market price of the underlying stock on the date of grant, reduced by the present value of estimated dividends foregone during the vesting period.

PSAs may immediately vest at the end of the performance period or may have an additional service period. Compensation cost is recognized over the performance or additional service period, whichever is longer. The number of shares issued on the vesting date will vary depending on the actual performance objectives achieved. We make assessments of future performance using subjective estimates, such as long-term plans. As a result, changes in the underlying assumptions could have a material impact on the compensation expense recognized.

The largest performance-based share-based payment award plan is the LPP, which has a three-year performance period. The 2010 to 2012 performance period ended on December 31, 2012, the 2009 to 2011 performance period ended on December 31, 2011, and the 2008 to 2010 performance period ended on December 31, 2010. The LPP currently has two open performance periods: 2011 to 2013 and 2012 to 2014. A 10% upward adjustment in our estimated performance achievement percentage for both LPP plans would have increased our 2012 expense by approximately \$5.3 million, while a 10% downward adjustment would have decreased our expense by approximately \$5.3 million. As the percent of expected performance increases or decreases, the potential change in expense can go from 0% to 200% of the targeted total expense.

Income Taxes

We earn income in numerous countries and this income is subject to the laws of taxing jurisdictions within those countries. The estimated effective tax rate for the year is applied to our quarterly operating results. In the event that there is a significant unusual or discrete item recognized, or expected to be recognized, in our quarterly operating results, the tax attributable to that item would be separately calculated and recorded at the same time as the unusual or discrete item, such as the resolution of prior-year tax matters.

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The carrying values of deferred income tax assets and liabilities reflect the application of our income tax accounting policies, and are based on management's assumptions and estimates about future operating results and levels of taxable income, and judgments regarding the interpretation of the provisions of current accounting principles.

Deferred tax assets are reduced by valuation allowances if, based on the consideration of all available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. In this assessment, significant weight is given to evidence that can be objectively verified.

We assess carryforwards and tax credits for realization as a reduction of future taxable income by using a "more likely than not" determination. We have not recognized a U.S. deferred tax liability for permanently reinvested earnings of certain non-U.S. subsidiaries. Additional U.S. income taxes could be recorded (or incurred) if we change our investment strategy relating to these subsidiaries, which could materially affect our future effective tax rate.

We base the carrying values of liabilities for income taxes currently payable on management's interpretation of applicable tax laws, and incorporate management's assumptions and judgments about using tax planning strategies in various taxing jurisdictions. Using different estimates, assumptions and judgments in accounting for income taxes, especially those that deploy tax planning strategies, may result in materially different carrying values of income tax assets and liabilities and changes in our results of operations.

We operate in many jurisdictions where tax laws relating to our businesses are not well developed. In such jurisdictions, we obtain professional guidance, when available, and consider existing industry practices before using tax planning strategies and meeting our tax obligations. Tax returns are routinely subject to audit in most jurisdictions, and tax liabilities are frequently finalized through negotiations. In addition, several factors could increase the future level of uncertainty over our tax liabilities, including the following:

- the portion of our overall operations conducted in non-U.S. tax jurisdictions has been increasing, and we anticipate this trend will continue,
- to deploy tax planning strategies and conduct global operations efficiently, our subsidiaries frequently enter into transactions with affiliates, which are generally subject to complex tax regulations and are frequently reviewed by tax authorities,
- tax laws, regulations, agreements and treaties change frequently, requiring us to modify existing tax strategies to conform to such changes, and
- the move of the corporate headquarters to London.

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NEW ACCOUNTING PRONOUNCEMENTS

Note 2 “Summary of Significant Accounting Principles and Practices” of the Notes to Consolidated Financial Statements contains a summary of our significant accounting policies, including a discussion of recently issued accounting pronouncements and their impact or future potential impact on our financial results, if determinable.

Principle Risks and Uncertainties

Risk Factors

The risk factors set forth below reflect certain risks associated with existing and potential lines of business and contain “forward-looking statements” as discussed in the “Business” Section of this report. Readers should consider them in addition to the other information contained in this report as our business, financial condition or results of operations could be adversely affected if any of these risks actually occur.

The following are certain risks related to our businesses specifically and the industries in which we operate generally that could adversely affect our business, financial condition and results of operations and cause our actual results to differ materially from those stated in the forward-looking statements in this document and elsewhere. These risks are not presented in order of importance or probability of occurrence.

Risks relating to the Company generally

Competitive Risks

An overall decline in economic activity could have a material adverse effect on the financial condition and results of operations of each of our business lines.

The demand for property and casualty insurance generally rises as the overall level of economic activity increases and generally falls as such activity decreases, affecting both the commissions and fees generated by our Risk Solutions business. The economic activity that impacts property and casualty insurance is most closely correlated with employment levels, corporate revenue and asset values. Downward fluctuations in the year-over-year insurance premium charged by insurers to protect against the same risk, referred to in industry parlance as softening of the insurance market, could adversely affect our Risk Solutions business as a significant portion of the earnings are determined as a percentage of premium charged to our clients. A growing number of insolvencies associated with an economic downturn, especially insolvencies in the insurance industry, could adversely affect our brokerage business through the loss of clients, by hampering our ability to place insurance and reinsurance business or by exposing us to error and omissions claims, referred to here as E&O claims.

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The results of our HR Solutions business are generally affected by the level of business activity of our clients, which in turn is affected by the level of economic activity in the industries and markets these clients serve. Economic downturns in some markets may cause reductions in technology and discretionary spending by our clients, which may result in reductions in the growth of new business as well as reductions in existing business. If our clients become financially less stable, enter bankruptcy or liquidate their operations, our revenues and/or collectibility of receivables could be adversely affected. In addition, our revenues from many of our outsourcing contracts depend upon the number of our clients' employees or the number of participants in our clients' employee benefit plans and could be adversely affected by layoffs. We may also experience decreased demand for our services as a result of postponed or terminated outsourcing of human resources functions or reductions in the size of our clients' workforce. Reduced demand for our services could increase price competition. Some portion of our services may be considered by our clients to be more discretionary in nature and thus, demand for these services may be impacted by reductions in economic activity.

We face significant competitive pressures in each of our businesses.

We believe that competition in our Risk Solutions segment is based on service, product features, price, commission structure, financial strength and ability to access certain insurance markets and name recognition. In particular, we compete with a large number of national, regional and local insurance companies and other financial services providers and brokers.

Our HR Solutions segment competes with a large number of independent firms and consulting organizations affiliated with accounting, information systems, technology and financial services firms around the world. Many of our competitors in this area are expanding the services they offer or reducing prices in an attempt to gain additional business. Additionally, some competitors have established, and are likely to continue to establish, cooperative relationships among themselves or with third parties to increase their ability to address client needs.

Competitors in each of our lines of business may have greater financial, technical and marketing resources, larger customer bases, greater name recognition, stronger international presence and more established relationships with their customers and suppliers than we have. In addition, new competitors, alliances among competitors or mergers of competitors could emerge and gain significant market share, and some of our competitors may have or may develop a lower cost structure, adopt more aggressive pricing policies or provide services that gain greater market acceptance than the services that we offer or develop. Large and well-capitalized competitors may be able to respond to the need for technological changes and innovate faster, or price their services more aggressively. They may also compete for skilled professionals, finance acquisitions, fund internal growth and compete for market share more effectively than we do. To respond to increased competition and pricing pressure, we may have to lower the cost of our services or decrease the

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level of service provided to clients, which could have an adverse effect on our revenues and profit margin.

Financial Risks

Uncertainty surrounding the ability of various European countries to satisfy their debt obligations, questions surrounding the future of the Eurozone, instability surrounding economic conditions in Europe and the Euro generally could each have an adverse impact on our business, financial condition, operating results, liquidity and prospects for growth.

Continued concerns regarding the ability of certain European countries to service their outstanding debt have given rise to instability in the global credit and financial markets. This instability has in turn led to questions regarding the future viability of the Euro as the common currency for the area as various scenarios could result in some countries choosing to return to their former local currencies in an effort to regain control over their domestic economies. This uncertainty has had a dampening effect on growth potential in Europe, and if it continues to deteriorate, may have a material negative impact on our European business as well as that of our clients. Further, any development that has the effect of devaluing or replacing the Euro could meaningfully reduce the value of our assets or profitability denominated in that currency, potentially result in charges to our statement of operations and reduce the usefulness of liquidity alternatives denominated in that currency such as our Euro Credit Facility.

We also deposit some of our cash, including cash held in a fiduciary capacity, with certain European financial institutions. While we are constantly monitoring and managing exposures associated with those deposits, to the extent the uncertainty surrounding economic stability in Europe and the future viability of the Euro currency suddenly and adversely impacts those financial institutions, some or all of those cash deposits could be at risk.

Our pension obligations could adversely affect our shareholders' equity, net income, cash flow and liquidity.

To the extent that the pension obligations associated with our major plans continue to exceed the fair value of the assets supporting those obligations, our financial position and results of operations may be adversely affected. In certain years there have been declines in interest rates. As a result of lower interest rates and investment returns, the present value of plan liabilities increased faster than the value of plan assets, resulting in higher unfunded positions in several of our major pension plans.

We currently plan to contribute approximately \$548 million to our major pension plans in 2013, although we may elect to contribute more. Total cash contributions to these pension plans in 2012 were \$638 million, which was an increase of \$161 million when compared to 2011.

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The significance of our worldwide pension plans means that our pension contributions and expense are comparatively sensitive to various market factors. These factors include equity and bond market returns, the assumed interest rates we use to discount our pension liabilities, foreign exchange rates, rates of inflation, mortality assumptions, potential regulatory and legal changes and counterparty exposure from various investments and derivative contracts, including annuities. Variations in any of these factors could cause significant changes to our financial position and results of operations from year to year.

The periodic revision of pension assumptions can materially change the present value of expected future benefits, and therefore the funded status of the plans and resulting net periodic pension expense. Changes in our pension benefit obligations and the related net periodic pension expense or credits may occur in the future due to any variance of actual results from our assumptions. As a result, there can be no assurance that we will not experience future changes in the funded status of our plans, shareholders' equity, net income, cash flow and liquidity or that we will not be required to make additional cash contributions in the future beyond those that have been estimated.

We have debt outstanding that could adversely affect our financial flexibility.

As of December 31, 2012, we had total consolidated debt outstanding of approximately \$4.2 billion. The level of debt outstanding each period could adversely affect our financial flexibility. We also bear risk at the time debt matures.

We have two primary committed credit facilities outstanding, one contracted in the U.S., and the other contracted in Europe. The U.S. facility totals \$400 million and matures in March 2017. It is intended as a back-up against commercial paper or to address capital needs. The Euro facility totals €650 million (\$860 million based on exchange rates at December 31, 2012) and matures in October 2015. It is intended to be used as a revolving working capital line. At December 31, 2012, we had no borrowings under either of these credit facilities. Both facilities require certain representations and warranties to be made before drawing and both have similar financial covenants. At December 31, 2012, we could make all representations and warranties and were in compliance with all financial covenants.

A substantial portion of our outstanding debt contains financial and other covenants. The terms of this indebtedness may limit our ability to obtain, or increase the costs of obtaining, additional financing to fund working capital, capital expenditures, additional acquisitions or general corporate requirements. This in turn may have the impact of reducing our flexibility to respond to changing business and economic conditions, thereby placing us at a relative disadvantage compared to competitors that have less indebtedness and making us more vulnerable to general adverse economic and industry conditions.

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Our ability to make interest and principal payments, to refinance our debt obligations and to fund planned capital expenditures will depend on our ability to generate cash from operations. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. It will also reduce the availability to use that cash for other purposes, including working capital, dividends to shareholders, share repurchases, acquisitions, capital expenditures and general corporate purposes.

If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances, any of which could impede the implementation of our business strategy or prevent us from entering into transactions that would otherwise benefit our business. Additionally, we may not be able to effect such actions, if necessary, on commercially reasonable terms, or at all. We may not be able to refinance any of our indebtedness on commercially reasonable terms, or at all.

A decline in the credit ratings of our senior debt and commercial paper may adversely affect our borrowing costs, access to capital, and financial flexibility.

A downgrade in the credit ratings of our senior debt and commercial paper could increase our borrowing costs, reduce or eliminate our access to capital, and reduce our financial flexibility. Our senior debt ratings at December 31, 2012 were BBB+ with a stable outlook (Standard & Poor's and Fitch, Inc.) and Baa2 with a stable outlook (Moody's Investor Services). Our commercial paper ratings were A-2 (S&P), F-2 (Fitch) and P-2 (Moody's).

Changes in interest rates and deterioration of credit quality could reduce the value of our cash balances and investment portfolios and adversely affect our financial condition or results.

Operating funds available for corporate use and funds held on behalf of clients and insurers were \$637 million and \$4.0 billion, respectively, at December 31, 2012. These funds are reported in Cash and cash equivalents, Short-term investments, and Fiduciary assets. We also carry an investment portfolio of other long-term investments. As of December 31, 2012, these long-term investments had a carrying value of \$165 million. Changes in interest rates and counterparty credit quality, including default, could reduce the value of these funds and investments, thereby adversely affecting our financial condition or results. For example, changes in interest rates directly affect our income from cash balances and short-term investments. Similarly, general economic conditions, stock market conditions, financial stability of the investees and other factors beyond our control affect the value of our long-term investments. And, our cash holdings, including cash held in our fiduciary capacity, are subject to the credit, liquidity and other risks faced by our financial institution counterparties.

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While we regularly measure, monitor and mitigate our exposure to these risks, a deterioration in the credit or liquidity of any of these counterparties, particularly if sudden or severe, could in turn adversely affect us. We also assess our portfolio for other-than-temporary impairments. For investments in which the fair value is less than the carrying value and the impairment is deemed to be other-than-temporary, we recognize a loss in the Consolidated Statement of Income.

We are exposed to fluctuations in currency exchange rates that could negatively impact our financial results and cash flows.

Because a significant portion of our business is conducted outside the United States, we face exposure to adverse movements in exchange rates of currencies other than our functional currency, the U.S. Dollar. These exposures may change over time, and they could have a material adverse impact on our financial results and cash flows. Our five largest exposures are the British Pound, Euro, Australian Dollar, Canadian Dollar and Indian Rupee. Historically, more than half of our operating income has been non-U.S. Dollar denominated, therefore, a weaker U.S. Dollar versus the Euro, Australian Dollar and Canadian Dollar, would produce more profitable results in our consolidated financial statements. We also face transactional exposure between the U.S. Dollar revenue and British Pound expense. In the U.K., part of our revenue is denominated in U.S. Dollars, although our operating expenses are denominated in British Pounds. Therefore, a stronger U.S. Dollar versus the British Pound would produce more profitable results in our consolidated financial statements. We would also benefit from a stronger U.S. Dollar versus the Indian Rupee. Additionally, we have exposures to emerging market currencies, which can have significant currency volatility. An increase in the value of the U.S. Dollar relative to foreign currencies could increase the cost to our customers in foreign markets where we receive our revenue in U.S. Dollars, and a weakened U.S. Dollar could potentially affect demand for our services.

Although we use various derivative financial instruments to help protect against adverse foreign exchange rate fluctuations, we cannot eliminate such risks, and changes in exchange rates may adversely affect our results.

We may not realize all of the expected benefits from our Aon Hewitt restructuring plan.

In 2010, after completion of the acquisition of Hewitt, we announced a global restructuring plan referred to as the Aon Hewitt Plan. The Aon Hewitt Plan, which will continue into 2013, is intended to streamline operations across the combined organization. The Aon Hewitt Plan is expected to result in cumulative costs of approximately \$325 million through the end of the plan, all of which will be included in our Consolidated Statements of Income, primarily encompassing workforce reduction and real estate rationalization costs. The total estimated cost of \$325 million consists of approximately \$192 million in employee termination costs and approximately \$133 million in real estate rationalization costs. An estimated 2,000 positions globally,

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predominantly non-client facing, are expected to be eliminated as part of the Aon Hewitt Plan. As of December 31, 2012, in excess of 1,900 jobs have been eliminated under this plan and \$255 million of charges have been recognized in our Consolidated Statements of Income.

We expect to achieve total annual savings of \$355 million in 2013, including approximately \$280 million of annual savings related to the Aon Hewitt Plan, of which \$52 million is expected to be achieved in Risk Solutions and \$228 million is expected to be achieved in HR Solutions, and additional savings in areas such as information technology, procurement and public company costs. Actual total savings, costs and timing may vary materially from those estimated due to changes in the scope or assumptions underlying the restructuring plan. We therefore cannot assure that we will achieve the targeted savings.

The expected benefits of our Redomestication may not be realized or may be offset in whole or in part by related costs.

There can be no assurance that all of the goals of our Redomestication will be achievable, particularly as the achievement of the benefits are, in many important respects, subject to factors that we do not control. These factors would include such things as the reactions of third parties with whom we enter into contracts and do business and the reactions of investors, analysts, and U.K. and U.S. taxing authorities.

Our effective tax rates and the benefits anticipated from the Redomestication are also subject to a variety of other factors, many of which are beyond our ability to control, such as changes in the rate of economic growth in the U.K. and the U.S., the financial performance of our business in various jurisdictions, currency exchange rate fluctuations (especially as between the British pound and the U.S. dollar), and significant changes in trade, monetary or fiscal policies of the U.K. or the U.S., including changes in interest rates. The impact of these factors, individually and in the aggregate, is difficult to predict, in part because the occurrence of the events or circumstances described in such factors may be (and, in fact, often seem to be) interrelated, and the impact to us of the occurrence of any one of these events or circumstances could be compounded or, alternatively, reduced, offset, or more than offset, by the occurrence of one or more of the other events or circumstances described in such factors.

The Redomestication will result in an increase in some of our ongoing expenses and require us to incur some new expenses, including those related to relocating employees to our U.K. offices, complying with U.K. corporate and tax laws, and holding board meetings in the U.K. These additional expenses could serve to reduce or offset the benefits realized from the Redomestication.

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Despite our Redomestication, we may nonetheless be treated as a U.S. corporation for U.S. federal tax purposes.

Generally for U.S. federal tax purposes, a corporation is considered a tax resident in the place of its incorporation. Because we are incorporated under U.K. law, we should be a U.K. corporation and a U.K. tax resident under these general rules. However, Section 7874 of the U.S. Internal Revenue Code of 1986, as amended (which we refer to as the “Code”) generally provides that a corporation organized outside the U.S. which acquires substantially all of the assets of a corporation organized in the U.S. will be treated as a U.S. corporation (and, therefore, a U.S. tax resident) for U.S. federal tax purposes if former shareholders of the acquired U.S. corporation own at least 80 percent (of either the voting power or the value) of the stock of the acquiring foreign corporation after the acquisition and the expanded affiliated group does not have “substantial business activities” in the country in which the acquiring foreign corporation is organized. Pursuant to the Redomestication, we acquired directly or indirectly all of Aon Corporation’s assets, and immediately after the merger, former Aon Corporation stockholders held 100 percent of the Company by reason of their prior stock ownership of Aon Corporation. As a result, our expanded affiliated group must have substantial business activities in the U.K. after the merger in order for the Company not to be treated as a U.S. corporation for U.S. federal tax purposes under Section 7874. There is no applicable “safe harbor” or other guidance that confirms whether an expanded affiliated group’s business activities in a country of incorporation are deemed to be substantial. Therefore, it is possible that the Internal Revenue Service (“IRS”) could interpret the Section 7874 “anti-inversion” rules so as to treat the Company as a U.S. corporation after the consummation of the merger and that such an IRS position would be sustained in litigation. Moreover, the United States Congress, the IRS, the United Kingdom Parliament or U.K. tax authorities may enact new statutory or regulatory provisions that could adversely affect our status as a non-U.S. corporation or otherwise adversely affect our anticipated global tax position. Retroactive statutory or regulatory actions have occurred in the past, and there can be no assurance that any such provisions, if enacted or promulgated, would not have retroactive application to us, the merger or any subsequent actions.

Although we believe we should not be treated as a U.S. corporation for U.S. federal tax purposes under Section 7874, there is no certainty that the IRS will not assert a contrary position, in which case, we could become involved in a tax controversy with the IRS regarding possible additional U.S. tax liability. If we are unsuccessful in resolving any such tax controversy in our favor, we would likely not realize the tax savings we expect to achieve through reorganization.

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Our net income and cash flow would be reduced if we become subject to U.S. corporate income tax.

We and our other non-U.S. affiliates will conduct our operations in a manner intended to ensure that we and our non-U.S. affiliates do not engage in the conduct of a U.S. trade or business. However, on the assumption that we are not treated as a U.S. corporation by virtue of Code Section 7874 described above, if we or any of our non-U.S. affiliates is or are engaged in a trade or business in the U.S., we or our non-U.S. affiliates would be required to pay U.S. corporate income tax on income that is subject to the taxing jurisdiction of the U.S. If this occurs, our results of operations may be adversely affected. In any event, Aon Corporation and any U.S. subsidiaries will be subject to U.S. corporate income tax on any worldwide income of any such U.S. company, and Aon Corporation's foreign subsidiaries may be subject to U.S. corporate income tax on income that is effectively connected with the conduct of a U.S. trade or business.

HM. Revenue and Customs, or HMRC, may disagree with our conclusions on the U.K. tax treatment of the merger, or relevant U.K. legislation may be subject to change.

We have obtained a ruling from HMRC that, following the Redomestication, the "temporary period exemption" from the U.K.'s controlled foreign company rules will apply such that, subject to certain conditions and limitations based on our facts and circumstances, we will not be subject to tax on the profits of any controlled company that is resident in a foreign jurisdiction under the controlled foreign company ("CFC") rules until 24 months after the end of the accounting period in which the merger occurs, subject to any changes of legislation. On March 29, 2012, the U.K. Government published the Finance (No 4) Bill, which proposed major reforms to the CFC rules for accounting periods beginning on or after January 1, 2013. The proposed transitional rules would preserve the temporary period exemption for exempt periods beginning before the new rules come into force. While HMRC cannot provide any assurance in respect of the application of legislation that has not been enacted, we are of the view based on the Government's proposals and published draft legislation that the new CFC rules should not have a material adverse effect on our tax treatment in the U.K. if enacted in their current form. However, to the extent that the Finance (No 4) Bill is enacted in a form different to that currently proposed, this may result in additional corporation tax liabilities becoming payable following implementation of the revised legislation.

We have also obtained a ruling from HMRC in respect of the stamp duty and Stamp Duty Reserve Tax ("SDRT") consequences of the merger and as a result believe that we have satisfied all stamp duty and SDRT payment and filing obligations in connection with the issuance of Class A Ordinary Shares issued in connection with the merger.

Further, if HMRC disagrees with our view of any issues in respect of which no ruling has been obtained, it may take the position that material U.K. corporation tax or SDRT liabilities or

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amounts on account thereof are payable by any one or more of these companies as a result of the Redomestication, in which case we expect that we would contest such assessment. To contest such assessment, we may be required to remit cash or provide security of the amount in dispute, or such lesser amount as permitted under U.K. law and acceptable to HMRC, to prevent HMRC from seeking enforcement actions pending the dispute of such assessment. If we were unsuccessful in disputing the assessment, the implications could be materially adverse to us. To the extent that HMRC has not provided (and we have not requested) a ruling on the U.K. tax aspects of the merger, there can be no assurance that HMRC will agree with our interpretation of the U.K. tax aspects of the merger or any related matters associated therewith.

Our global effective tax rate is subject to a variety of different factors which could create volatility in that rate, expose us to greater than anticipated tax liabilities and cause us to adjust previously recognized tax assets and liabilities.

We are subject to income taxes in the U.K., U.S. and many other jurisdictions. As a result, our global effective tax rate from period to period can be affected by many factors, including changes in tax legislation, our global mix of earnings, the tax characteristics of our income, the transfer pricing of revenues and costs, acquisitions and dispositions, and the portion of the income of non-U.S. subsidiaries that we expect to remit to the U.S. Significant judgment is required in determining our worldwide provision for income taxes, and our determination of our tax liability is always subject to review by applicable tax authorities.

We believe that our Redomestication should significantly improve our ability to maintain a competitive global tax rate because the U.K. has implemented a dividend exemption system that generally does not subject non-U.K. earnings to U.K. tax when such earnings are repatriated to the U.K. in the form of dividends from non-U.K. subsidiaries. This should allow us to optimize our capital allocation and deploy efficient fiscal structures. However, we cannot provide any assurances as to what our tax rate will be in any period because of, among other things, uncertainty regarding the nature and extent of our business activities in any particular jurisdiction in the future and the tax laws of such jurisdictions, as well as changes in U.S. and other tax laws, treaties and regulations. Our actual global tax rate may vary from our expectation and that variance may be material. Additionally, the tax laws of the U.K. and other jurisdictions could change in the future, and such changes could cause a material change in our tax rate.

We also could be subject to future audits conducted by foreign and domestic tax authorities, and the resolution of such audits could impact our tax rate in future periods, as would any reclassification or other matter (such as changes in applicable accounting rules) that increases the amounts we have provided for income taxes in our Consolidated Financial Statements. There can be no assurance that we would be successful in attempting to mitigate the adverse impacts resulting from any changes in law, audits and other matters. Our inability to mitigate the negative

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consequences of any changes in the law, audits and other matters could cause our global tax rate to increase, our use of cash to increase and our results of operations to suffer.

Changes in our accounting estimates and assumptions could negatively affect our financial position and results of operations.

We prepare our consolidated financial statements in accordance with U.S. GAAP. These accounting principles require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of our financial statements. We are also required to make certain judgments that affect the reported amounts of revenues and expenses during each reporting period. We periodically evaluate our estimates and assumptions including, but not limited to, those relating to restructuring, pensions, recoverability of assets including customer receivables, contingencies, share-based payments and income taxes. We base our estimates on historical experience and various assumptions that we believe to be reasonable based on specific circumstances. Actual results could differ from these estimates, which could materially affect the Consolidated Statements of Income, Comprehensive Income, Financial Position, Shareholders' Equity and Cash Flows. Changes in accounting standards could also have an adverse impact on our future Consolidated Financial Statements.

We may be required to record goodwill or other long-lived asset impairment charges, which could result in a significant charge to earnings.

Under generally accepted accounting principles, we review our long-lived assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is assessed for impairment at least annually. Factors that may be considered in assessing whether goodwill or intangible assets may not be recoverable include a decline in our share price or market capitalization, reduced estimates of future cash flows and slower growth rates in our industry. There can be no assurances that goodwill or other long-lived asset impairment charges will not be required in the future, which could materially impact our Consolidated Financial Statements.

We are a holding company and, therefore, may not be able to receive dividends in needed amounts from our subsidiaries.

Our principal assets are the shares of capital stock of our subsidiaries. We rely on dividends from these subsidiaries to meet our obligations for paying principal and interest on outstanding debt obligations and for paying dividends to shareholders and corporate expenses. While our principal subsidiaries currently are not limited by material contractual restrictions on their abilities to pay cash dividends or to make other distributions with respect to their capital stock to us, certain of our subsidiaries are subject to regulatory requirements of the jurisdictions in which they operate. These regulatory restrictions may limit the amounts that these subsidiaries can pay in dividends or advance

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to us. No assurance can be given that there will not be further regulatory actions restricting the ability of our subsidiaries to pay dividends. In addition, due to differences in tax rates, repatriation of funds from certain countries into the U.K. through the U.S. could have unfavorable tax ramifications for us.

Legal and Regulatory Risks

We are subject to errors and omissions (“E&O”) claims against us as well as other contingencies and legal proceedings, some of which, if determined unfavorably to us, could have a material adverse effect on the results of operations of a business line or the Company as a whole.

We assist our clients with various matters, including placing of insurance and reinsurance coverage and handling related claims, consulting on various human resources matters, providing investment consulting and asset management services, and outsourcing various human resources functions. E&O claims against us may allege our potential liability for damages arising from these services. E&O claims could include, for example, the failure of our employees or sub agents, whether negligently or intentionally, to place coverage correctly or notify carriers of claims on behalf of clients or to provide insurance carriers with complete and accurate information relating to the risks being insured, the failure to give error-free advice in our consulting business or the failure to correctly execute transactions in the human resources outsourcing business. It is not always possible to prevent and detect errors and omissions, and the precautions we take may not be effective in all cases. In addition, we are subject to other types of claims, litigation and proceedings in the ordinary course of business, which along with E&O claims, may seek damages, including punitive damages, in amounts that could, if awarded, have a material adverse impact on the Company’s financial position, earnings, and cash flows. In addition to potential liability for monetary damages, such claims or outcomes could harm our reputation or divert management resources away from operating our business.

We have historically purchased, and continue to purchase insurance to cover E&O claims and other insurance to provide protection against certain losses that arise in such matters. However, we have exhausted or materially depleted our coverage under some of the policies that protect us for certain years and, consequently, are self-insured or materially self-insured for some historical claims. Accruals for these exposures, and related insurance receivables, when applicable, have been provided to the extent that losses are deemed probable and are reasonably estimable. These accruals and receivables are adjusted from time to time as developments warrant, and may also be adversely affected by disputes we may have with our insurers over coverage. Amounts related to settlement provisions are recorded in Other general expenses in the Consolidated Statements of Income. Discussion of some of these claims, lawsuits, and proceedings are contained in the Notes to the Consolidated Financial Statements.

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The ultimate outcome of these claims, lawsuits and proceedings cannot be ascertained, and liabilities in indeterminate amounts may be imposed on us. It is possible that future Statements of Financial Position, results of operations or cash flows for any particular quarterly or annual period could be materially affected by an unfavorable resolution of these matters.

In addition, we provide a variety of guarantees and indemnifications to our customers and others. The maximum potential amount of future payments represents the notional amounts that could become payable under the guarantees and indemnifications if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or other methods. Any anticipated amounts that are deemed to be probable and reasonably estimable are included in our Consolidated Financial Statements. These amounts may bear no relationship to the expected future payments, if any, for these guarantees and indemnifications.

Our businesses are subject to extensive governmental regulation, which could reduce our profitability, limit our growth, or increase competition.

Our businesses are subject to extensive U.S. federal, U.S. state and non-U.S. governmental regulation and oversight, which could reduce our profitability or limit our growth by increasing the costs of regulatory compliance, by limiting or restricting the products or services we sell, the markets we enter, the methods by which we sell our products and services, or the prices we can charge for our services and the form of compensation we can accept from our clients, carriers and third parties or by subjecting our businesses to the possibility of regulatory actions or proceedings.

With respect to our Risk Solutions segment, this supervision generally includes the licensing of insurance brokers and agents, managing general agency or managing general underwriting operations and third party administrators and the regulation of the handling and investment of client funds held in a fiduciary capacity. Our continuing ability to provide insurance brokering and third party administration in the jurisdictions in which we currently operate depends on our compliance with the rules and regulations promulgated from time to time by the regulatory authorities in each of these jurisdictions. Also, we can be affected indirectly by the governmental regulation and supervision of insurance companies. For instance, if we are providing or managing general underwriting services for an insurer, we may have to contend with regulations affecting our client. Further, regulation affecting the insurance companies with whom our brokers place business can affect how we conduct those operations.

Although the U.S. federal government does not directly regulate the insurance industry, federal legislation and administrative policies in several areas, including employee benefit plan regulation, Medicare, age, race, disability and sex discrimination, investment company regulation, financial services regulation, securities laws and U.S. federal taxation, trade sanctions regulation and the FCPA, do affect the insurance industry generally. For instance, several laws and regulations adopted, or proposed to be adopted, by the U.S. federal government, including the Health Insurance

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Portability and Accountability Act of 1996 and the Foreign Account Tax Compliance Act (“FATCA”) have created additional administrative and compliance requirements for us.

Services provided in our HR Solutions segment are also the subject of ever-evolving government regulation, either because the services provided to our clients are regulated directly or because aspects of the client’s business are regulated, thereby indirectly impacting the manner in which we provide services to those clients. Changes in government regulations in the United States affecting the value, use or delivery of benefits and human resources programs, including changes in regulations relating to health and welfare (such as medical) plans, defined contribution (such as 401(k)) plans, defined benefit (such as pension) plans or payroll delivery, may adversely affect the demand for, or profitability of, our services. Recently, we have seen regulatory initiatives contribute to companies either discontinuing their defined benefit programs or de-emphasizing the importance such programs play in the overall mix of their benefit programs with a trend toward increased use of defined contribution plans. If organizations discontinue or de-emphasize defined benefit plans more rapidly than we anticipate, the results of our business could be adversely affected.

Recently, our HR Solutions business has made significant investments in health care exchanges and other product development to assist clients in de-risking their health benefits and migrate them towards a defined contribution model versus a defined benefit model. Depending on future changes to health legislation, these investments may not yield returns. In addition, if we are unable to adapt our services to changes resulting from these laws and any subsequent regulations, our ability to grow our business or to provide effective services, particularly in the HR Solutions segment, could be negatively impacted. Furthermore, if our clients reduce the role or extent of employer-sponsored health care in response to the newly enacted legislation, our results of operations could be adversely impacted.

With respect to our non-U.S. operations, we are subject to various regulations relating to, among other things, licensing, currency, policy language and terms, reserves and the amount of local investment. These various regulations also add to our cost of doing business through increased compliance expenses and increased training and employee expenses. In connection with our 2012 reorganization under a newly formed U.K. holding company, for example, we will likely incur increased costs from complying with additional local regulations and requirements such as those arising under the U.K. Companies Act.

Moreover, U.S. legislation, such as the FCPA and FATCA discussed above, impact our non-U.S. operations by imposing requirements for the conduct of overseas operations, and non-compliance with those laws even by our non-U.S. subsidiaries can nonetheless render us liable for penalties and subject us to heightened oversight. For example, in 2011, we entered into settlement agreements with the U.S. Department of Justice (“DOJ”) and the U.S. Securities and Exchange Commission (“SEC”) relating to inadequate controls for potential FCPA violations.

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Those settlement agreements imposed monetary fines and the agreement with the DOJ requires that we bring to the attention of the DOJ any criminal conduct by, or criminal investigations of, Aon or any of its senior managerial employees as well as any administrative proceeding or civil action brought by any governmental authority that alleges fraud or corruption by Aon. Failure to comply with this requirement or reporting to the DOJ of any act or omission covered by this requirement could subject Aon to further penalties and regulatory scrutiny.

In all jurisdictions, the applicable laws and regulations are subject to amendment or interpretation by regulatory authorities. Generally, such authorities are vested with relatively broad discretion to grant, renew and revoke licenses and approvals and to implement regulations. Accordingly, we may have a license revoked and be precluded or temporarily suspended from carrying on some or all of our activities or otherwise fined or penalized in a given jurisdiction. No assurances can be given that our business can continue to be conducted in any given jurisdiction as it has been conducted in the past.

In addition, new regulatory or industry developments could create an increase in competition that could adversely affect us. These developments include:

- the selling of insurance by insurance companies directly to insureds;
- changes in our business compensation model as a result of regulatory actions or changes;
- the establishment of programs in which state-sponsored entities provide property insurance in catastrophe prone areas or other alternative types of coverage;
- changes in regulations relating to health and welfare plans, defined contribution and defined benefit plans, and investment consulting and asset management;
- additional regulations promulgated by the FSA in the U.K., or other regulatory bodies in jurisdictions in which we operate; or
- additional requirements respecting data privacy and data usage in jurisdictions in which we operate that may increase our costs of compliance and potentially reduce the manner in which data can be used by us to develop or further our product offerings.

Changes in the regulatory scheme, or even changes in how existing regulations are interpreted, could have an adverse impact on our results of operations by limiting revenue streams or increasing costs of compliance. Likewise, increased government involvement in the insurance or reinsurance markets could curtail or replace our opportunities and negatively affect our results of operations and financial condition.

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We may in the future be subject to the U.K. Takeover Code, which may deter potential acquirers from proceeding with a takeover offer that could be beneficial to shareholders.

In the United Kingdom, takeover offers for certain public companies are regulated by the U.K. City Code on Takeovers and Mergers, or the Takeover Code, which is administered by the Takeover Panel. Currently, the Takeover Code applies to public companies that have their registered offices in the United Kingdom, the Channel Islands or the Isle of Man if their securities are admitted to trading on a regulated market in the United Kingdom or on a stock exchange in the Channel Islands or the Isle of Man. The Takeover Code also applies to public companies that have their registered office in the United Kingdom, the Channel Islands or the Isle of Man but whose securities are not admitted to trading on one of the markets mentioned above if the Takeover Panel determines generally based on the residency of the company's directors — the so-called residency test — that the company has its place of central management and control in the U.K., the Channel Islands or the Isle of Man. In connection with our redomestication, the Takeover Panel confirmed that based on the residency test and on the expected residence of our directors and management, the Takeover Code would not apply to us.

Recently proposed amendments to the Takeover Code, including a proposal to eliminate the residency test, if adopted, could subject us to the Takeover Code.

In summary, the Takeover Code sets out binding rules that provide a framework within which takeovers are required to be conducted and its approach differs from, and in some cases conflicts with, the approach set forth under the rules of the SEC to which we will remain subject in any event. If we become subject to the Takeover Code, we will be required to comply with these additional controls with respect to the conduct of any takeover offer for our ordinary shares, and these additional controls may create uncertainty in the process by which a takeover offer must be executed. These additional controls and attendant uncertainty may affect the willingness of potential acquirers to proceed with a takeover offer that may otherwise be beneficial to shareholders.

As a result of increased shareholder approval requirements, we have less flexibility as an English public limited company with respect to certain aspects of capital management.

English law imposes some restrictions on certain corporate actions by which previously, as a Delaware corporation, we were not constrained. For example, English law provides that a board of directors may only allot shares with the prior authorization of shareholders, such authorization being up to the aggregate nominal amount of shares and for a maximum period of five years, each as specified in the articles of association or relevant shareholder resolution. This authorization would need to be renewed by our shareholders upon its expiration (i.e., at least every five years). Our articles of association authorize the allotment of additional shares, and renewal of such authorization for additional five year terms may be sought more frequently.

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English law also generally provides shareholders with preemptive rights when new shares are issued for cash; however, it is possible for the articles of association, or shareholders in general meeting, to exclude preemptive rights. Such an exclusion of preemptive rights may be for a maximum period of up to five years from the date of adoption of the articles of association, if the exclusion is contained in the articles of association, or from the date of the shareholder resolution, if the exclusion is by shareholder resolution; in either case, this exclusion would need to be renewed upon its expiration (i.e., at least every five years). Our articles of association exclude preemptive rights, and renewal of such exclusion for additional five year terms may be sought more frequently.

English law also generally prohibits a company from repurchasing its own shares by way of “off market purchases” without the prior approval of 75 percent of shareholders by special resolution. Such approval lasts for a maximum period of up to five years. English law prohibits us from conducting “on market purchases” as our shares are not traded on a recognized investment exchange in the U.K. Special resolutions were adopted to permit “off market purchases” prior to the effective time of the merger. These special resolutions will need to be renewed upon expiration (i.e., at least every five years) but may be sought more frequently for additional five year terms.

The enforcement of civil liabilities against us may be more difficult.

Because we are a public limited company incorporated under English law, investors could experience more difficulty enforcing judgments obtained against us in U.S. courts than would have been the case for U.S. judgments obtained against Aon Corporation. In addition, it may be more difficult (or impossible) to bring some types of claims against us in courts in England than it would be to bring similar claims against a U.S. company in a U.S. court.

We are a public limited company incorporated under the laws of England and Wales. Therefore, it may not be possible to effect service of process upon us within the United States in order to enforce judgments of U.S. courts against us based on the civil liability provisions of the U.S. federal securities laws.

There is doubt as to the enforceability in England and Wales, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities solely based on the U.S. federal securities laws. The English courts will, however, treat any amount payable by us under the U.S. judgment as a debt and new proceedings can be commenced in the English courts to enforce this debt against us. The following criteria must be satisfied in order for the English court to enforce the debt created by the U.S. judgment:

- the U.S. judgment must be for a debt or definite sum of money;
- the U.S. judgment must be final and conclusive;

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- the U.S. court must, in the circumstances of the case, have had jurisdiction according to the English rules of private international law;
- the U.S. judgment must not have been obtained by fraud;
- the enforcement of the U.S. judgment must not be contrary to U.K. public policy; and
- the proceedings in which the U.S. judgment was obtained must not have been conducted contrary to the rules of natural justice.

Operational and commercial risks

Our success depends on our ability to retain and attract experienced and qualified personnel, including our senior management team and other professional personnel.

We depend, in material part, upon the members of our senior management team who possess extensive knowledge and a deep understanding of our business and our strategy. The unexpected loss of services of any of our senior executive officers could have a disruptive effect adversely impacting our ability to manage our business effectively and execute our business strategy. Competition for experienced professional personnel is intense, and we are constantly working to retain and attract these professionals. If we cannot successfully do so, our business, operating results and financial condition could be adversely affected.

Our global operations expose us to various international risks that could adversely affect our business.

Our operations are conducted globally. Accordingly, we are subject to legal, economic and market risks associated with operating in, and sourcing from, foreign countries, including:

- the general economic and political conditions existing in those countries, including risks associated with a concentration of operations in certain geographic regions;
- fluctuations in currency exchange rates;
- imposition of limitations on conversion of foreign currencies or remittance of dividends and other payments by foreign subsidiaries;
- imposition or increase of withholding and other taxes on remittances and other payments by subsidiaries;
- difficulties in staffing and managing our foreign offices, including due to unexpected wage inflation or job turnover, and the increased travel, infrastructure and legal and compliance costs associated with multiple international locations;

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- hyperinflation in certain foreign countries;
- imposition or increase of investment and other restrictions by foreign governments;
- longer payment cycles;
- greater difficulties in accounts receivable collection;
- the requirement of complying with a wide variety of foreign laws;
- insufficient demand for our services in foreign jurisdictions;
- ability to execute effective and efficient cross-border sourcing of services on behalf of our clients;
- restrictions on the import and export of technologies; and
- trade barriers.

The occurrence of natural or man-made disasters could adversely affect our financial condition and results of operations.

We are exposed to various risks arising out of natural disasters, including earthquakes, hurricanes, fires, floods and tornadoes, and pandemic health events, as well as man-made disasters, including acts of terrorism and military actions. The continued threat of terrorism and ongoing military actions may cause significant volatility in global financial markets, and a natural or man-made disaster could trigger an economic downturn in the areas directly or indirectly affected by the disaster. These consequences could, among other things, result in a decline in business and increased claims from those areas. They could also result in reduced underwriting capacity, making it more difficult for our Risk Solutions professionals to place business. Disasters also could disrupt public and private infrastructure, including communications and financial services, which could disrupt our normal business operations.

A natural or man-made disaster also could disrupt the operations of our counterparties or result in increased prices for the products and services they provide to us. In addition, a disaster could adversely affect the value of the assets in our investment portfolio. Finally, a natural or man-made disaster could increase the incidence or severity of E&O claims against us.

As an example, in October 2012, Superstorm Sandy made landfall on the Northeast coast of the United States. The storm caused widespread disruption and dislocation across five states but New York and New Jersey in particular. One of our largest offices, located in lower Manhattan was closed until January 7, 2013, requiring us to relocate a large number of our employees procure temporary workspace in the area and provide for enhanced remote working and information technology support arrangements. Given that lower Manhattan serves as a hub to the insurance

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industry, the storm impacted many of our clients, carriers and vendors as well, some of whose operations were severely disrupted. While we believe our relocation measures and business continuity plans allowed us to effectively continue to operate our critical business functions, it is possible that the disruption of the storm on our operations and that of our clients, carriers and vendors may result in a negative effect on our results of operations and financial condition.

Also, through our merger with Benfield, we acquired Benfield's equity stake in certain Florida-domiciled homeowner insurance companies. We maintain ongoing agreements to provide modeling, actuarial, and consulting services to these insurance companies. These firms' financial results could be adversely affected if assumptions used in establishing their underwriting reserves differ from actual experience. Reserve estimates represent informed judgments based on currently available data, as well as estimates of future trends in claims severity, frequency, judicial theories of liability and other factors. Many of these factors are not quantifiable in advance and both internal and external events, such as changes in claims handling procedures, inflation, judicial and legal developments and legislative changes, can cause estimates to vary. Additionally, a natural disaster occurring in Florida could increase the incidence or severity of E&O claims relating to these existing service agreements.

Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability.

Should we experience a local or regional disaster or other business continuity problem, such as an earthquake, hurricane, terrorist attack, pandemic, security breach, power loss, telecommunications failure or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other related systems and operations. Superstorm Sandy, for example, impacted several of our locations in the Northeast United States, resulting in interruptions to our operations and information technology system infrastructure. In events like these, while our operational size, the multiple locations from which we operate, and our existing back-up systems provide us with some degree of flexibility, we still can experience near-term operational challenges with regard to particular areas of our operations, such as key executive officers or personnel.

Our operations are dependent upon our ability to protect our technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations. We could potentially lose client data or experience material adverse interruptions to our operations or delivery of services to our clients in a disaster recovery scenario.

We regularly assess and take steps to improve upon our existing business continuity plans and key management succession. However, a disaster on a significant scale or affecting certain of

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our key operating areas within or across regions, or our inability to successfully recover should we experience a disaster or other business continuity problem, could materially interrupt our business operations and cause material financial loss, loss of human capital, regulatory actions, reputational harm, damaged client relationships or legal liability.

We rely on complex information technology systems and networks to operate our business. Any significant system or network disruption could have a negative impact on our operations, sales and operating results.

We rely on the efficient and uninterrupted operation of complex information technology systems and networks, some of which are within the company and some are outsourced. All information technology systems are potentially vulnerable to damage or interruption from a variety of sources, including but not limited to computer viruses, security breach, energy blackouts, natural disasters, terrorism, war and telecommunication failures. There also may be system or network disruptions if new or upgraded business management systems are defective or are not installed properly. Although we have not been the victim of cyber attacks or other cyber incidents that have had a material impact on our operations or financial condition, we have from time to time experienced cybersecurity breaches such as computer viruses and similar information technology violations in the ordinary course of business. We have implemented various measures to manage our risks related to system and network disruptions, but a system failure or security breach could negatively impact our operations and financial results. In addition, we may incur additional costs to remedy the damages caused by these disruptions or security breaches.

Improper disclosure of personal data could result in legal liability or harm our reputation.

One of our significant responsibilities is to maintain the security and privacy of our employees' and clients' confidential and proprietary information and in the case of our HR Solutions clients, the personal data of their employees and retirement and other benefit plan participants. We maintain policies, procedures and technological safeguards designed to protect the security and privacy of this information. Nonetheless, we cannot entirely eliminate the risk of improper access to or disclosure of personally identifiable information. Such disclosure could harm our reputation and subject us to liability under our contracts and laws that protect personal data, resulting in increased costs or loss of revenue.

Further, data privacy is subject to frequently changing rules and regulations, which are becoming increasingly complex and sometimes conflict among the various jurisdictions and countries in which we provide services both in terms of substance and in terms of enforceability. This makes compliance challenging and expensive. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or impairment to our reputation in the marketplace. Further, regulatory initiatives in the area of data privacy are more frequently including provisions allowing authorities to impose

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substantial fines and penalties, and therefore, failure to comply could also have a significant financial impact.

Implementation of changes to the methods in which we internally process and monitor transactions and activities may encounter delays or other problems, which could adversely impact our accounting and financial reporting processes.

Our businesses require that we process and monitor, on a regular basis, a very large number of transactions and other activities, many of which are highly complex, across numerous markets in several different currencies using different systems. Initiatives underway that are designed to improve these functions will alter how we gather, organize and internally report these transactions and activities. To the extent these initiatives are not implemented properly or encounter problems or delays in their implementation, they may adversely impact our accounting and financial reporting processes, as well as our invoicing and collection efforts.

Our business performance and growth plans could be negatively affected if we are not able to effectively apply technology in driving value for our clients through technology-based solutions or gain internal efficiencies through the effective application of technology and related tools. Conversely, investments in innovative product offerings may fail to yield sufficient return to cover their investments.

Our success depends, in part, on our ability to develop and implement technology solutions that anticipate and keep pace with rapid and continuing changes in technology, industry standards and client preferences. We may not be successful in anticipating or responding to these developments on a timely and cost-effective basis, and our ideas may not be accepted in the marketplace. Additionally, the effort to gain technological expertise and develop new technologies in our business requires us to incur significant expenses. If we cannot offer new technologies as quickly as our competitors or if our competitors develop more cost-effective technologies, it could have a material adverse effect on our ability to obtain and complete client engagements. For example, we have invested significantly in the development of GRIP, a repository of global insurance placement information, which we use to drive better results for our clients in the insurance placement process. Our competitors are seeking to develop competing databases, and their success in this space may impact our ability to differentiate our services to our clients through the use of unique technological solutions. Likewise, we have invested significantly in our HR BPO business and platform. Innovations in software, cloud computing or other technologies that alter how these services are delivered could significantly undermine our investment in this business if we are slow or unable to take advantage of these developments.

On the other hand, we are continually developing and investing in innovative and novel product offerings that we believe will address needs that we identify in the markets. Nevertheless, for those efforts to produce meaningful value, we are reliant on a number of other factors, some of

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which our outside of our control. For example, our HR Solutions segment has invested substantial time and resources in launching health care exchanges under the belief that these exchanges will serve a useful role in helping corporations and individuals in the U.S. manage their growing health care expenses. But in order for these exchanges to be successful, health care insurers and corporate and individual participants have to deem them suitable to participate in, and whether those parties will find them suitable will be subject to their own particular circumstances.

If our clients or third parties are not satisfied with our services, we may face additional cost, loss of profit opportunities and damage to our professional reputation or legal liability.

We depend, to a large extent, on our relationships with our clients and our reputation for high-quality brokering, risk management and HR solutions, so that we can understand our clients' needs and deliver solutions and services that are tailored to their needs. If a client is not satisfied with our services, it may be more damaging to our business than to other businesses and could cause us to incur additional costs and impair profitability. Many of our clients are businesses that band together in industry groups and/or trade associations and actively share information amongst themselves about the quality of service they receive from their vendors. Accordingly, poor service to one client may negatively impact our relationships with multiple other clients. Moreover, if we fail to meet our contractual obligations, we could be subject to legal liability or loss of client relationships.

The nature of much of our work, especially our actuarial services in our HR Solutions business, involves assumptions and estimates concerning future events, the actual outcome of which we cannot know with certainty in advance. Similarly, in our investment consulting business, we may be measured based on our track record regarding judgments and advice on investments that are susceptible to influences unknown at the time the advice was given. In addition, we could make computational, software programming or data entry or management errors. A client may nonetheless claim it suffered losses due to reliance on our consulting advice. And, in addition to the risks of liability exposure and increased costs of defense and insurance premiums, claims arising from our professional services may produce publicity that could hurt our reputation and business and adversely affect our ability to secure new business.

Our business is exposed to risks associated with the handling of client funds.

Our Risk Solutions business collects premiums from insureds and, after deducting commissions, remits the premiums to the respective insurers. We also collect claims or refunds from insurers on behalf of insureds, which are remitted to the insureds. Similarly, part of our HR Solutions' outsourcing business handles payroll processing for several of our clients. Consequently, at any given time, we may be holding and managing funds of our clients and, in the case of HR Solutions, their employees, while payroll is being processed. This function creates a risk of loss

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arising from, among other things, fraud by employees or third parties, execution of unauthorized transactions or errors relating to transaction processing. We are also potentially at risk in the event the financial institution in which we hold these funds suffers any kind of insolvency or liquidity event. The occurrence of any of these types of events in connection with this function could cause us financial loss and reputational harm.

In connection with the implementation of our corporate strategy, we face certain risks associated with the acquisition or disposition of businesses, and the entry into new lines of business.

In pursuing our corporate strategy, we may acquire other businesses, or dispose of or exit businesses we currently own. The success of this strategy is dependent upon our ability to identify appropriate acquisition and disposition targets, negotiate transactions on favorable terms and ultimately complete such transactions. If acquisitions are made, there can be no assurance that we will realize the anticipated benefits of such acquisitions, including, but not limited to, revenue growth, operational efficiencies or expected synergies. In addition, we may not be able to integrate acquisitions successfully into our existing business, and we could incur or assume unknown or unanticipated liabilities or contingencies, which may impact our results of operations. If we dispose of or otherwise exit certain businesses, there can be no assurance that we will not incur certain disposition related charges, or that we will be able to reduce overhead related to the divested assets.

From time to time, we may enter lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, including the investment of significant time and resources, the possibility that these efforts will be unprofitable, and the risk of additional liabilities associated with these efforts. Failure to successfully manage these risks in the development and implementation of new lines of business and new products and services could have a material adverse effect on our business, financial condition or results of operations. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences may also impact the successful implementation of a new line of business. In addition, we can provide no assurance that the entry into new lines of business or development of new products and services will be successful.

We may face additional risks from the growth and development of companies that we acquire or new lines of business.

We face additional risks associated with companies that we acquire or new lines of business into which we enter, particularly in instances where the markets are not fully developed. In addition, many of the businesses that we acquire and develop had significantly smaller scales of operations prior to the implementation of our growth strategy. If we are not able to manage the growing complexity of these businesses, including improving, refining or revising our systems and operational practices, and enlarging the scale and scope of the businesses, our business may be

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adversely affected. Other risks include developing knowledge of and experience in the new business, recruiting professionals and developing and capitalizing on new relationships with experienced market participants. Failure to manage these risks in the acquisition or development of new businesses successfully could materially and adversely affect our business, results of operations and financial condition.

The process of integrating an acquired company may create unforeseen operating difficulties and expenditures.

Companies that we acquire often run on a technology platform different from those used in our businesses. When integrating these businesses, we face additional risks. These risks include implementing or remediating controls, procedures, and policies at the acquired company, integration of the acquired company's accounting, human resource, and other administrative systems, and coordination of product, engineering, and sales and marketing functions, transition of operations, users, and customers onto our existing platforms and the failure to successfully further develop the acquired technology. Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities, and harm our business generally.

Key employees of acquired businesses may receive substantial value in connection with a transaction in the form of change-in-control agreements, acceleration of stock options and the lifting of restrictions on other equity-based compensation rights. To retain such employees and integrate the acquired business, we may offer additional retention incentives, but it may still be difficult to retain certain key employees.

Risks relating primarily to our Risk Solutions segment

Results in our Risk Solutions segment may fluctuate due to many factors, including cyclical or permanent changes in the insurance and reinsurance markets outside of our control.

Results in our Risk Solutions segment have historically been affected by significant fluctuations arising from uncertainties and changes in the industries in which we operate. A significant portion of our revenue consists of commissions paid to us out of the premiums that insurers and reinsurers charge our clients for coverage. We have no control over premium rates, and our revenues and profitability are subject to change to the extent that premium rates fluctuate or trend in a particular direction. The potential for changes in premium rates is significant, due to pricing cyclicality in the commercial insurance and reinsurance markets.

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In addition to movements in premium rates, our ability to generate premium-based commission revenue may be challenged by:

- the growing availability of alternative methods for clients to meet their risk-protection needs, including a greater willingness on the part of corporations to “self-insure,” the use of so-called “captive” insurers, and the advent of capital markets-based solutions to traditional insurance and reinsurance needs;
- fluctuation in the need for insurance as the economic downturn continues, as clients either go out of business or scale back their operations, and thus reduce the amount of insurance, they procure;
- the level of compensation, as a percentage of premium, that insurance carriers are willing to compensate brokers for placement activity;
- the growing desire of clients to move away from variable commission rates and instead compensate brokers based upon flat fees, which can negatively impact us as fees are not generally indexed for inflation and do not automatically increase with premium as does commission-based compensation;
- competition from insurers seeking to sell their products directly to consumers without the involvement of an insurance broker;

In addition, our increasing focus on new product offerings within the Risk Solutions space expose us to additional risks. For example, GRIP is a relatively new and historically untested offering; it may fail to catch on within the insurance industry or conversely, if successful, may face increasing pressure from competitors who develop competing offerings. As our business, like the economy as a whole, becomes more technology focused, the speed at which our products are subject to challenge or becoming outdated is consistently increasing.

Our results may be adversely affected by changes in the mode of compensation in the insurance industry.

Since the Attorney General of New York brought charges against members of the insurance brokerage community in 2004, there has been uncertainty concerning longstanding methods of compensating insurance brokers. Given that the insurance brokerage industry has faced scrutiny from regulators in the past over its compensation practices, it is possible that those regulators may choose to revisit the same or other practices in the future. If they do so, compliance with new regulations along with any sanctions that might be imposed for past practices deemed improper could have an adverse impact on our future results of operations and inflict significant reputational harm on our business.

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Risks relating primarily to our HR Solutions segment

We may not realize all of the anticipated benefits of the acquisition of Hewitt or those benefits may take longer to realize than expected.

Our ability to realize the anticipated benefits of the acquisition of Hewitt depends, to a large extent, on our ability to fully integrate the legacy Hewitt businesses into the Company. The acquisition and integration of a company the size of Hewitt is a complex, costly and time-consuming process. As a result, we have devoted and continue to devote significant management attention and resources to integrating Hewitt's business practices and operations with ours. The integration process may disrupt the HR Solutions business and, if not implemented effectively, would preclude realization of the full benefits expected by us. Our failure to meet the challenges involved in integrating successfully Hewitt's operations and our operations or otherwise to realize the anticipated benefits of the transaction could cause an interruption of, or a loss of momentum in, our activities and could seriously harm our results of operations and cash flows. In addition, the overall integration of the two companies may result in material unanticipated problems, including, among others:

- managing a significantly larger company;
- maintaining employee morale and retaining key management and other employees;
- integrating two unique business cultures, which may prove to be incompatible;
- the possibility of faulty assumptions underlying expectations regarding the integration process;
- retaining existing clients and attracting new clients;
- consolidating corporate information technology platforms and administrative infrastructures and eliminating duplicative operations;
- the diversion of management's attention from ongoing business concerns and performance shortfalls as a result of the diversion of management's attention to the acquisition;
- coordinating geographically separate organizations;
- unanticipated issues in integrating information technology, communications and other systems;
- unanticipated changes in applicable laws and regulations;

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- managing tax costs or inefficiencies associated with integrating the operations of the combined company; and
- unforeseen expenses or delays associated with the acquisition.

Many of these factors will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and cash flows and diversion of management's time and energy, which could materially impact our business, financial condition and results of operations. In addition, even if Hewitt's operations are integrated successfully with our operations, we may not realize the full benefits of the transaction, including the synergies, cost savings or sales or growth opportunities that we expect. These benefits may not be achieved within the anticipated time frame, or at all. Further, additional unanticipated costs may be incurred in the integration of our businesses. All of these factors could cause dilution to our earnings, decrease or delay the expected accretive effect of the acquisition, and cause a decrease in the price of our ordinary shares. As a result, we cannot assure you that the acquisition of Hewitt will result in the realization of the full benefits anticipated from the transaction.

The profitability of our outsourcing and consulting engagements with clients may not meet our expectations due to unexpected costs, cost overruns, early contract terminations, unrealized assumptions used in our contract bidding process or the inability to maintain our prices.

In our HR Solutions segment, our profitability is a function of our ability to control our costs and improve our efficiency. As we adapt to change in our business, adapt to the regulatory environment, enter into new engagements, acquire additional businesses and take on new employees in new locations, we may not be able to manage our large, diverse and changing workforce, control our costs or improve our efficiency.

Most new outsourcing arrangements undergo an implementation process whereby our systems and processes are customized to match a client's plans and programs. The cost of this process is estimated by us and often partially funded by our clients. If our actual implementation expense exceeds our estimate or if the ongoing service cost is greater than anticipated, the client contract may be less profitable than expected.

Even though outsourcing clients typically sign long-term contracts, some of these contracts may be terminated at any time, with or without cause, by our client upon 90 to 360 days written notice. Our outsourcing clients are generally required to pay a termination fee; however, this amount may not be sufficient to offset the costs we incurred in connection with the implementation and system set-up or fully compensate us for the profit we would have received if the contract had not been cancelled. A client may choose to delay or terminate a current or anticipated project as a result of factors unrelated to our work product or progress, such as the business or financial

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condition of the client or general economic conditions. When any of our engagements are terminated, we may not be able to eliminate associated ongoing costs or redeploy the affected employees in a timely manner to minimize the impact on profitability. Any increased or unexpected costs or unanticipated delays in connection with the performance of these engagements, including delays caused by factors outside our control, could have an adverse effect on our profit margin.

Our profit margin, and therefore our profitability, is largely a function of the rates we are able to charge for our services and the staffing costs for our personnel. Accordingly, if we are not able to maintain the rates we charge for our services or appropriately manage the staffing costs of our personnel, we may not be able to sustain our profit margin and our profitability will suffer. The prices we are able to charge for our services are affected by a number of factors, including competitive factors, cost of living adjustment provisions, the extent of ongoing clients' perception of our ability to add value through our services and general economic conditions. Our profitability in providing HR BPO services is largely based on our ability to drive cost efficiencies during the term of our contracts for such services. If we cannot drive suitable cost efficiencies, our profit margins will suffer.

We might not be able to achieve the cost savings required to sustain and increase our profit margins in our HR Solutions business.

We provide our outsourcing services over long terms for variable or fixed fees that generally are less than our clients' historical costs to provide for themselves the services we contract to deliver. Also, clients' demand for cost reductions may increase over the term of the agreement. As a result, we bear the risk of increases in the cost of delivering HR outsourcing services to our clients, and our margins associated with particular contracts will depend on our ability to control our costs of performance under those contracts and meet our service commitments cost-effectively. Over time, some of our operating expenses will increase as we invest in additional infrastructure and implement new technologies to maintain our competitive position and meet our client service commitments. We must anticipate and respond to the dynamics of our industry and business by using quality systems, process management, improved asset utilization and effective supplier management tools. We must do this while continuing to grow our business so that our fixed costs are spread over an increasing revenue base. If we are not able to achieve this, our ability to sustain and increase profitability may be reduced.

Our accounting for our long-term outsourcing contracts requires using estimates and projections that may change over time. These changes may have a significant or adverse effect on our reported results of operations or financial condition.

Projecting contract profitability on the long-term outsourcing contracts in our HR Solutions business requires us to make assumptions and estimates of future contract results. All estimates are inherently uncertain and subject to change. In an effort to maintain appropriate estimates, we review

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each of our long-term outsourcing contracts, the related contract reserves and intangible assets on a regular basis. These assumptions and estimates involve the exercise of judgment and discretion, which may also evolve over time in light of operational experience, regulatory direction, developments in accounting principles and other factors. Further, changes in assumptions, estimates or developments in the business or the application of accounting principles related to long-term outsourcing contracts may change our initial estimates of future contract results. Application of, and changes in, assumptions, estimates and policies may adversely affect our financial results.

In our investment consulting business, we advise or act on behalf of clients regarding their investments. The results of these investments are uncertain and subject to numerous factors, some of which are within our control and some which are not. Clients that experience losses or lower than expected investment returns may assert claims against us.

Our investment consulting business provides advice to clients on: investment strategy, which can include advice on setting investment objectives, asset allocation, and hedging strategies; selection (or removal) of investment managers; the investment in different investment instruments and products; and the selection of other investment service providers such as custodians and transition managers. For some clients, we are responsible for making decisions on these matters and we may implement such decisions in a fiduciary/agency capacity albeit without assuming title or custody over the underlying funds or assets invested. Asset classes may experience poor absolute performance; third parties we recommend or select, such as investment managers, may underperform their benchmarks due to poor market performance, negligence or other reasons, resulting in poor investment returns or losses of some, or all, of the capital that has been invested. These losses may be attributable in whole or in part to failures on our part or to events entirely outside of our control. Regardless of the cause, clients experiencing losses may assert claims against us, and these claims may be for significant amounts. Defending against these claims can involve potentially significant costs, including legal defense costs, as well as cause substantial distraction and diversion of other resources. Furthermore, our ability to limit our potential liability is restricted in certain jurisdictions and in connection with claims involving breaches of fiduciary/agency duties or other alleged errors or omissions.

We rely on third parties to provide services, and their failure to perform the service could do harm to our business.

As part of providing services to clients in our HR Solutions business, we rely on a number of third-party service providers and, in some cases, subcontractors. These third parties include, but are not limited to, plan trustees and payroll service providers responsible for transferring funds to employees or on behalf of employees, and providers of data and information, such as software vendors, health plan providers, investment managers and investment advisers, that we work with to provide information to clients' employees. Those third parties also include providers of human

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resource functions such as recruiters and trainers employed by us in connection with our human resources business processing services delivered to our clients. Failure of third-party service providers to perform in a timely manner, particularly during periods of peak demand, could result in contractual or regulatory penalties, liability claims from clients and/or employees, damage to our reputation and harm to our business.

We rely heavily on our computing and communications infrastructure and the integrity of these systems in the delivery of human resources services for our HR Solutions clients, and our operational performance and revenue growth depends, in part, on the reliability and functionality of this infrastructure as a means of delivering human resources services.

The internet is a key mechanism for delivering our human resources services to our HR Solutions clients efficiently and cost effectively. Our clients may not be receptive to human resource services delivered over the internet due to concerns regarding transaction security, user privacy, the reliability and quality of internet service and other reasons. Our clients' concerns may be heightened by the fact we use the internet to transmit extremely confidential information about our clients and their employees, such as compensation, medical information and other personally identifiable information. In order to maintain the level of security, service and reliability that our clients require, we may be required to make significant investments in our online methods of delivering human resources services. In addition, websites and proprietary online services have experienced service interruptions and other delays occurring throughout their infrastructure. If we cannot use the internet effectively to deliver our services, our revenue growth and results of operation may be impaired.

We may lose client data as a result of major catastrophes and other similar problems that may materially adversely impact our operations. We have multiple processing centers around the world that use various commercial methods for disaster recovery capabilities. Our main data processing center is located near the Aon Hewitt headquarters in Lincolnshire, Illinois. In the event of a disaster, our business continuity may not be sufficient, and the data recovered may not be sufficient for the administration of our clients' human resources programs and processes.

Risks Related to Our Ordinary Shares

Transfers of the Class A Ordinary Shares may be subject to stamp duty or SDRT in the U.K., which would increase the cost of dealing in the Class A Ordinary Shares.

Stamp duty and/or SDRT are imposed in the U.K. on certain transfers of chargeable securities (which include shares in companies incorporated in the U.K.) at a rate of 0.5 percent of the consideration paid for the transfer. Certain transfers of shares to depositaries or into clearance systems are charged at a higher rate of 1.5 percent.

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You are strongly encouraged to hold your Class A Ordinary Shares in book entry form through the facilities of Depository Trust Company (“DTC”). Transfers of shares held in book entry form through DTC will not attract a charge to stamp duty or SDRT in the U.K. A transfer of title in the shares from within the DTC system out of DTC and any subsequent transfers that occur entirely outside the DTC system will attract a charge to stamp duty at a rate of 0.5 percent of any consideration, which is payable by the transferee of the shares. Any such duty must be paid (and the relevant transfer document stamped by HMRC) before the transfer can be registered in the books of Aon U.K.. If those shares are redeposited into DTC, the redeposit will attract stamp duty or SDRT at a rate of 1.5 percent of the value of the shares.

We have put in place arrangements to require that shares held in certificated form cannot be transferred into the DTC system until the transferor of the shares has first delivered the shares to a depository specified by us so that SDRT may be collected in connection with the initial delivery to the depository. Any such shares will be evidenced by a receipt issued by the depository. Before the transfer can be registered in our books, the transferor will also be required to put in the depository funds to settle the resultant liability to SDRT, which will be charged at a rate of 1.5 percent of the value of the shares.

Following the decision of the First Tier Tribunal (Tax Chamber) in *HSBC Holdings plc, The Bank of New York Mellon Corporation v HMRC* 2012 UKFTT 163 (TC) and the announcement by HMRC that it will not seek to appeal the decision, HMRC is no longer enforcing the charge to SDRT on the issue of shares into either EU or non-EU depository receipt or clearance systems. It is possible that the U.K. government may change the law in relation to stamp duty and SDRT in response to this decision, and that this would have a material effect on the cost of dealing in our shares.

If the Class A Ordinary Shares are not eligible for continued deposit and clearing within the facilities of DTC, then transactions in our securities may be disrupted.

The facilities of DTC are a widely-used mechanism that allow for rapid electronic transfers of securities between the participants in the DTC system, which include many large banks and brokerage firms. We believe that prior to the merger approximately 99% of the outstanding shares of common stock of Aon Corporation were held within the DTC system. The Class A Ordinary Shares of Aon plc are, at present, eligible for deposit and clearing within the DTC system. In connection with the closing of the merger, we entered into arrangements with DTC whereby we agreed to indemnify DTC for any stamp duty and/or SDRT that may be assessed upon it as a result of its service as a depository and clearing agency for our Class A Ordinary Shares. In addition, we have obtained a ruling from HMRC in respect of the stamp duty and SDRT consequences of the reorganization, and SDRT has been paid in accordance with the terms of this ruling in respect of the deposit of Class A Ordinary Shares with the initial depository. DTC will generally have

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discretion to cease to act as a depository and clearing agency for the Class A Ordinary Shares. If DTC determines at any time that the Class A Ordinary Shares are not eligible for continued deposit and clearance within its facilities, then we believe the Class A Ordinary Shares would not be eligible for continued listing on a U.S. securities exchange or inclusion in the S&P 500 and trading in the Class A Ordinary Shares would be disrupted. While we would pursue alternative arrangements to preserve our listing and maintain trading, any such disruption could have a material adverse effect on the trading price of the Class A Ordinary Shares.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to potential fluctuations in earnings, cash flows, and the fair value of certain of our assets and liabilities due to changes in interest rates and foreign exchange rates. To manage the risk from these exposures, we enter into a variety of derivative instruments. We do not enter into derivatives or financial instruments for trading or speculative purposes.

The following discussion describes our specific exposures and the strategies we use to manage these risks. See Note 2 “Summary of Significant Accounting Principles and Practices” of the Notes to Consolidated Financial Statements for a discussion of our accounting policies for financial instruments and derivatives.

We are subject to foreign exchange rate risk. Our primary exposures include exchange rates between the U.S. dollar and the Euro, British Pound, the Canadian Dollar and the Australian Dollar. We use over-the-counter (“OTC”) options and forward contracts to reduce the impact of foreign currency risk to our financial statements.

Additionally, some of our non-U.S. brokerage subsidiaries receive revenues in currencies that differ from their functional currencies. Our U.K. subsidiary earned approximately 38% of its 2012 revenue in U.S. dollars and 7% of its revenue in Euros, but most of its expenses are incurred in Pounds Sterling. Our policy is to convert into Pounds Sterling sufficient U.S. Dollar and Euro revenue to fund the subsidiary’s Pound Sterling expenses using OTC options and forward exchange contracts. At December 31, 2012, we have hedged 81% of our U.K. subsidiaries’ expected U.S. Dollar transaction exposure for the years ending December 31, 2013 and 2014, respectively. In addition, we have hedged 81% of our U.K. subsidiaries’ expected Euro transaction exposures for the same time periods. We do not generally hedge exposures beyond three years.

We also use forward contracts to economically hedge foreign exchange risk associated with monetary balance sheet exposures, such as inter-company notes and short-term assets and liabilities that are denominated in a non-functional currency and are subject to remeasurement.

The potential loss in future earnings from foreign exchange derivative instruments resulting from a hypothetical 10% adverse change in year-end exchange rates would be \$49 million and \$24 million at December 31, 2013 and 2014 respectively.

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Our fiduciary investment income is affected by changes in international and domestic short-term interest rates. We monitor our net exposure to short-term interest rates and as appropriate, hedge our exposure with various derivative financial instruments. This activity primarily relates to brokerage funds held on behalf of clients in the U.S. and on the continent of Europe. A hypothetical, instantaneous parallel decrease in the year-end yield curve of 100 basis points would cause a decrease, net of derivative positions, of \$21 million and \$25 million to 2013 and 2014 pretax income, respectively. A corresponding increase in the year-end yield curve of 100 basis points would cause an increase, net of derivative positions, of \$54 million and \$56 million to 2013 and 2014 pretax income, respectively.

We have long-term debt outstanding with a fair market value of \$4.2 billion and \$4.4 billion at December 31, 2012 and 2011, respectively. This fair value was greater than the carrying value by \$449 million at December 31, 2012, and \$339 million greater than the carrying value at December 31, 2011. A hypothetical 1% increase or decrease in interest rates would change the fair value by approximately 5% at both December 31, 2012 and 2011.

We have selected hypothetical changes in foreign currency exchange rates, interest rates, and equity market prices to illustrate the possible impact of these changes; we are not predicting market events.

Acquisition of Own Shares

Aon's Class A Ordinary Shares, \$0.01 nominal value per share, are traded on the New York Stock Exchange. We hereby incorporate by reference the "Dividends paid per share" and "Price range" data in Note 19 "Quarterly Financial Data" of the Notes to Consolidated Financial Statements.

We hereby incorporate by reference Note 11, "Shareholders' Equity" of the Notes to Consolidated Financial Statements.

In January 2010, our Board of Directors authorized a new share repurchase program under which up to \$2 billion of common stock may be repurchased from time to time depending on market conditions or other factors through open market or privately negotiated transactions. During the first quarter of 2012, we repurchased 2.1 million shares through this program through the open market or in privately negotiated transactions at an average price per share of \$48.32 for a total cost of \$100 million. As a result of the Redomestication, the 2010 Share Repurchase Plan, which related to common stock of Aon Corporation, was no longer of effect. In April 2012, our Board of Directors authorized a share repurchase program under which up to \$5 billion of Class A Ordinary Shares may be repurchased. Under this program, shares may be repurchased through the open market or in privately negotiated transactions, from time to time, based on prevailing market conditions, and will be funded from available capital. In 2012, we repurchased 21.6 million shares

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at an average price per share of \$52.16 for a total cost of \$1.1 billion. The remaining authorized amount for share repurchase under the 2012 Share Repurchase Program is \$4.0 billion.

Information relating to the compensation plans under which equity securities of Aon are authorized for issuance is set forth under the Directors' Remuneration section of this report and is incorporated herein by reference.

Employees

Disabled Employees

The Company gives full and fair consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Company's policy where practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion as appropriate.

Employee Involvement

The Company's policies and practices keep employees informed on matters relevant to them as employees through regular updates of its internal employee website. The Company continues to take into account the needs of its employees when agreeing policies which affect them. During the year the Company continued its training and development scheme covering technical, personal and management development programs. Additionally, employees are encouraged to gain professional qualifications with the active support of the Company.

In order to foster diversity within the workforce the Company has continued the successful running of its Aon Diversity Council. The Council's mission is to champion initiatives throughout the Company by raising awareness of the value of having a diverse workforce and the value of inclusion. Its aim is to create an environment where every employee feels valued, and where their talents are fully utilized. The Council's membership consists of representatives of relevant diversity groups across Aon's businesses as well as representatives of Aon's senior management and Human Resources department. For the purpose of this initiative, diversity groups are made up of Aon's employees who help us identify and understand the diversity issues facing our workforce. Aon's diversity initiative has several objectives, including encouraging an environment where everyone feels valued and free to be open about their diversity and to widen our talent pool to be seen as an employer of choice by people from all backgrounds.

Charitable and Political Donations

The Aon Foundation is the principal vehicle for Aon's charitable donations. The Foundation's charitable giving is focused primarily on promoting access to and excellence in

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education. The Company believes that education sets the foundation for future success, for individuals as well as the business community. Therefore, the Company invests in programs that make a marked difference in the academic achievement of young people and help to develop our future workforce.

The Foundation also supports the enrichment of our society through arts and cultural programs and community and human service projects that serve diverse communities, with emphasis on organizations that foster the development of at-risk youth.

In 2002, the Company established The Aon Memorial Education Fund to provide post-secondary educational financial assistance to the dependent children of the Aon employees who were killed in the World Trade Center attacks.

In 2012 and 2011, charitable donations through The Aon Foundation were \$8.9 million and \$10.4 million, respectively. In 2012 and 2011, charitable donations through the Aon Memorial Education Fund were \$0.5 million and \$0.3 million, respectively. Details of charitable work and serving local communities can be found at www.aon.com/about-aon/global-citizenship/giving.

No political donations were made by the Company during 2012 or 2011.

Environment

The Company recognizes the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. The Company's engagement commitment to environmental issues is explained on its website at www.aon.com/about-aon/global-citizenship.

Payment of Creditors

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with.

The ratio, expressed in days, between the amount invoiced to the Group by its suppliers during 2012 and the amount owed to its trade creditors at 31 December 2012, was 35 days.

Directors — Indemnity

On April 2, 2012 (in respect of all directors and executive officers other than Gregory C. Case) and on March 29, 2012 (in respect of Gregory C. Case), the Company entered into deeds of indemnity with each of its directors and executive officers that will indemnify such persons to the maximum extent permitted by applicable law against all losses suffered or incurred by them, among other things, that arise out of or in connection with his or her appointment as a director or officer,

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an act done, concurred in or omitted to be done by such person in connection with such person's performance of his or her functions as a director or officer, or an official investigation, examination or other proceedings ordered or commissioned in connection with the affairs of the company of which he or she is serving as a director or officer at the request of the indemnifying company.

Use of financial Instruments

Information on the Company's risk management process and the policies for mitigating certain types of risk are set out on pages 50 to 78. Details of the financial instruments used for these purposes are set out in Note 15 to the consolidated financial statements

Disclosure of Information to the Auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the groups auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Statement of Going Concern

The Directors have undertaken a going concern assessment in accordance with "Going Concern and Liquidity Risk: Guidance for U.K. Directors of U.K. Companies 2009," published by the Financial Reporting Council in 2009. As a result of this assessment, and after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the financial statements.

Auditor

Ernst & Young LLP were appointed as auditors of the Company on 21 March 2012. In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the Company.

Significant Events Since Year End

This report was issued on 15 March 2013. The Company has evaluated events and transactions subsequent to the balance sheet date.

On March 8, 2013, we issued \$90 million aggregate principal amount of 4.250% Notes Due 2042. The 4.250% Notes Due 2042 constitute a further issuance of, and will be consolidated and form a single series of debt securities with, the \$166 million aggregate principal amount of the

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4.250% Notes Due 2042 issued by Aon plc on December 12, 2012. The 4.250% Notes Due 2042 will be unconditionally guaranteed as to the payment of principal and interest by Aon Corporation.

On March 14, 2013, we drew \$200 million on the Euro Facility. The proceeds from this drawing will be used to fund short-term working capital needs.

As of March 15, 2013, we had \$350 million of commercial paper borrowings outstanding. The proceeds from the issuance of commercial paper will be used to fund short-term working capital needs.

During the period from January 1, 2013 to March 15, 2013, we repurchased 5.0 million shares at an average price per share of \$59.82 for a total cost of \$300 million. At March 15, 2013, the remaining authorized amount for share repurchase under the 2012 Share Repurchase Program is \$3.7 billion.

The Company is not aware of any events or transactions (other than those disclosed above) that occurred subsequent to the balance sheet date but prior to 15 March 2013 that would require recognition or disclosure in its Consolidated Financial Statements.

For and on behalf of the Board

R Padmanabhan
Company Secretary
Date: 15 March 2013
Registered Number 07876075

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DIRECTORS' REMUNERATION REPORT

This report sets out the Company's policy in relation to directors' remuneration and relevant disclosures for the financial year ended 31 December 2012. The report has been prepared in accordance with the requirements of the U.K. Large and Medium-sized Companies & Groups (Accounts & Reports) Regulations 2008 (the "Regulations") which apply to the Company. The relevant sections of the report have been audited by Ernst & Young LLP. This report has been approved by the Board and will be put to shareholders for approval at the forthcoming Annual General Meeting.

Remuneration Policy

Objectives of Our Remuneration Programs

The Company continues to build upon its strategy of becoming the pre-eminent professional service firm in the world focused on the topics of risk and people. The Company accomplishes this by providing clients with world-class advice, solutions, innovation and execution. To achieve those objectives, the Company must be the destination of choice for the best talent. The Company's remuneration arrangements support this vision and business strategy and are designed to fundamentally align the financial interests of Mr. Case, our Chief Executive Officer and sole executive director, with those of the Company's shareholders. This is true in both the Company's short and long-term schemes. The Company strives to maximize shareholders' return primarily through growth in pre-tax income from continuing operations and adjusted earnings per share.

The Company has a guiding philosophy with regard to the variable components of remuneration, such as long-term share-based awards and the Company's annual incentive scheme. This philosophy dictates that the Company's shareholders should always benefit first before any element of Mr. Case's variable remuneration is earned or paid. For example, under the Company's annual incentive scheme a minimum level of corporate performance must be achieved before any incentive is payable. The Company carefully sets that minimum each year. Even if the minimum level is achieved, the Organization and Compensation Committee (the "Committee") of the Company's Board of Directors reserves the right to exercise negative discretion to the extent it deems reasonable and prudent under the circumstances.

The core principle of the Company's remuneration program continues to be pay for performance.

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Components of Total Remuneration

The table below describes the Committee’s rationale for providing each of the key components of remuneration to Mr. Case and other executive officers and the factors that the Committee considers in determining the amounts for a given year.

Component	Purpose	Factors Considered
Long-Term Share-Based Awards, comprised of:		
<i>Performance share units</i> that vest after three years and the value of which are determined based on Aon’s achievement of a cumulative three-year performance objective linked to adjusted EPS	Long-term incentive to focus executives’ efforts on increasing long-term shareholder value and align executives’ interests with shareholder interests; encourage executive retention with multi-year vesting provisions; and encourage ownership of Aon equity	Executive’s past performance; expectations regarding executive’s future contributions to Aon; and market pay data as a reference point for grant values
<i>Restricted stock units</i> that are awarded in lieu of a portion of the cash payment under Aon’s annual incentive scheme; and, for this reason, are performance- based remuneration; vest ratably over a three-year period	Same as above	Same as above
Annual Incentive Scheme (target and actual) linked to planned pre-tax income from continuing operations excluding restructuring charges	Short-term performance-based incentive to achieve select annual performance objectives	Expectations or opinions regarding the executive’s qualitative and quantitative contributions to Aon-wide and business unit and individual performance; scope of job responsibilities; and market pay data as a reference point
Base Salary	Stream of income provided throughout the year in exchange for performance of specific job responsibilities	Scope of job responsibilities; historical pay and responsibilities; tenure; contractual commitments; and market pay data as a reference point
Personal, Relocation and Retirement Benefits	Attraction and retention of top talent; with regard to retirement benefits, provide mechanism to accumulate retirement benefits; with regard to relocation benefits, provide customary benefits to make the executive “whole” on a total rewards basis, be transparent and equitable and reflect best practices and benchmarks of industry counterparts	Perquisites or benefits received from prior employer to the extent necessary to attract and retain talent; time management factors; market practice regarding relocation benefits for executives
Post-Termination Remuneration	Provide temporary income stream and compensate for other lost benefits, and protect Aon during transition following involuntary termination of employment and, in the case of change-in-control protection, to provide for continuity and objectivity of management during that event	Executive’s role within organization; market practices

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How The Company Determines Total Remuneration

Members of the Organization and Compensation Committee

The Committee was formed when the Company became the parent company of the Aon group on 2 April 2012. Prior to this date, the remuneration of the Company's executive officers, including Mr. Case, our sole executive director, was considered by the Organization and Compensation Committee of Aon Corporation. During the period shown in the annual accounts, the members of the Committee were:

- R C Notebaert (appointed 2 April 2012, chair)
- C A Francis (appointed 2 April 2012)
- E D Jannotta (appointed 2 April 2012)
- R S Morrison (appointed 2 April 2012)
- R B Myers (appointed 2 April 2012)
- C Y Woo (appointed 18 May 2012)

None of the members of the Committee is an executive officer and each member is independent as such term is defined under the rules of the New York Stock Exchange and the Company's own independence standards. The remuneration of the Company's non-executive Directors is considered by the Company's Board of Directors as a whole with recommendations made by the Committee. The Committee met three times from 2 April 2012 to 31 December 2012, and acted by unanimous written consent twice. Each member of the Committee attended all meetings.

Committee Advisors

The Committee has retained Frederic W. Cook & Co., Inc. as its independent remuneration consultant. The consultant is engaged by, and reports directly to, the Committee. The consultant does not advise Company management or receive other remuneration from the Company. George Paulin, the Chief Executive Officer of Frederic W. Cook & Co., Inc., typically participates in all meetings of the Committee during which remuneration matters for Mr. Case, other executive officers or non-executive Directors are discussed and the consultant communicates between meetings with the Chairman of the Committee. During 2012, the consultant assisted the Committee by:

- providing insights and advice regarding the Company's remuneration philosophy, objectives and strategy;

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- developing criteria for identification of the Company's peer group as a market check for executive officer remuneration purposes;
- reviewing management's proposals for the design of short-term cash and long-term share-based incentive schemes;
- providing insights and advice regarding the Committee's analysis of risks arising from its remuneration policies and practices;
- advising on revisions to non-executive director remuneration schemes;
- advising the Committee on relocation benefits payable to relocated executive officers as part of Aon's redomestication to the U.K.; and
- advising on and providing comments on management's recommendations regarding executive officers' annual incentives for 2012 and long-term share-based awards granted in 2012.

The Chief Human Resources Officer, the Chief Financial Officer and the Chief Counsel — Global Employment provide assistance as required. The Committee is also supported by the Company's Company Secretary and Executive Compensation functions. No individuals provide input with regard to their own remuneration.

Operation of the Committee

The Committee assists the Company's Board in carrying out its overall responsibilities with regard to executive compensation, including oversight of the determination and administration of the Company's philosophy, policies, programs and plans for the Company's executive officers and non-executive Directors. The Committee annually reviews and determines the compensation of the Company's executive officers, including Mr. Case, the Company's sole executive director, subject to the input of the other independent members of the Company's Board. The Committee consults with Mr. Case on, and directly approves, the compensation of other executive officers, including special hiring and severance arrangements. The Committee administers the Aon Corporation 2011 Incentive Plan (and its predecessor plans), including granting equity (other than awards to Mr. Case, which awards are approved by all of the independent members of the Company's Board in accordance with applicable law) and interpreting the plan, and has general administrative responsibility with respect to the Company's other U.S. employee benefit programs. In addition, the Committee reviews and makes recommendations to the Board concerning the non-executive Directors' compensation and certain amendments to U.S. employee benefit plans or equity plans. The Committee also reviews and discusses the compensation disclosures contained in the Company's Annual Report on Form 10-K and proxy statement and this directors' remuneration report. The Committee may delegate its authority to sub-committees when appropriate, although it did not do so in 2012.

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Determining Remuneration

The Committee sets executive compensation at levels that it believes to be appropriate and competitive for global professional services firms within the Company's market sector and the general industry marketplace. The Committee also strives to link a significant portion of Mr. Case's remuneration and the remuneration of the Company's other senior executives to performance. Overall, the Committee's intent is to manage the various elements of total remuneration together so that the emphasis of the Company's remuneration program is on the Company's variable components of pay, including long-term share-based awards and annual cash incentives that fluctuate based on the Company's performance.

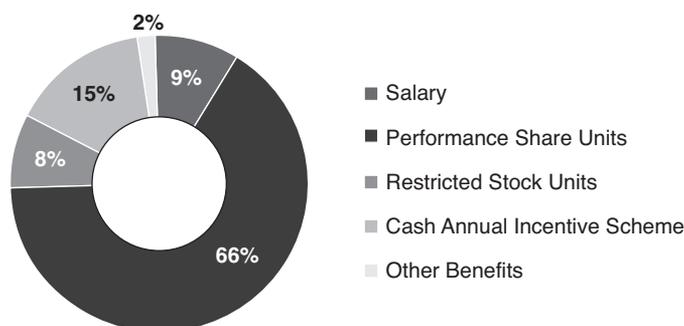
For 2012, and to date in 2013, the Committee does not have a specific market target to set total remuneration for Mr. Case or other executive officers or particular components of it. The Committee does not use a specific formula to set total remuneration either in relation to market data, the relative mix of pay components or otherwise. Rather, the Committee uses its judgment and business experience. A decision regarding one component of remuneration has only an indirect link to decisions regarding other pay components.

The Committee will from time to time consider internal pay fairness factors. However, the Committee has not adopted a broad internal pay equity policy pursuant to which each executive officer's compensation, or one or more components thereof, is tied to or targeted against the compensation of other executive officers. In setting remuneration for 2012 and 2013, the Committee took into account the pay and employment conditions of other employees within the group, as follows:

- The Committee oversees the general funding of the annual cash incentive scheme for other eligible employees within the group, and the funding of that scheme is similarly linked to the Company's performance;
- The Committee oversees the long-term share-based schemes available to other employees within the group and, where applicable, the Committee links those awards to the performance of the Company's business; and
- In 2012, the Committee reviewed and advised management on significant proposed changes to the delivery of health care benefits to the Company's U.S.-based employees.

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The chart below summarizes the actual total remuneration for Mr. Case in 2012 in respect of his “qualifying services” in respect of Aon plc and calculated in accordance with the Regulations.



Long-Term Share-Based Awards

The Company awards two forms of long-term share-based awards to Mr. Case and other executive officers — performance share unit awards and restricted stock units granted in settlement of a proportion of the annual incentive scheme. Performance share unit awards are designed to focus the Company’s executive officers on increasing long-term shareholder value and to align the Company’s executives’ interests with shareholder interests, as well as to encourage executive retention and ownership of Aon shares. Restricted stock units reward the Company’s executive officers for achieving short-term performance goals on an annual basis while supplementing the performance share units to further the goals of the performance share units.

In prior years, the Organization and Compensation Committee of Aon Corporation awarded share options as part of the Company’s Leadership Performance Program, or LPP, with the use of share options discontinued in 2010. The Committee believes that performance share units should be the exclusive form of award under the LPP because performance share units utilize fewer shares and are, therefore, a more efficient form of award than share options, while allowing the Committee to maintain a strong performance focus.

Performance Share Units

In the first quarter of 2013, we granted performance share units to our executive officers, including our executive director, pursuant to the eighth cycle of our “Leadership Performance Program” (“LPP 8”). LPP 8 is the eighth layer of consecutive three-year performance cycles for certain of our executive officers. It is intended to further strengthen the relationship between capital accumulation for our executives and long-term Aon financial performance and shareholder value.

The performance share units awarded under LPP 8 are payable in Ordinary Shares. The nominal value of the awards was determined and approved by the Compensation Committee. The number of target performance share units was calculated on the date of grant based on that day’s

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closing price of Ordinary Shares on the New York Stock Exchange. The Committee does not use a specific formula to set total remuneration either in relation to market data, the relative mix of pay components or otherwise.

The performance share units under LPP 8 will be earned and settled in a range of 0% to 200% of the target value based on performance results over a three-year performance period. The performance period began January 1, 2013, and will end on December 31, 2015. The performance results will be measured against the specified cumulative adjusted earnings per share (“EPS”) target. In prior years, the EPS metric was adjusted to exclude the impact of items of a discrete or non-operating nature, such as restructuring charges so as to provide a target that, while challenging, does not factor in events outside of our executive officers’ control and, the Company believes, measures the Company’s core operating performance in a manner more consistent with how the Company’s shareholders evaluate its core operating performance. For 2013, LPP 8 will use our publicly-reported adjusted EPS metric as a starting point. The program allows for potential but limited adjustments from those measures. This change to the baseline for the calculation is intended to add to the clarity and transparency of the compensation programs but not anticipated to make targets fundamentally more or less challenging to achieve.

After adjustments, the cumulative target ranges from \$13.01, below which no shares would be issued, to \$14.51, which would yield shares equal to 200% of the target value. A result of \$13.80 in cumulative adjusted EPS would yield settlement in Ordinary Shares at 100% of target. This target represents a 6% increase over the adjusted target for the seventh cycle of our Leadership Performance Program established for the performance period 2012-2014 (“LPP 7”). At the time the target was established, the Compensation Committee believed that such target represented a challenging, yet achievable, performance goal.

Award Values and Features In determining the individual awards under LPP 8, the Compensation Committee considered internal pay fairness factors, the award recipient’s compensation mix and total direct compensation. In addition, the market data relevant to Mr. Case supported a larger award to him than the awards granted to the other executive officers generally. The Committee does not use a specific formula to set total remuneration either in relation to market data, the relative mix of pay components or otherwise.

The Compensation Committee determined that performance share units should continue to be the exclusive form of award under LPP 8 (as opposed to a mix of performance share units and stock options under earlier versions of the program) because performance share units use fewer shares and are, therefore, a more efficient form of award while allowing us to maintain a strong performance focus.

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The Compensation Committee's selection under LPP 8 of the three-year performance period and cumulative adjusted EPS financial performance metric provides the award recipients a reasonable period of time within which to achieve and sustain challenging long-term growth objectives. The Compensation Committee believes adjusted EPS more effectively aligns executives to improve Aon performance, rather than EPS calculated in accordance with U.S. GAAP, as the adjusted measure provides a target that is within their control and area of accountability, and is a better measure of long-term operating performance. Further, the Company believes that as adjusted, the EPS measure provides a perspective on the Company's core operating performance that is closer and more consistent with that of its shareholders.

Restricted Stock Units

At the beginning of 2013, the Company granted 18,114 time-vested restricted stock units to Mr. Case and smaller awards to the Company's other executive officers in connection with the Company's Incentive Stock Program. The program provides the Company's executives with 35% of their 2012 performance based annual incentive, which is based upon the achievement of short-term goals as discussed below, in the form of restricted stock units. These time-vested restricted stock units are awarded based upon the achievement of performance goals related solely to the Company's past financial performance measured under the annual incentive plan; however, the time based vesting of the restricted stock units is intended to further focus the attention of Mr. Case and other executive officers on the Company's longer-term performance as a whole, and to further promote employee retention and equity ownership. All annual bonuses for executive officers are payable 65% in cash and 35% in restricted stock units, with such restricted stock units vesting ratably over a three-year period. The Compensation Committee believes this strikes a fair balance between reward for past performance and incentive for future improvements.

Each of the time-vested restricted stock units granted in connection with the program will vest ratably over a three-year period subject to continued employment. Awards are not subject to forfeiture if an employee voluntarily terminates employment but vesting continues over the same three-year period. Vesting is not subject to personal or corporate performance conditions. The restricted stock units are settled in Aon Ordinary Shares.

No other time-vested equity awards were granted to Mr. Case to date in 2013 or in 2012.

Performance-Based Annual Cash Incentive

At the beginning of 2012, the Committee set an Aon-wide performance target (expressed in U.S. dollars) and minimum achievement threshold (expressed as a percentage). If the metric was not achieved, no annual incentives were payable under the Company's schemes to any eligible employees, including Mr. Case or other executive officers. The Committee determined that the 2012 Aon-wide performance target would be planned pre-tax income from continuing operations,

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excluding restructuring charges (“PTI”). The Committee set the minimum achievement threshold at 85% of that target as adjusted for extraordinary, unusual or infrequently occurring items. The Committee selected PTI as the measure to emphasize performance of the Company as a whole and directly link executives’ awards to the Company’s key business initiatives of delivering distinctive client value and achieving operational excellence. In combination with the performance targets established under the Company’s LPP (i.e. cumulative adjusted earnings per share), the Committee believes the annual targets and the three-year LPP targets are better measures of the Company’s core operating performance and balance the executives’ short and long-term perspective appropriately.

The 2012 PTI target was set at a level higher than 2011 actual PTI of the Company’s predecessor, Aon Corporation. The Committee believed that the 2012 target was achievable but challenging. The Committee set the minimum threshold at 85% because the Committee believed performance below that level would not create sufficient value for the Company’s shareholders and, therefore, should not result in bonus payments.

The annual incentive scheme for Mr. Case and other executive officers does not provide guidelines or formulas for determining the actual incentives payable once the metric is achieved. Rather, the Committee retains sole discretion for determining the actual incentives payable. If the metric is achieved, the scheme would allow the Committee to award an incentive up to 300% of the executive’s target incentive or to exercise negative discretion to award a lesser amount. Mr. Case’s target incentive for 2012 was 200% of his base salary, or \$3,000,000.

At the beginning of 2012, the Committee adopted a funding formula for the cash incentives for Mr. Case and other executive officers. The funding formula is based on the Company’s planned growth in PTI in 2012 as compared to PTI of the Company’s predecessor, Aon Corporation, in 2011 and provides that no funding is to occur unless the Company achieved the minimum threshold of 85% of the 2012 PTI target. The funding is adjustable up by 10% at the discretion of the Committee or down by 20% at the discretion of Mr. Case. The funding level can range from 0% to 300%. The incentive pool funding was determined by the aggregate of each participant’s individual target bonus then multiplied by the result of the funding calculation. From year to year, the Committee may take into account any factor in deems reasonable and prudent to determine the funding level. In prior years, an organic growth metric was layered over the PTI metric.

For 2013, the Committee determined that our annual cash incentive scheme will use our publicly-reported adjusted pre-tax income metric but will allow for potential but limited adjustments. This change is intended to add clarity and transparency to the compensation scheme. The 2013 annual cash incentive scheme will otherwise have the same features as the 2012 scheme.

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2012 Performance

During the first quarter of 2013, the Committee determined that the Company's 2012 PTI, after permitted adjustments for extraordinary or unusual items, was 91.9% of plan. This exceeded the minimum threshold established under the scheme.

The Committee then met to determine the funding status of the pool for 2012. The actual size of the incentive pool equals the aggregate target bonuses multiplied by the percentage the pool was funded after application of the formula, as described above. After application of the PTI metric, the total incentive pool for participants, including Mr. Case and other executive officers was determined to be funded at 91.0%.

In February 2013, the Independent Members of the Board of Directors approved an annual incentive award to Mr. Case for 2012 performance in the aggregate value of \$2,950,000, 65% to be paid in cash and 35% to be provided in the form of time-vested restricted stock units (as described above).

Other policies and practices

Incentive Repayment Policy

In November 2012, the Board adopted an Incentive Repayment Policy applicable to the Company's executive officers, including Mr. Case. Pursuant to the Incentive Repayment Policy, the Board may cancel or require reimbursement of any incentive payments or equity-based awards received if the incentive payment or equity award was based on the achievement of financial results that are subsequently restated. If the Board determines that an executive officer engaged in fraud that caused or partially caused the need for the financial restatement, the incentive payment or equity-based award is required to be forfeited or reimbursed in full. If the restatement was not the result of fraud by the executive officer, the Board may, to the extent allowed under applicable law, require forfeiture or reimbursement of the amount the incentive payment or equity-based award exceeded the lower amount that would have been made based on the restated financial results.

Share Ownership Guidelines

The Board has adopted share ownership guidelines. The guidelines are designed to increase the Company's executives' equity stakes and to align the Company's executives' interests more closely with those of its shareholders. The guidelines provide that Mr. Case should attain an investment position in the Company's Ordinary Shares equal to six times his annual base salary and each other executive officer should attain an investment position in the Company's Ordinary Shares equal to three times his or her annual base salary. While there is no specific period of time for an executive officer to reach these levels, each executive officer is expected to make consistent

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progress toward these levels. Mr. Case's shareholdings in the Company exceed the amount required under the guidelines.

The guidelines also set out equity retention rules generally requiring that net profit shares received upon the exercise of options to purchase Aon Ordinary Shares, the vesting of restricted stock units and the vesting of performance share units be retained until the required investment position is achieved. Ordinary Shares counted toward these guidelines include:

- any shares owned outright;
- shares owned through an Aon-sponsored savings or retirement plan;
- shares purchased through an Aon-sponsored employee stock purchase plan;
- shares obtained through the exercise of stock options;
- shares issued upon the vesting of restricted stock units or performance share units;
- "phantom stock" held in the Company's deferred compensation plan; and
- "phantom stock" held in the Aon Supplemental Savings Plan.

The Board also has adopted share ownership guidelines for the Company's non-executive directors. These guidelines require each non-executive Director to hold an investment position in Aon Ordinary Shares equal to five times the annual Director retainer. The guidelines provide a transition period of five years for non-executive Directors to achieve the ownership guidelines level; provided, however that each new non-executive Director is expected to hold 1,000 Ordinary Shares within the first year of joining the Board or transitioning from an executive Director to a non-executive Director. In addition to shares held directly, vested deferred stock units and shares credited to deferred accounts will be included when determining if the target ownership level has been achieved. The shareholdings of each non-executive director exceed the amount required under the guidelines.

Internal Pay Fairness Considerations for Other Executive Officers

In determining Mr. Case's target annual incentive or long-term performance award value, the Committee will, from time to time, consider internal pay fairness factors. However, the Committee has not adopted a broad internal pay equity policy pursuant to which Mr. Case's or any other executive officer's remuneration, or one or more components thereof, is tied to or targeted against the remuneration of other executive officers or employees.

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Base Salary

Base salary is a fixed component of remuneration and is initially set at a level based primarily upon the executive's job scope or level of responsibility. The base salaries of the Company's most senior executives are adjusted rarely, as the Company's general practice is to increase other components of pay based upon superior performance. However, base salaries may be adjusted to, among other things, recognize a significant change in job function or responsibilities or to bring the fixed component of an executive's total compensation in line with his or her peers at the Company or the industry generally.

No base salary adjustment was made for Mr. Case during 2012 or is proposed for 2013.

Executive and Relocation Benefits

During 2012, the Company provided few personal benefits to Mr. Case as a component of his total compensation. Over the years, the Committee has taken significant steps to de-emphasize personal benefits in the Company's executive remuneration schemes.

Retirement Benefits

In addition to the Company's broad-based employee benefit programs that are available to the Company's employees generally (such as health coverage and 401(k) salary deferrals for the Company's U.S.-based employees), Mr. Case is eligible to participate in a supplemental savings plan. In addition, the Company provides an executive health screening program to Mr. Case and other executive officers. Mr. Case does not participate in the defined benefit pension plan or the supplemental pension program of the Company's predecessor, Aon Corporation. Mr. Case was hired by Aon Corporation after the plans were frozen in 2004.

The Company also maintains a Supplemental Savings Plan, in which Mr. Case participated. It is a non-qualified, deferred compensation plan that provides eligible employees, including Mr. Case, with the opportunity to receive contributions that could not be credited under the base U.S. tax-qualified plan because of tax limitations and the specific provisions of such plan. If an executive officer contributes the maximum permissible amount to the Aon Savings Plan, the Supplemental Savings Plan provides for a company allocation as a percentage of compensation in excess of the United States Internal Revenue Service limit (\$250,000 in 2012), with such compensation capped at \$500,000. The percentage allocation varies by length of service but in the first four years of employment the allocation percentage is 3% and increases to 6% after 15 years of service.

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Relocation Benefits

In connection with the Company's relocation of its headquarters to London, England, the Committee approved relocation benefits for the executive officers that relocated to the new corporate headquarters. The Committee approved the relocation benefits after consulting with its independent remuneration consultant, Frederic W. Cook & Co., Inc. and each relocating executive officer signed an international assignment letter with the Company's predecessor, Aon Corporation (the "Letter"), which describes the relocation benefits available to them.

The terms of the Letter for Mr. Case provide for the following benefits:

- relocation and housing benefits;
- cost of living differential benefits;
- a monthly foreign service allowance; and
- tax preparation benefits.

Relocation benefits are customary for expatriate assignments for the Company and other employers in its industry. The relocation packages approved are intended to keep the executive "whole" on a total rewards basis, to be transparent and equitable and to reflect best practices and benchmarks of industry counterparts. The Committee will periodically review the relocation packages of all relocated executive officers.

All of the relocation benefits are subject to recoupment if an executive officer resigns employment with the Company within two years of commencing the international assignment, or twelve months after the end thereof, and becomes employed by a direct competitor of the Company.

Contracts with Mr. Case

The Company competes with companies worldwide for executive talent. As a result, the Company enters into employment agreements on terms designed to attract and retain the best executive management talent. The Committee believes that the provision of change-in-control severance agreements and other transitional remuneration arrangements are critical to recruit talented employees and to secure the continued employment and dedication of the Company's existing employees. All or nearly all of the companies with which the Company competes for talent have similar arrangements in place for their senior executives. While the Committee considers these agreements to be necessary, the terms of these agreements are not considered as part of the remuneration strategy when the Committee annually determines the remuneration for Mr. Case or other executive officers.

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Employment Agreement

Our predecessor, Aon Corporation, entered into an Amended and Restated Employment Agreement with Mr. Case on November 13, 2009 which will expire April 3, 2015 unless terminated earlier. The Company assumed the obligations under this agreement on April 2, 2012.

If the Company terminates his employment for any reason (other than for cause as defined in the agreement), or if Mr. Case voluntarily terminates his employment with good reason (as defined in the agreement), Mr. Case will be entitled to receive:

- his accrued base salary through and including his date of termination;
- any annual incentive bonus earned and payable but not yet paid for the bonus year prior to the year in which termination of employment occurs;
- a prorated annual incentive bonus through and including his date of termination, subject to the satisfaction of the specified performance goals established for the applicable bonus year;
- other employee benefits to which he was entitled at the time of his termination in accordance with the terms of the Company's plans and programs; provided that the Company shall continue to provide medical, dental and vision benefits to Mr. Case, his spouse and dependent children for a period of 24 months following the date of termination, followed with immediate eligibility for coverage under the Company's retiree medical program until Mr. Case, his spouse and dependent children become covered by the plan of another employer providing comparable benefits;
- accelerated vesting of Mr. Case's restricted stock unit awards, continued vesting of his stock option awards, if any, and payment or vesting of any other long-term incentive awards, in each case granted to him pursuant to the agreement;
- a lump sum cash payment equal to two times Mr. Case's target annual incentive bonus for the bonus year in which his employment terminates; and
- subject to continuing compliance with the non-competition, non-solicitation and confidentiality covenants set forth in the agreement, an amount equal to two times Mr. Case's base salary, payable in installment payments when the Company provides salary payments to the Company's executives generally, through a two-year non-competition period.

In addition, if Mr. Case's employment is terminated for any reason other than by the Company for cause (as defined in the agreement) after Mr. Case has attained at least age 50, which occurred in December 2012, and completed at least 10 years of continuous employment, which he

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will do on April 4, 2015, Mr. Case, his spouse and his dependent children will be eligible for coverage under the Company's retiree medical program.

In the event of a termination for cause, Mr. Case must immediately resign from the Board.

Severance Agreements regarding Change-in-Control

The Company has entered into severance agreements with several of the Company's key executive officers, including Mr. Case. These agreements are intended to secure the continued service and to ensure the dedication and objectivity of these executives in the event of an actual or threatened change-in-control (as defined below) of Aon.

In 2009, the Company's predecessor, Aon Corporation, entered into a change-in-control severance agreement with Mr. Case, which the Company assumed on April 2, 2012. The agreement is intended to secure his continued service, and to ensure his dedication and objectivity in the event of an actual or threatened change-in-control of Aon. The agreement provides that Mr. Case will receive certain severance benefits upon qualifying terminations of employment in connection with, or within two years following, a change-in-control of the Company. A "change-in-control" for purposes of this agreement generally occurs upon any of the following:

- an acquisition of 30% or more of either outstanding Ordinary Shares or the combined voting power of the outstanding securities entitled to vote;
- a change in the majority of the current Board;
- a reorganisation, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company, unless
 - the existing shareholders receive more than 60% of the outstanding Ordinary Shares and the combined voting power of the surviving company, as the case may be,
 - no person or group owns 30% or more of the outstanding Ordinary Shares or combined voting power of the surviving company and
 - there is no change in the majority of the Board; or
- a liquidation or dissolution of the Company.

The agreement requires a "double trigger" — a qualifying change-in-control of the Company and a qualifying termination of the executive's employment — in order for severance benefits to become payable. Qualifying terminations consist of termination by the Company other than for cause (as defined in the severance agreement) or by Mr. Case for good reason (as defined in the severance agreement), in each case in connection with or within two years following a change-in-control of the Company.

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The severance agreement with Mr. Case provides that he receives the following severance benefits upon qualifying terminations (as defined below) of employment in connection with or within two years following a change-in-control of the Company:

- Mr. Case's base salary through the date of termination, a pro-rated bonus based upon his average annual cash incentive for the preceding three years and any accrued vacation pay;
- three times the sum of (i) his highest annual base salary in effect during the twelve-month period prior to the date of termination and (ii) his target annual incentive bonus for the fiscal year in which the date of termination occurs;
- the amount forfeited by Mr. Case under any qualified defined contribution plan as a result of his termination; and
- Mr. Case's accrued benefits under the Company's nonqualified benefit plans, which shall vest and be payable with three additional years of age and service credit and, in the case of the Supplemental Savings Plan, three additional years of plan contributions.

In addition, pursuant to the terms of Mr. Case's severance agreement, the Company is required to pay Mr. Case a lump sum cash amount equal to the actuarial equivalent of Mr. Case's accrued benefits under the Company's nonqualified benefit plans within 30 days of his termination of employment with the Company.

In addition, all stock options and other equity awards will become fully vested and each option will remain exercisable until the expiration of its term.

The severance agreement also requires that the Company maintain medical, dental and life insurance on behalf of Mr. Case for three years, or, if earlier, until Mr. Case becomes eligible for substantially equivalent benefits from another employer.

As a condition to the receipt of payments and benefits pursuant to the severance agreement, Mr. Case is required to enter into an agreement with the Company providing that he will not compete with the Company or solicit the Company's employees or customers for a two-year period and will not use or disclose any of the Company's confidential information. In addition, the severance agreement provides for a full release by Mr. Case of claims in connection with the payment of severance benefits.

The Company may terminate the severance agreement for the Company's executives, including Mr. Case, upon 120 days notice to an executive, provided that no termination may occur if the Company has knowledge of an action to effect a change-in-control or if there has been a change-in-control. In any event, each executive's agreement will terminate upon the first to occur of

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the executive's death and the termination of the employment relationship of the executive prior to a change-in-control.

Non-Executive Director Remuneration

Fees

Non-executive director fees are set by the Board of Directors as a whole. Effective on 2 April, 2012, the date that Aon plc became the parent company of the Aon group, Aon plc provided its non-executive Directors with the following cash compensation:

- an annual retainer of \$95,000, payable quarterly;
- an additional annual retainer of \$15,000 to the Chairs of each Board committee other than the Audit Committee; and
- an additional annual retainer of \$25,000 to the Chair of the Audit Committee.

Effective at the 2012 annual general meeting, to reflect the additional time commitment required as a result of serving as a director of a United Kingdom-domiciled company, the Board approved an increase in the annual retainer to \$105,000, payable quarterly and effective immediately.

Equity Awards

Effective at the May 2012 annual general meeting, to reflect the additional time commitment required as a result of serving as a director of a United Kingdom-domiciled company, the Board approved an annual grant of fully vested shares with a value of \$145,000.

Each non-executive Director is entitled to receive an annual grant of Aon Ordinary Shares on the date of the Company's annual general meeting of shareholders. In 2012, the annual grant was dependent on the Company receiving confirmation from H.M. Revenue and Customs of the tax treatment of the annual grant, and as a result the grant occurred on July 27, 2012.

The annual grant of Aon Ordinary Shares has a target value of \$145,000 and the Non-Executive Chairman of the Board receives an additional grant with a \$200,000 target value. The number of Aon Ordinary Shares to be granted is determined by dividing \$145,000 (or in the case of the Company's Non-Executive Chairman, \$345,000) by the fair market value of an Aon Ordinary Share on the date of grant.

Letters of Appointment

The Company does not enter into service contracts with its non-executive Directors; rather the Company enters into letters of appointment which may be terminated by the Company at any

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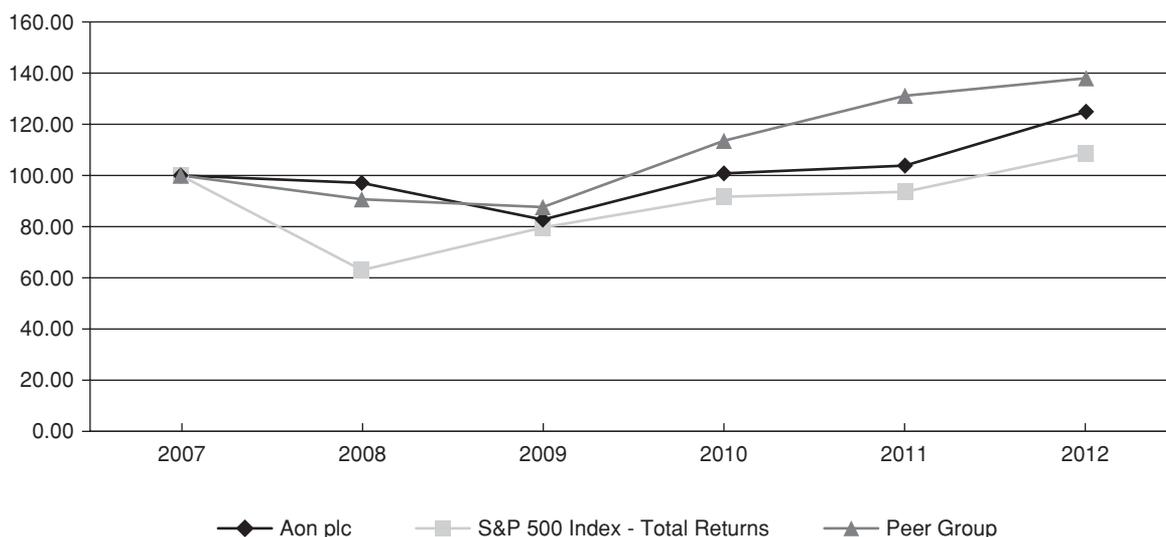
time without compensation to the non-executive Director for such termination. In addition, such letter of appointment provides that the non-executive Director must stand for re-election at each annual general meeting of the Company.

Performance Graph

The graph below shows the total shareholder return of the Company (and its predecessor Aon Corporation) for the five years ended 31 December 2012 on an assumed investment of \$100 on 31 December 2007 in Aon Corporation, the Standard & Poor's S&P 500 Stock Index and an index of peer group companies.

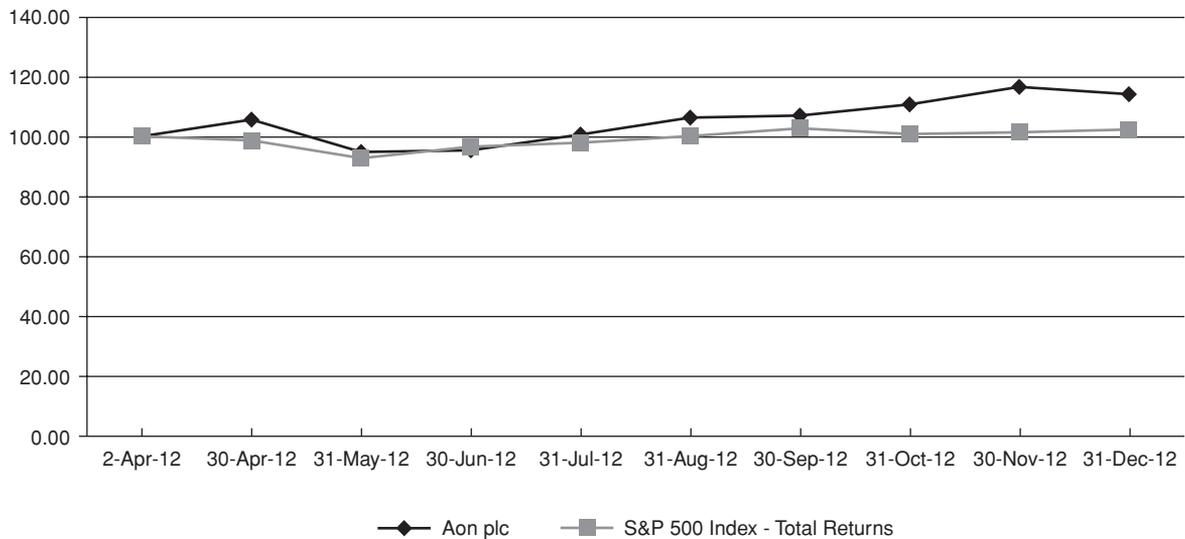
The Standard & Poor's S&P 500 Stock Index has been chosen because the Company is a part of this index, and as a result the Company is required to use this index in its performance graph under U.S. Securities and Exchange Commission rules.

The peer group index reflects the performance of the following peer group companies which are, taken as a whole, in the same industry or which have similar lines of business as Aon: Arthur J. Gallagher & Co.; Marsh & McLennan Companies, Inc.; Brown & Brown, Inc.; Towers Watson & Co. and Willis Group Holdings Public Limited Company. The peer group returns are weighted by market capitalization at the beginning of each year. The performance graph assumes that the value of the investment of Aon Ordinary Shares and the peer group index was allocated pro rata among the peer group companies according to their respective market capitalizations, and that all dividends were reinvested.



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The second graph is required by Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008. It relates to the performance of Aon plc only, from 2 April 2012 (being the date that Class A Ordinary Shares of Aon plc began trading on the New York Stock Exchange) to 31 December 2012 against the Standard & Poor's S&P 500 Stock Index during that period.



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Directors' Remuneration (audited)

Aon plc became the parent company of the Aon group on 2 April 2012. Prior to the consummation of the transaction resulting in Aon plc becoming the parent company of the Aon group, none of the Company's directors received any compensation for their service as a director of Aon plc or otherwise in respect of any "qualifying services" in respect of Aon plc (within the meaning given to that term in the Regulations). The emoluments and compensation for the Company's directors set forth below reflects emoluments and compensation received in respect of their "qualifying services" in respect of Aon plc beginning on 2 April 2012.

(amounts in \$)	Salary and Fees	Cash Award	ISP Award	Other Emoluments	Benefits	Total Emoluments	
						2012	2011
Executive Director							
Gregory C. Case (1)	1,125,000	1,917,500	1,032,500 (2)	267,000 (3)	66,665 (4)	4,408,665	n/a
Non-Executive Directors							
Lester B. Knight	435,043	—	—	22,216 (5)	186 (6)	457,445	n/a
Fulvio Conti	231,251	—	—	8,264 (5)	93 (6)	239,608	n/a
Cheryl A. Francis	223,751	—	—	8,550 (5)	93 (6)	232,394	n/a
Edgar D. Jannotta	223,751	—	—	8,588 (5)	93 (6)	232,432	n/a
Jan Kalff (7)	26,250	—	—	—	—	26,250	n/a
J. Michael Losh	242,501	—	—	7,714 (5)	186 (6)	250,401	n/a
R. Eden Martin (7)	26,250	—	—	—	—	26,250	n/a
Robert S. Morrison	223,751	—	—	8,581 (5)	93 (6)	232,425	n/a
Richard B. Myers	223,751	—	—	8,282 (5)	93 (6)	232,126	n/a
Richard C. Notebaert	235,001	—	—	8,558 (5)	186 (6)	243,745	n/a
John W. Rogers, Jr. (7)	30,000	—	—	—	—	30,000	n/a
Gloria Santona	235,001	—	—	7,714 (5)	—	242,715	n/a
Carolyn Y. Woo	223,751	—	—	8,272 (5)	93 (6)	232,116	n/a
Total emoluments	3,705,052	1,917,500	1,032,500	363,739	67,781	7,086,572	

Notes

- (1) Mr. Case serves as the Company's President and Chief Executive Officer, and receives his remuneration for serving in that role. Mr. Case receives no additional remuneration for serving as a director of the Company.
- (2) ISP portion of award under Annual Incentive Scheme which was granted in the form of 18,114 restricted stock units on February 15, 2013.
- (3) Mr. Case was entitled to certain allowances in connection with his relocation to London. See "Relocation Benefits" above.
- (4) Consists of accompanied travel and tax preparation services. For accompanied travel, the amount included is the amount charged to income tax for Mr. Case in accordance with United States Internal Revenue Service regulations.
- (5) Consists of tax equalization for incremental taxes paid in the United Kingdom as a result of the Company's redomestication.
- (6) Consists of gift to the directors in recognition of their service.
- (7) Each of Messrs. Kalff, Martin and Rogers retired from the Board at the 2012 Annual General Meeting of Shareholders on 18 May 2012.

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During the relevant year and prior to Aon plc becoming the parent company of the Aon group on 2 April 2012, John Cullen, Christa Davies, Richard Ferris and Laurel Meissner each served as a director of Aon Global Limited prior to its re-registration as Aon plc. No emoluments or compensation was paid to these directors in respect of their service as a director of Aon plc or otherwise in respect of any “qualifying services” in respect of Aon plc.

Share Options

As of 31 December 2012, no director has received any share option granted in respect of their service as a director of Aon plc or otherwise in respect of any “qualifying services” in respect of Aon plc.

Mr. Case holds options as set forth below which were granted in respect of his prior service as President, Chief Executive Officer and Director of Aon Corporation which were assumed by Aon plc on 2 April 2012 and related to the Class A Ordinary Shares in Aon plc. The options are not subject to performance conditions.

	At 1 Jan 2012	Granted During Year	Exercised During Year	Lapsed During Year	At 31 Dec 2012	Exercise Price (\$)	Market Price at Date of Exercise (\$)	Date from Which Exercisable	Expiry Date
Gregory C. Case	1,000,000	—	—	—	1,000,000	22.86	n/a	4 Apr 2007 (1)	4 Apr 2015
	90,567	—	90,567	—	—	41.365	48.95	17 Mar 2007 (2)	17 Mar 2012
	118,985	—	—	—	118,985	37.82	n/a	16 Mar 2008 (3)	16 Mar 2013
	96,432	—	—	—	96,432	40.91	n/a	13 Mar 2009 (4)	13 Mar 2014
	107,582	—	—	—	107,582	39.04	n/a	20 Mar 2010 (5)	20 Mar 2015

Notes

- (1) One-third of the options vested on each of April 4, 2007, April 4, 2008 and April 4 2009.
- (2) One-third of the options vested on each of March 17, 2007, March 17, 2008 and March 17, 2009.
- (3) One-third of the options vested on each of March 16, 2008, March 16, 2009 and March 16, 2010.
- (4) One-third of the options vested on each of March 13, 2009, March 13, 2010 and March 13, 2011.
- (5) One-third of the options vested on each of March 20, 2010, March 20, 2011 and March 20, 2012.

The closing price of a Class A Ordinary Share of Aon plc on 31 December 2012 was \$55.61. From 2 April 2012, the date that the Company’s Class A Ordinary Shares became listed on the New York Stock Exchange, until 31 December 2012, the range was \$45.04 to \$57.92.

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Long-Term Incentive Schemes

As of 31 December 2012, Mr. Case had the awards set forth below outstanding under the Company's Leadership Performance Plan and Incentive Stock Plan. While no awards were made in respect of qualifying service, they were assumed by Aon plc on 2 April 2012 and relate to Class A Ordinary Shares in the Company. The awards set forth below vest in future years and the Class A Ordinary Shares will become receivable under the plans in respect of qualifying service. None of the Company's non-executive Directors have any scheme interest in respect of qualifying service.

	Award Date	At 1 Jan	At 31 Dec	End of Performance Period/Latest Vesting Date	Vesting Date	Number of Shares Vested in 2012/2013	Market Price on Award Date (\$)	Market Price on Vesting Date (\$)
		Maximum number of shares under Award	Maximum number of shares under Award					
Leadership Performance Plan Awards (1)								
Gregory C. Case	9 Mar 2010	823,046	823,046	31 Dec 2012	14 Feb 2013	358,025 (2)	41.31	57.30
	18 Mar 2011	323,264	323,264	31 Dec 2013	Feb 2014	—	51.97	n/a
	16 Mar 2012	—	351,236	31 Dec 2014	Feb 2015	—	48.97	n/a
Incentive Stock Plan Awards (3)								
	26 Feb 2010	17,097	8,548	26 Feb 2013	26 Feb 2012 26 Feb 2013	8,549 8,548	40.94	47.53 60.05
	18 Feb 2011	19,838	13,225	18 Feb 2014	18 Feb 2012 18 Feb 2013 18 Feb 2014	6,613 6,613 —	52.93	47.62 57.00
	17 Feb 2012	—	14,700	16 Feb 2015	17 Feb 2013 17 Feb 2014 17 Feb 2015	4,901 — —	47.62	57.00

Notes

- (1) For performance shares awarded under the Leadership Performance Plan, the actual number of shares issued to Mr. Case is determined based upon the adjusted earnings per share of Aon during the performance period. For all awards, the maximum potential number of shares that may vest is shown. See "Long-Term Share-Based Awards — Performance Share Units" above.
- (2) Represents the actual number of shares awarded to Mr. Case on February 14, 2013.
- (3) For restricted stock units awarded under our Incentive Stock Plan, the shares awarded are the restricted share portion of awards approved by the independent members of the Board of Directors based upon the achievement of certain performance measures by Mr. Case during the year prior to the award date under the annual incentive plan. The restricted stock units vest in equal amounts on the first through the third anniversary date of the award date subject to continued employment. No other performance conditions apply to the vesting of the restricted stock units.

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Director Pension Scheme

During the year ended 31 December 2012, for Mr. Case, the Company did not make any matching contributions to the Aon Savings Plan and the Aon Supplemental Savings Plan in respect of Mr. Case's qualifying service. The Aon Savings Plan and the Aon Supplemental Savings Plan are defined contribution plans. No director participates in a defined benefit plan.

For and on behalf of the Board

R Padmanabhan

Company Secretary

Date: 15 March 2013

Registered Number 07876075

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law, the directors are required to prepare Group financial statements under accounting principles generally accepted in the United States of America (U.S GAAP) and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under Company Law the directors must not approve the Group or parent company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period.

In preparing the Group and parent company financial statements, the directors are required to:

- for the Group financial statements, present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, provide additional disclosures when compliance with the specific requirements in U.S. GAAP is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether the Group financial statements have been prepared in accordance with U.S. GAAP subject to any material departures disclosed and explained in the financial statements;

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- for the parent company financial statements, state whether applicable U.K. Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for preparing the Directors' Report in accordance with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the U.K. governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AON PLC

We have audited the group financial statements of Aon plc for the year ended 31 December 2012 which comprise the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Shareholders' Equity, and the Consolidated Cash Flows Statement and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and accounting principles generally accepted in the United States of America (U.S. GAAP).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 101, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (U.K. and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Aon plc for the year ended 31 December 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.

Kevin Senior (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
15 March 2013

AON plc
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CONSOLIDATED STATEMENT OF INCOME

<i>(millions, except per share data)</i>	Years ended December 31	2012	2011	2010
Revenue				
Commissions, fees and other		\$11,476	\$11,235	\$8,457
Fiduciary investment income		38	52	55
Total revenue		11,514	11,287	8,512
Expenses				
Compensation and benefits		6,709	6,567	5,097
Other general expenses		3,209	3,124	2,171
Total operating expenses		9,918	9,691	7,268
Operating income		1,596	1,596	1,244
Interest income		10	18	15
Interest expense		(228)	(245)	(182)
Other income (expense)		3	15	(18)
Income from continuing operations before income taxes		1,381	1,384	1,059
Income taxes		360	378	300
Income from continuing operations		1,021	1,006	759
(Loss) income from discontinued operations before income taxes		(1)	5	(39)
Income taxes (benefit)		—	1	(12)
(Loss) income from discontinued operations		(1)	4	(27)
Net income		1,020	1,010	732
Less: Net income attributable to noncontrolling interests		27	31	26
Net income attributable to Aon shareholders		\$993	\$979	\$706
Net income attributable to Aon shareholders				
Income from continuing operations		\$994	\$975	\$733
(Loss) income from discontinued operations		(1)	4	(27)
Net income		\$993	\$979	\$706
Basic net income (loss) per share attributable to Aon shareholders				
Continuing operations		\$3.03	\$2.91	\$2.50
Discontinued operations		—	0.01	(0.09)
Net income		\$3.03	\$2.92	\$2.41
Diluted net income (loss) per share attributable to Aon shareholders				
Continuing operations		\$2.99	\$2.86	\$2.46
Discontinued operations		—	0.01	(0.09)
Net income		\$2.99	\$2.87	\$2.37
Cash dividends per share paid on ordinary shares		\$0.62	\$0.60	\$0.60
Weighted average ordinary shares outstanding — basic		328.5	335.5	293.4
Weighted average ordinary shares outstanding — diluted		332.6	340.9	298.1

The notes on pages 110 to 170 are an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(millions, except par value)</i>	Years Ended December 31	2012	2011	2010
Net income		\$1,020	\$1,010	\$732
Less: Net income attributable to noncontrolling interests		27	31	26
Net income attributable to Aon shareholders		\$993	\$979	\$706
Other comprehensive gain (loss), net of tax:				
Change in accounting principle		—	—	(44)
Change in fair value of derivatives		9	(13)	(24)
Foreign currency translation adjustments		109	(43)	(135)
Post-retirement benefit obligation		(358)	(396)	(41)
Total other comprehensive loss		(240)	(452)	(244)
Less: Other comprehensive income (loss) attributable to noncontrolling interests		—	1	(2)
Total other comprehensive income (loss) attributable to Aon shareholders		(240)	(453)	(242)
Comprehensive income attributable to Aon shareholders		\$753	\$526	\$464

The notes on pages 110 to 170 are an integral part of these financial statements.

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CONSOLIDATED BALANCE SHEET

<i>(millions USD, except par value)</i>	As of December 31	2012	2011
FIXED ASSETS			
Goodwill		\$8,943	\$8,770
Customer relationships, technology, and tradenames (Intangible assets, net)		2,975	3,276
Tangible fixed assets (Fixed assets, net)		820	783
Investments		165	239
Total fixed assets		12,903	13,068
CURRENT ASSETS			
Receivables, net		3,101	3,183
Fiduciary assets		12,214	10,838
Deferred tax assets: amounts recoverable in greater than one year		285	258
Other assets: amounts recoverable in greater than one year (Other non-current assets)		916	721
Other assets: amounts recoverable in less than one year (Other current assets)		430	427
Short-term investments		346	785
Cash at bank and in hand (Cash and cash equivalents)		291	272
Total current assets		17,583	16,484
TOTAL ASSETS		\$30,486	\$29,552
LIABILITIES AND EQUITY			
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Short-term debt and current portion of long-term debt		\$452	\$337
Accounts payable and accrued liabilities		1,770	1,727
Fiduciary liabilities		12,214	\$10,838
Other current liabilities		762	688
Total creditors: amounts falling due within one year		15,198	13,590
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Long-term debt		3,713	4,155
Other non-current liabilities		951	916
Total creditors: amounts falling due after more than one year		4,664	5,071
PROVISION FOR LIABILITIES			
Pension, other post retirement, and post employment liabilities		2,276	2,192
Deferred tax liabilities		306	301
Other provisions falling due within one year		152	170
Other provisions falling due after more than one year		85	108
Total provision for liabilities		2,819	2,771
TOTAL LIABILITIES		22,681	21,432
EQUITY			
Called up share capital (Ordinary shares) (2012 — \$0.01 nominal value; 2011 — \$1.00 par value)		3	386
Authorized: 750 shares (issued: 2012 — 310.9; 2011 — 386.4)		82	—
Share premium reserve		4,354	4,021
Share option and other reserves		4,436	4,021
Additional paid in capital		5,933	8,594
Profit and loss reserve (Retained earnings)		—	(2,553)
Reserve for own shares (Treasury shares at cost) (shares: 2012 — 0; 2011 — 61.6)		(2,610)	(2,370)
Other reserves (Accumulated other comprehensive income)		7,762	8,078
TOTAL AON SHAREHOLDERS' EQUITY		7,762	8,078
Minority interests (Noncontrolling interests)		43	42
TOTAL EQUITY		7,805	8,120
TOTAL LIABILITIES AND EQUITY		\$30,486	\$29,552

The financial statements were approved by the Board of Directors on 15 March 2013.

Gregory C. Case, Director

The notes on pages 110 to 170 form an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

<i>(millions)</i>	Shares	Ordinary Shares and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total
Balance at January 1, 2010	362.7	\$3,578	\$7,379	\$(3,859)	\$(1,719)	\$52	\$5,431
Net income	—	—	706	—	—	26	732
Shares issued — Hewitt acquisition	61.0	2,474	—	—	—	—	2,474
Shares issued — employee benefit plans	2.2	135	—	—	—	—	135
Shares purchased	—	—	—	(250)	—	—	(250)
Shares reissued — employee benefit plans	—	(370)	(49)	370	—	—	(49)
Shares retired	(40.0)	(1,660)	—	1,660	—	—	—
Tax benefit — employee benefit plans	—	20	—	—	—	—	20
Share compensation expense	—	221	—	—	—	—	221
Dividends to shareholders	—	—	(175)	—	—	—	(175)
Change in net derivative gains/losses	—	—	—	—	(24)	—	(24)
Net foreign currency translation adjustments	—	—	—	—	(133)	(2)	(135)
Net post-retirement benefit obligation	—	—	—	—	(41)	—	(41)
Purchase of subsidiary shares from noncontrolling interests	—	(12)	—	—	—	(3)	(15)
Capital contribution by noncontrolling interests	—	—	—	—	—	2	2
Dividends paid to noncontrolling interests on subsidiary common stock	—	—	—	—	—	(20)	(20)
Balance at December 31, 2010	385.9	4,386	7,861	(2,079)	(1,917)	55	8,306
Net income	—	—	979	—	—	31	1,010
Shares issued — employee benefit plans	0.5	113	(1)	—	—	—	112
Shares purchased	—	—	—	(828)	—	—	(828)
Shares reissued — employee benefit plans	—	(354)	(45)	354	—	—	(45)
Tax benefit — employee benefit plans	—	36	—	—	—	—	36
Share compensation expense	—	235	—	—	—	—	235
Dividends to stockholders	—	—	(200)	—	—	—	(200)
Change in net derivative gains/losses	—	—	—	—	(13)	—	(13)
Net foreign currency translation adjustments	—	—	—	—	(44)	1	(43)
Net post-retirement benefit obligation	—	—	—	—	(396)	—	(396)
Purchase of subsidiary shares from noncontrolling interests	—	(9)	—	—	—	(15)	(24)
Dividends paid to noncontrolling interests on subsidiary common shares	—	—	—	—	—	(30)	(30)
Balance at December 31, 2011	386.4	4,407	8,594	(2,553)	(2,370)	42	8,120

The notes on pages 110 to 170 are an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (CONTINUED)

<i>(millions)</i>	Shares	Called up share capital	Share premium reserve	Share Option and Other Reserves	Profit and Loss	Reserve for Own Shares	Other Reserves	Minority Interest	Total
Balance at December 31, 2011	386.4	—	—	4,407	8,594	(2,553)	(2,370)	42	8,120
Net income	—	—	—	—	238	—	—	11	249
Shares issued — employee benefit plans	—	—	—	2	—	—	—	—	2
Shares purchased	—	—	—	—	—	(100)	—	—	(100)
Shares reissued — employee benefit plans	—	—	—	(181)	(13)	181	—	—	(13)
Tax benefit — employee benefit plans	—	—	—	16	—	—	—	—	16
Share-based compensation expense	—	—	—	55	—	—	—	—	55
Dividends to shareholders	—	—	—	—	(49)	—	—	—	(49)
Change in net derivative gains/losses	—	—	—	—	—	—	7	—	7
Net foreign currency translation adjustments	—	—	—	—	—	—	103	1	104
Net post-retirement benefit obligation	—	—	—	—	—	—	21	—	21
Purchase of subsidiary shares from noncontrolling interests	—	—	—	—	—	—	—	5	5
Dividends paid to noncontrolling interests on subsidiary common stock	—	—	—	—	—	—	—	(1)	(1)
Balance at March 31, 2012	386.4	—	—	4,299	8,770	(2,472)	(2,239)	58	8,416
Reclassification of called up share capital	—	386	—	(386)	—	—	—	—	—
Redomestication	—	(323)	82	241	—	—	—	—	—
Retirement of treasury shares	(60.0)	(60)	—	—	(2,412)	2,472	—	—	—
April 2, 2012 (Redomestication)	326.4	3	82	4,154	6,358	—	(2,239)	58	8,416
Net income	—	—	—	—	755	—	—	16	771
Shares issued — employee benefit plans	4.0	—	—	27	—	—	—	—	27
Shares purchased	(19.5)	—	—	—	(1,025)	—	—	—	(1,025)
Shares reissued — employee benefit plans	—	—	—	—	—	—	—	—	—
Tax benefit — employee benefit plans	—	—	—	17	—	—	—	—	17
Share-based compensation expense	—	—	—	157	—	—	—	—	157
Dividends to shareholders	—	—	—	—	(155)	—	—	—	(155)
Change in net derivative gains/losses	—	—	—	—	—	—	2	—	2
Net foreign currency translation adjustments	—	—	—	—	—	—	6	(1)	5
Net post-retirement benefit obligation	—	—	—	—	—	—	(379)	—	(379)
Purchase of subsidiary shares from noncontrolling interests	—	—	—	(1)	—	—	—	(4)	(5)
Dividends paid to noncontrolling interests on subsidiary common stock	—	—	—	—	—	—	—	(26)	(26)
Balance at December 31, 2012	310.9	\$3	\$82	\$4,354	\$5,933	\$—	(\$2,610)	\$43	\$7,805

The notes on pages 110 to 170 are an integral part of these financial statements.

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CONSOLIDATED CASH FLOWS STATEMENT

<i>(millions USD)</i>	Years ended December 31	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income		\$1,020	\$1,010	\$732
Adjustments to reconcile net income to cash provided by operating activities:				
(Gain) loss from sales of businesses, net		—	(6)	43
Depreciation of fixed assets		232	220	151
Amortization of intangible assets		423	362	154
Share-based compensation expense		212	235	221
Deferred income taxes		(95)	146	76
Change in assets and liabilities:				
Fiduciary receivables		(1,402)	(14)	816
Short-term investments — funds held on behalf of clients		239	(713)	(19)
Fiduciary liabilities		1,163	727	(797)
Receivables, net		106	(494)	(69)
Accounts payable and accrued liabilities		(37)	—	(280)
Restructuring reserves		(46)	(73)	(64)
Current income taxes		185	120	—
Pension and other post employment liabilities		(585)	(399)	(130)
Other assets and liabilities		4	(103)	(51)
CASH PROVIDED BY OPERATING ACTIVITIES		1,419	1,018	783
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of long-term investments		178	190	90
Purchase of long-term investments		(12)	(30)	(34)
Net sale (purchase) of short-term investments — non-fiduciary		440	(8)	(337)
Acquisition of businesses, net of cash acquired		(160)	(97)	(2,078)
Capital expenditures		(269)	(241)	(180)
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES		177	(186)	(2,539)
CASH FLOWS FROM FINANCING ACTIVITIES				
Share repurchase		(1,125)	(828)	(250)
Issuance of shares for employee benefit plans		118	201	194
Issuance of debt		733	1,673	2,905
Repayment of debt		(1,077)	(1,688)	(816)
Cash dividends to shareholders		(204)	(200)	(175)
Purchase of shares from noncontrolling interests		(4)	(24)	(15)
Dividends paid to noncontrolling interests		(27)	(30)	(20)
CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES		(1,586)	(896)	1,823
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		9	(10)	62
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		19	(74)	129
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		272	346	217
CASH AND CASH EQUIVALENTS AT END OF YEAR		\$291	\$272	\$346
Supplemental disclosures:				
Interest paid		\$232	\$240	\$158
Income taxes paid, net of refunds		238	77	192
Non-cash transactions:				
Acquisition of Hewitt, common stock issued and stock options assumed		\$—	\$—	\$2,474

The notes on pages 110 to 170 are an integral part of these financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The directors have elected to prepare Consolidated Financial Statements in accordance with accounting principles generally acceptable in the United States of America (U.S. GAAP) as permitted by Statutory Instrument 2012 No. 2405 *The Accounting Standards (Prescribed Bodies) (United States of America and Japan) Regulations 2012* (SI 2012 No. 2405). The Directors Report and Consolidated Financial Statements are also prepared in accordance with the Companies Act 2006.

The Consolidated Financial Statements have been prepared for purposes of satisfying Companies Act 2006 requirements for entities domiciled in the U.K. The basis of preparation for these Consolidated Financial Statements is U.S. GAAP to the extent that the use of those principles does not contravene any provisions of the Companies Act 2006 or any regulations made there under as permitted by SI 2012 No. 2405. The Company has mirrored the Consolidated Financial Statements and Notes thereto to the Form 10-K filed with the SEC on February 22, 2013 to the extent that the Consolidated Financial Statements and Notes thereto contained in the Form 10-K do not contravene any provisions of the Companies Act 2006 or any regulations made there under as permitted by SI 2012 No. 2405. Certain items contained in the Form 10-K that are SEC requirements and have no comparable requirement under the Companies Act 2006 have been removed.

Where compliance with any of the provisions of the Companies Act 2006 is inconsistent with the requirements to give a true and fair view of the state of affairs and profit or loss in accordance with U.S. GAAP, the Directors have invoked the true and fair override. The Companies Act 2006 requires that goodwill is carried at cost reduced by provisions for depreciation calculated to write off the goodwill systematically over a period chosen by the Directors, which does not exceed its useful economic life. Under U.S. GAAP, Aon plc does not amortise goodwill. Instead goodwill is carried at cost less impairment, with impairment tested at least annually. As Aon's treatment of goodwill conflicts with the Regulations, the Directors have invoked a true and fair override in order to overcome the prohibition on non-amortisation of goodwill in the Companies Act 2006.

The Consolidated Financial Statements include the accounts of Aon plc and all controlled subsidiaries ("Aon" or the "Company"). All material intercompany accounts and transactions have been eliminated. The Consolidated Financial Statements as of December 31, 2012 and 2011, and for the years ended December 31, 2012, 2011, and 2010, include, in the opinion of management, all adjustments (consisting of normal recurring adjustments and reclassifications) necessary to present fairly the Company's consolidated financial position, results of operations and cash flows for all periods presented. The Consolidated Financial Statements and the majority of the

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information in the Notes thereto have been reconciled to the Company's Annual Report on Form 10-K for the fiscal year ended 31 December 2012 filed with the U.S. Securities and Exchange Commission on 22 February 2013.

Company Redomestication

On April 2, 2012, the Company completed the reorganization of the corporate structure of the group of companies controlled by its predecessor, Aon Corporation, as holding company of the Aon group, pursuant to which Aon Corporation merged with one of its indirect, wholly owned subsidiaries and Aon plc became the publicly-held parent company of the Aon group. This transaction is referred to as the Redomestication. In the Redomestication, each issued and outstanding share of Aon Corporation common stock held by stockholders of Aon Corporation was converted into the right to receive one Class A Ordinary Share, nominal value \$0.01 per share, of Aon plc. Likewise, equity incentive and compensation plans were assumed by Aon plc and amended to provide that those plans will now provide for the award and issuance of Class A Ordinary Shares instead of shares of common stock of Aon Corporation on a one-for-one basis. Shares of treasury stock of Aon Corporation were cancelled in the Redomestication. Any references to "Aon", "the Company", "us", or "we," or any similar references relating to periods before the Redomestication shall be construed as references to Aon Corporation, being the previous parent company of the Aon group.

Use of Estimates

The preparation of the accompanying Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Aon adjusts such estimates and assumptions when facts and circumstances dictate. Illiquid credit markets, volatile equity markets, and foreign currency movements have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

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2. Summary of Significant Accounting Principles and Practices

Revenue Recognition

Risk Solutions segment revenues include insurance commissions and fees for services rendered and investment income on funds held on behalf of clients. Revenues are recognized when they are earned and realized or realizable. The Company generally considers revenues to be earned and realized or realizable when there is persuasive evidence of an arrangement with a client, there is a fixed or determinable price, services have been rendered, and collectability is reasonably assured. For brokerage commissions, revenue is typically considered to be earned and realized or realizable at the completion of the placement process, assuming all other criteria required to recognize revenue have been met. The placement process is typically considered complete on the effective date of the related policy. Commission revenues are recorded net of allowances for estimated policy cancellations, which are determined based on an evaluation of historical and current cancellation data. Commissions on premiums billed directly by insurance carriers are recognized as revenue when the Company has sufficient information to conclude the amount due is determinable, which may not occur until cash is received from the insurance carrier. Investment income is typically recognized as funds for clients are physically held by the Company are bearing interest that is deemed probable of collection.

HR Solutions segment revenues consist primarily of fees paid by clients for consulting advice and outsourcing contracts. Fees paid by clients for consulting services are typically charged on an hourly, project or fixed-fee basis. Revenues from time-and-materials or cost-plus arrangements are recognized as services are performed, assuming all other criteria for recognizing revenue have been met. Revenues from fixed-fee contracts are recognized as services are provided using a proportional-performance model or at the completion of a project based on facts and circumstances of the client arrangement. Reimbursements received for out-of-pocket expenses are recorded as a component of revenues. The Company's outsourcing contracts typically have three-to-five year terms for benefits services and five-to-ten year terms for human resources business process outsourcing ("HR BPO") services. The Company recognizes revenues as services are performed, assuming all other criteria for recognizing revenue have been met. The Company may also receive implementation fees from clients either up-front or over the ongoing services period as a component of the fee per participant. Lump sum implementation fees received from a client are typically deferred and recognized ratably over the ongoing contract services period. If a client terminates an outsourcing services arrangement prior to the end of the contract, a loss on the contract may be recorded, if necessary, and any remaining deferred implementation revenues would typically be recognized over the remaining service period through the termination date.

In connection with the Company's long-term outsourcing service agreements, highly customized implementation efforts are often necessary to set up clients and their human resource or

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benefit programs on the Company's systems and operating processes. For outsourcing services sold separately or accounted for as a separate unit of accounting, specific, incremental and direct costs of implementation incurred prior to the services commencing are generally deferred and amortized over the period that the related ongoing services revenue is recognized. Deferred costs are assessed for recoverability on a periodic basis, to the extent the deferred cost exceeds related deferred revenue.

Share-Based Compensation Costs

Share-based payments to employees, including grants of employee share options, restricted shares and restricted share units ("RSUs"), performance share awards ("PSAs") as well as employee share purchases related to the Employee Share Purchase Plan, are measured based on estimated grant date fair value. The Company recognizes compensation expense over the requisite service period for awards expected to ultimately vest. Forfeitures are estimated on the date of grant and revised if actual or expected forfeiture activity differs materially from original estimates.

Pension and Other Post-Retirement Benefits

The Company has net period cost relating to its pension and other post-retirement benefit plans based on calculations that include various actuarial assumptions, including discount rates, assumed rates of return on plan assets, inflation rates, mortality rates, compensation increases, and turnover rates. The Company reviews its actuarial assumptions on an annual basis and modifies these assumptions based on current rates and trends. The effects of gains, losses, and prior service costs and credits are amortized over future service periods or future estimated lives if the plans are frozen. The funded status of each plan, calculated as the fair value of plan assets less the benefit obligation, is reflected in the Company's Consolidated Statements of Financial Position using a December 31 measurement date.

Net Income per Share

Basic net income per share is computed by dividing net income available to ordinary shareholders by the weighted-average number of ordinary shares outstanding, including participating securities, which consist of unvested share awards with non-forfeitable rights to dividends. Diluted net income per share is computed by dividing net income available to ordinary shareholders by the weighted-average number of ordinary shares outstanding, which have been adjusted for the dilutive effect of potentially issuable ordinary shares (excluding those that are considered participating securities), including certain contingently issuable shares. The diluted earnings per share calculation reflects the more dilutive effect of either (1) the two-class method that assumes that the participating securities have not been exercised, or (2) the treasury stock method.

Certain ordinary share equivalents, related primarily to options, were not included in the computation of diluted income per share because their inclusion would have been antidilutive.

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Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents include cash balances and all highly liquid investments with initial maturities of three months or less. Short-term investments include certificates of deposit, money market funds and highly liquid debt instruments purchased with initial maturities in excess of three months but less than one year and are carried at amortized cost, which approximates fair value.

The Company is required to hold £77 million of operating funds in the U.K. as required by the Financial Services Authority, which were included in Short-term investments. These operating funds, when translated to U.S. dollars, were \$124 million and \$120 million at December 31, 2012 and 2011, respectively. Cash and cash equivalents included restricted balances of \$76 million and \$71 million at December 31, 2012 and 2011, respectively. The restricted balances primarily relate to cash required to be held as collateral.

Fiduciary Assets and Liabilities

In its capacity as an insurance agent and broker, Aon collects premiums from insureds and, after deducting its commission, remits the premiums to the respective insurers. Aon also collects claims or refunds from insurers on behalf of insureds. Uncollected premiums from insureds and uncollected claims or refunds from insurers are recorded as Fiduciary assets in the Company's Consolidated Statements of Financial Position. Unremitted insurance premiums and claims are held in a fiduciary capacity and the obligation to remit these funds is recorded as Fiduciary liabilities in the Company's Consolidated Statements of Financial Position. Some of the Company's outsourcing agreements also require it to hold funds to pay certain obligations on behalf of clients. These funds are also recorded as Fiduciary assets with the related obligation recorded as Fiduciary liabilities in the Company's Consolidated Statements of Financial Position.

Aon maintained premium trust balances for premiums collected from insureds but not yet remitted to insurance companies of \$4.0 billion and \$4.2 billion at December 31, 2012 and 2011, respectively. These funds and a corresponding liability are included in Fiduciary assets and Fiduciary liabilities, respectively, in the accompanying Consolidated Statements of Financial Position.

Allowance for Doubtful Accounts

The Company's allowance for doubtful accounts with respect to receivables is based on a combination of factors, including evaluation of historical write-offs, aging of balances and other qualitative and quantitative analyses. Receivables included an allowance for doubtful accounts of \$118 million and \$104 million at December 31, 2012 and 2011, respectively.

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Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation. Included in this category is internal use software, which is software that is acquired, internally developed or modified solely to meet internal needs, with no plan to market externally. Costs related to directly obtaining, developing or upgrading internal use software are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which are generally as follows:

Asset Description	Asset Life
Software	Lesser of the life of an associated license, or 4 to 7 years
Leasehold improvements	Lesser of estimated useful life or lease term, not to exceed 10 years
Furniture, fixtures and equipment	4 to 10 years
Computer equipment	4 to 6 years
Buildings	35 years
Automobiles	6 years

Investments

The Company accounts for investments as follows:

- *Equity method investments* — Aon accounts for limited partnership and other investments using the equity method of accounting if Aon has the ability to exercise significant influence over, but not control of, an investee. Significant influence generally represents an ownership interest between 20% and 50% of the voting stock of the investee. Under the equity method of accounting, investments are initially recorded at cost and are subsequently adjusted for additional capital contributions, distributions, and Aon's proportionate share of earnings or losses.
- *Cost method investments* — Investments where Aon does not have an ownership interest of greater than 20% or the ability to exert significant influence over the operations of the investee are carried at cost.
- *Fixed-maturity securities* — are classified as available for sale and are reported at fair value with any resulting unrealized gain or loss recorded directly to shareholders' equity as a component of Accumulated other comprehensive loss in the Company's Consolidated Statement of Financial Position, net of deferred income taxes. Interest on fixed-maturity securities is recorded in Interest income in the Company's Consolidated Statements of Income when earned and is adjusted for any amortization of premium or accretion of discount.

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The Company assesses any declines in the fair value of investments to determine whether such declines are other-than-temporary. This assessment is made considering all available evidence, including changes in general market conditions, specific industry and individual company data, the length of time and the extent to which the fair value has been less than cost, the financial condition and the near-term prospects of the entity issuing the security, and the Company's ability and intent to hold the investment until recovery of its cost basis. Other-than-temporary impairments of investments are recorded as part of Other income (expense) in the Consolidated Statements of Income in the period in which the determination is made.

Goodwill and Intangible Assets

Goodwill represents the excess of acquisition cost over the fair value of the net assets in the acquisition of a business. Goodwill is allocated to various reporting units, which are one reporting level below the operating segment. Upon disposition of a business entity, goodwill is allocated to the disposed entity based on the fair value of that entity compared to the fair value of the reporting unit in which it was included. Goodwill is not amortized, but instead is tested for impairment at least annually. The goodwill impairment test is performed at the reporting unit level. The Company initially performs a qualitative analysis to determine if it is more likely than not that the goodwill balance is impaired. If such a determination is made, then the Company will perform a two-step quantitative analysis. First, the fair value of each reporting unit is compared to its carrying value. If the fair value of the reporting unit is less than its carrying value, the Company performs a hypothetical purchase price allocation based on the reporting unit's fair value to determine the fair value of the reporting unit's goodwill. Fair value is determined using a combination of present value techniques and market prices of comparable businesses.

Intangible assets include customer related and contract based assets representing primarily client relationships and non-compete covenants, tradenames, and marketing and technology related assets. These intangible assets, with the exception of tradenames, are amortized over periods ranging from 1 to 13 years, with a weighted average original life of 10 years. Tradenames are generally not amortized as such assets have been determined to have indefinite useful lives, and are tested at least annually for impairments using an analysis of expected future cash flows. Interim impairment testing may be performed when events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable.

Derivatives

Derivative instruments are recognized in the Consolidated Statements of Financial Position at fair value. Where the Company has entered into master netting agreements with counterparties, the derivative positions are netted by counterparty and are reported accordingly in other assets or other liabilities. Changes in the fair value of derivative instruments are recognized in earnings each period, unless the derivative is designated as a hedge and qualifies for hedge accounting.

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The Company has historically designated the following hedging relationships for certain transactions: (i) a hedge of the change in fair value of a recognized asset or liability or firm commitment (“fair value hedge”), (ii) a hedge of the variability in cash flows from a recognized variable-rate asset or liability or forecasted transaction (“cash flow hedge”), and (iii) a hedge of the net investment in a foreign operation (“net investment hedge”).

In order for a derivative to qualify for hedge accounting, the derivative must be formally designated as a fair value, cash flow, or a net investment hedge by documenting the relationship between the derivative and the hedged item. The documentation must include a description of the hedging instrument, the hedged item, the risk being hedged, Aon’s risk management objective and strategy for undertaking the hedge, the method for assessing the effectiveness of the hedge, and the method for measuring hedge ineffectiveness. Additionally, the hedge relationship must be expected to be highly effective at offsetting changes in either the fair value or cash flows of the hedged item at both the inception of the hedge and on an ongoing basis. Aon assesses the ongoing effectiveness of its hedges and measures and records hedge ineffectiveness, if any, at the end of each quarter or more frequently if facts and circumstances require.

For a derivative designated as hedging the exposure to changes in the fair value of a recognized asset or liability or a firm commitment (a fair value hedge), the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. The effect is to reflect in earnings the extent to which the hedge is not effective in achieving offsetting changes in fair value. For a cash flow hedge that qualifies for hedge accounting, the effective portion of the change in fair value of a hedging instrument is recognized in Other Comprehensive Income (“OCI”) and subsequently reclassified to earnings in the same period the hedged item impacts earnings. The ineffective portion of the change in fair value is recognized immediately in earnings. For a net investment hedge, the effective portion of the change in fair value of the hedging instrument is recognized in OCI as part of the cumulative translation adjustment, while the ineffective portion is recognized immediately in earnings.

Changes in the fair value of a derivative that is not designated as part of a hedging relationship (commonly referred to as an “economic hedge”) are recorded in other income (expense) in the Consolidated Statements of Income.

The Company discontinues hedge accounting prospectively when (1) the derivative expires or is sold, terminated, or exercised, (2) the qualifying criteria are no longer met, or (3) management removes the designation of the hedging relationship.

When hedge accounting is discontinued because the derivative no longer qualifies as a fair value hedge, the Company continues to carry the derivative in the Consolidated Statements of Financial Position at its fair value, recognizes subsequent changes in the fair value of the derivative

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in the Consolidated Statements of Income, ceases to adjust the hedged asset or liability for changes in its fair value and accounts for the carrying amount (including the basis adjustment caused by designating the item as a hedged item) of the hedged asset, liability or firm commitment in accordance with GAAP applicable to those assets or liabilities.

When hedge accounting is discontinued because the derivative continues to exist but no longer qualifies as a cash flow hedge, the Company continues to carry the derivative in the Consolidated Statements of Financial Position at its fair value, recognizes subsequent changes in the fair value of the derivative in the Consolidated Statements of Income, and continues to defer the derivative gain or loss accumulated in OCI (unless the forecasted transaction is deemed probable not to occur, at which time it would be reclassified to earnings) until the hedged forecasted transaction affects earnings.

Foreign Currency

Certain of the Company's non-U.S. operations use their respective local currency as their functional currency. These operations that do not have the U.S. dollar as their functional currency translate their financial statements at the current rates of exchange in effect at the balance sheet date and revenues and expenses using rates that approximate those in effect during the period. The resulting translation adjustments are included as a component of stockholders' equity in Accumulated other comprehensive loss in the Consolidated Statements of Financial Position. Gains and losses from the remeasurement of monetary assets and liabilities that are denominated in a non-functional currency are included in Other income (expense) within the Consolidated Statements of Income. The effect of foreign exchange gains and losses on the Consolidated Statements of Income was a loss of \$16 million in 2012, a gain of \$10 million in 2011 and a loss of \$18 million in 2010. Included in these amounts were a hedging gain of \$3 million in 2012, and hedging losses of \$20 million and \$11 million in 2011 and 2010, respectively.

Income Taxes

Deferred income taxes are recognized for the effect of temporary differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted marginal tax rates and laws that are currently in effect. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in the period when the rate change is enacted.

Deferred tax assets are reduced by valuation allowances if, based on the consideration of all available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. Significant weight is given to evidence that can be objectively verified. Deferred tax assets are realized by having sufficient future taxable income to allow the related tax benefits to reduce taxes otherwise payable. The sources of taxable income that may be available to realize the benefit of deferred tax assets are future reversals of existing taxable temporary differences, future taxable

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income exclusive of reversing temporary differences and carry-forwards, taxable income in carry-back years and tax planning strategies that are both prudent and feasible.

The Company recognizes the effect of income tax positions only if sustaining those positions is more likely than not. Changes in recognition or measurement are reflected in the period in which a change in judgment occurs. The Company records penalties and interest related to unrecognized tax benefits in Income taxes in the Company's Consolidated Statements of Income.

Consolidation of Variable Interest Entities

The Company uses two primary consolidation models under U.S. GAAP: the variable interest model, which is the primary model initially considered for all entities, and the voting model.

Under the variable interest model, the Company consolidates a variable interest entity when it has a variable interest (or combination thereof) that provides the Company with a controlling financial interest. In determining if the Company has a controlling financial interest, management assesses the characteristics of the Company's variable interest (including involvement of related parties) in the variable interest entity, as well as the involvement of other variable interest holders. The Company has a controlling financial interest in a variable interest entity if it concludes that it has both (1) the power to direct the activities of the variable interest entity that are most important to the entity's economic performance and (2) the obligation to absorb losses and the right to receive benefits from the entity that could potentially be significant to the variable interest entity. If these conditions are met, the Company is the primary beneficiary of the variable interest entity and thus consolidates the entity in its Consolidated Financial Statements.

For entities that fall under the voting model, the Company generally determines if it should consolidate the entity based on percentage ownership. Under this model, generally, if the Company owns more than 50% of the voting interest in the entity, it is consolidated.

Changes in Accounting Principles

Indefinite-Lived Intangible Asset Impairments

In July 2012, the Financial Accounting Standards Board ("FASB") issued guidance on the testing of indefinite-lived intangible assets for impairment that gives an entity the option to perform a qualitative assessment that may eliminate the requirement to perform the annual quantitative test. The recently issued guidance gives an entity the option to first perform a qualitative assessment to determine if it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. If an entity concludes that this is the case, it must perform the quantitative test. The guidance is effective for Aon in the first quarter of 2013. The adoption of this

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guidance is not expected to have a material impact on the Company's Consolidated Financial Statements.

Goodwill Impairment

In September 2011, the FASB issued final guidance on goodwill impairment that gives an entity the option to perform a qualitative assessment that may eliminate the requirement to perform the annual two-step test. The two-step test requires an entity to assess goodwill for impairment by quantitatively comparing the fair value of a reporting unit with its carrying amount, including goodwill (Step 1). If the reporting unit's fair value is less than its carrying amount, Step 2 of the test must be performed to measure the amount of goodwill impairment, if any. The guidance gives an entity the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity concludes that this is the case, it must perform the two-step test. Otherwise, the two-step test is not required. The Company early adopted this guidance in the fourth quarter 2011. The early adoption of this guidance did not have a material impact on the Company's Consolidated Financial Statements.

Comprehensive Income

In June 2011, the FASB issued guidance that updated principles related to the presentation of comprehensive income. The revised guidance requires companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements and eliminates the option to present components of other comprehensive income as part of the statement of changes in shareholders' equity. The guidance, which must be applied retroactively, was effective for Aon beginning in the first quarter of 2012. The adoption of this guidance affects only the presentation of these Consolidated Financial Statements, and had no effect on the financial condition, results of operations or cash flows of the Company.

Fair Value Measurement

In May 2011, the FASB issued guidance that clarifies the application of existing fair value measurements and disclosures, and changes certain principles or requirements for fair value measurements and disclosures. The additional required disclosures include quantitative information, sensitivity discussion, and description of the valuation process, as well as increased disclosure of unobservable inputs that are significant to the fair value measurement and transfers between Level 1 and Level 2. The guidance is effective for Aon beginning in the first quarter of 2012. The adoption of this guidance did not have a material impact on the Company's Consolidated Financial Statements.

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3. Other Financial Data

Consolidated Statements of Income Information

Other Income (Expense)

Other income (expense) consists of the following (in millions):

Years ended December 31	2012	2011	2010
Equity earnings	\$13	\$7	\$18
Realized gain (loss) on sale of investments	7	18	(2)
Gain (loss) on disposal of businesses	1	—	(4)
Loss on extinguishment of debt	—	(19)	(8)
Foreign currency remeasurement (loss) gain	(19)	30	(7)
Hedging gain (loss)	3	(20)	(11)
Other	(2)	(1)	(4)
	\$3	\$15	\$(18)

Consolidated Statements of Financial Position Information

Fixed Assets, net

The components of Fixed assets, net are as follows (in millions):

As of December 31	2012	2011
Software	\$867	\$730
Leasehold improvements	426	407
Furniture, fixtures and equipment	331	326
Computer equipment	332	274
Land and buildings	100	108
Automobiles	24	39
Construction in progress	109	87
	2,189	1,971
Less: Accumulated depreciation	1,369	1,188
Fixed assets, net	\$820	\$783

Depreciation expense, which includes software amortization, was \$232 million, \$220 million, and \$151 million for the years ended December 31, 2012, 2011, and 2010, respectively.

4. Acquisitions and Dispositions

In 2012, the Company completed the acquisition of six businesses in the Risk Solutions segment, as well as five businesses that are included in the HR Solutions segment.

In 2011, the Company completed the acquisition of four businesses in the Risk Solutions segment, as well as one business that is included in the HR Solutions segment.

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The following table includes the aggregate consideration transferred and the preliminary value of intangible assets recorded as a result of the Company's acquisitions (in millions):

Years ended December 31	2012	2011
Consideration	\$175	\$103
Intangible assets:		
Goodwill	\$90	\$126
Other intangible assets	100	33
Total	\$190	\$159

The results of operations of these acquisitions are included in the Consolidated Financial Statements as of the acquisition date. The results of operations of the Company would not have been materially different if these acquisitions had been reported from the beginning of the period in which they were acquired.

Dispositions

During 2012, the Company completed the disposition of three businesses in the Risk Solutions segment and one business in the HR Solutions segment. Total pretax gains of \$1 million were recognized on these sales, which are included in Other income (expense) in the Consolidated Statements of Income.

During 2011, the Company completed the disposition of 2 businesses in the Risk Solutions segment. No pretax gains or losses were recognized on these sales, which are included in Other income (expense) in the Consolidated Statements of Income.

During 2010, the Company completed the disposition of 8 businesses, 7 in the Risk Solutions segment and 1 in the HR Solutions segment. Total pretax losses of \$4 million were recognized on these sales, which are included in Other income (expense) in the Consolidated Statements of Income.

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5. Goodwill and Other Intangible Assets

The changes in the net carrying amount of goodwill by operating segment for the years ended December 31, 2012 and 2011, respectively, are as follows (in millions):

	Risk Solutions	HR Solutions	Total
Balance as of January 1, 2011	\$5,549	\$3,098	\$8,647
Goodwill related to Hewitt acquisition	—	50	50
Goodwill related to other acquisitions	73	4	77
Goodwill related to disposals	(2)	—	(2)
Goodwill related to other prior year acquisitions	—	1	1
Transfers	(83)	83	—
Foreign currency translation	20	(23)	(3)
Balance as of December 31, 2011	\$5,557	\$3,213	\$8,770
Goodwill related to acquisitions	49	47	96
Goodwill related to disposals	(1)	—	(1)
Goodwill related to other prior year acquisitions	(6)	—	(6)
Transfers (1)	313	(313)	—
Foreign currency translation	70	14	84
Balance as of December 31, 2012	\$5,982	\$2,961	\$8,943

- (1) Effective January 1, 2012, the Health and Benefits Consulting business was transferred from the HR Solutions segment to the Risk Solutions segment.

In 2011, the Company finalized the Hewitt purchase price allocation, adjusting goodwill principally for the completion of valuations of identified intangible assets, the impact of changes in actual employee severance costs compared to original estimates and the resolution of certain tax matters.

Other intangible assets by asset class are as follows (in millions):

	As of December 31					
	2012			2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets with indefinite lives:						
Tradenames	\$1,025	\$—	\$1,025	\$1,024	\$—	\$1,024
Intangible assets with finite lives:						
Tradenames	7	3	4	4	1	3
Customer related and contract based	2,714	969	1,745	2,608	615	1,993
Marketing, technology and other	612	411	201	606	350	256
	\$4,358	\$1,383	\$2,975	\$4,242	\$966	\$3,276

Amortization expense from finite-lived intangible assets was \$423 million, \$362 million and \$154 million during 2012, 2011 and 2010, respectively.

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The estimated future amortization for intangible assets as of December 31, 2012 is as follows (in millions):

	HR Solutions	Risk Solutions	Total
2013	\$281	\$113	\$394
2014	245	98	343
2015	214	85	299
2016	179	72	251
2017	142	57	199
Thereafter	351	113	464
	\$1,412	\$538	\$1,950

6. Restructuring

Aon Hewitt Restructuring Plan

On October 14, 2010, the Company announced a global restructuring plan (“Aon Hewitt Plan”) in connection with the acquisition of Hewitt. The Aon Hewitt Plan is intended to streamline operations across the combined Aon Hewitt organization and includes an estimated 2,000 job eliminations. The Company expects these restructuring activities and related expenses to affect continuing operations into 2013. The Aon Hewitt Plan is expected to result in cumulative costs of approximately \$325 million through the end of the plan, consisting of approximately \$192 million in employee termination costs and approximately \$133 million in real estate rationalization costs. As of December 31, 2012, in excess of 1,900 jobs have been eliminated under the Aon Hewitt Plan. For the years ended December 31, 2012 and 2011, the Company recorded \$98 million and \$105 million of total expense, respectively. Charges related to the restructuring are included in Compensation and benefits and Other general expenses in the accompanying Consolidated Statements of Income.

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The following summarizes restructuring and related costs by type that have been incurred and are estimated to be incurred through the end of the restructuring initiative related to the Aon Hewitt Plan (in millions):

	2010	2011	2012	Total to Date	Estimated Total Cost for Restructuring Plan (1)
Workforce reduction	\$49	\$64	\$74	\$187	\$192
Lease consolidation	3	32	18	53	95
Asset impairments	—	7	4	11	33
Other costs associated with restructuring (2)	—	2	2	4	5
Total restructuring and related expenses	\$52	\$105	\$98	\$255	\$325

- (1) Actual costs, when incurred, may vary due to changes in the assumptions built into this plan. Significant assumptions that may change when plans are finalized and implemented include, but are not limited to, changes in severance calculations, changes in the assumptions underlying sublease loss calculations due to changing market conditions, and changes in the overall analysis that might cause the Company to add or cancel component initiatives.
- (2) Other costs associated with restructuring initiatives, including moving costs and consulting and legal fees, are recognized when incurred.

The following summarizes the restructuring and related expenses, by segment, that have been incurred and are estimated to be incurred through the end of the restructuring initiative related to the Aon Hewitt Plan (in millions):

	2010	2011	2012	Total to Date	Estimated Total Cost for Restructuring Plan (1)
HR Solutions	\$52	\$49	\$66	\$167	\$226
Risk Solutions	—	56	32	88	99
Total restructuring and related expenses	\$52	\$105	\$98	\$255	\$325

- (1) Costs included in the Risk Solutions segment are associated with the transfer of the health and benefits consulting business from HR Solutions to Risk Solutions effective January 1, 2012. Costs incurred in 2011 in the HR Solutions segment of \$41 million related to the health and benefits consulting business have been reclassified and presented in the Risk Solutions segment.

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Aon Benfield Restructuring Plan

The Company announced a global restructuring plan (“Aon Benfield Plan”) in conjunction with its acquisition of Benfield in 2008. The Aon Benfield Plan was intended to integrate and streamline operations across the combined Aon Benfield organization. The Aon Benfield Plan included 810 job eliminations. Additionally, duplicate space and assets were abandoned. The Company incurred all remaining costs for the Aon Benfield Plan and the plan was closed in 2012.

The Company recorded \$6 million of restructuring and related charges in 2012. All costs associated with the Aon Benfield Plan are included in the Risk Solutions segment. Charges related to the restructuring are included in Compensation and benefits and Other general expenses in the accompanying Consolidated Statements of Income.

The following summarizes the restructuring and related costs by type that were incurred through the end of the restructuring initiative related to the Aon Benfield Plan (in millions):

	Purchase Price Allocation	2009	2010	2011	2012	Total Cost for Restructuring Period
Workforce reduction	\$32	\$38	\$15	\$33	\$6	\$124
Lease consolidation	20	14	7	(15)	—	26
Asset impairments	—	2	2	—	—	4
Other costs associated with restructuring	1	1	2	1	—	5
Total restructuring and related expenses	\$53	\$55	\$26	\$19	\$6	\$159

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As of December 31, 2012, the Company's liabilities for its restructuring plans are as follows (in millions):

	Aon Hewitt Plan	Aon Benfield Plan	2007 Plan	Other	Total
Balance at January 1, 2010	\$—	\$45	\$202	\$16	\$263
Assumed Hewitt restructuring liability (1)	43	—	—	—	43
Expensed	52	24	92	—	168
Cash payments	(8)	(38)	(178)	(8)	(232)
Foreign exchange translation and other	1	(5)	(3)	2	(5)
Balance at December 31, 2010	\$88	\$26	\$113	\$10	\$237
Expensed	98	19	(11)	—	106
Cash payments	(93)	(24)	(59)	(2)	(178)
Foreign exchange translation and other	2	(1)	7	—	8
Balance at December 31, 2011	\$95	\$20	\$50	\$8	\$173
Expensed	94	6	(3)	—	97
Cash payments	(95)	(24)	(18)	(5)	(142)
Stock compensation	—	(1)	—	—	(1)
Foreign exchange translation and other	2	2	6	—	10
Balance at December 31, 2012	\$96	\$3	\$35	\$3	\$137

- (1) The Company assumed a \$43 million net real estate related restructuring liability in connection with the Hewitt acquisition.

The Company's unpaid restructuring liabilities are included in both Accounts payable and accrued liabilities and Other non-current liabilities in the Consolidated Statements of Financial Position.

7. Investments

The Company earns income on cash balances and investments, as well as on premium trust balances that the Company maintains for premiums collected from insureds but not yet remitted to insurance companies, and funds held under the terms of certain outsourcing agreements to pay certain obligations on behalf of clients. Premium trust balances and a corresponding liability are included in Fiduciary assets and Fiduciary liabilities in the accompanying Consolidated Statements of Financial Position.

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The Company's interest-bearing assets and other investments are included in the following categories in the Consolidated Statements of Financial Position (in millions):

As of December 31	2012	2011
Cash and cash equivalents	\$291	\$272
Short-term investments	346	785
Fiduciary assets (1)	4,029	4,190
Investments	165	239
	\$4,831	\$5,486

- (1) Fiduciary assets include funds held on behalf of clients but does not include fiduciary receivables.

The Company's investments are as follows (in millions):

As of December 31	2012	2011
Equity method investments (2)	\$102	\$164
Other investments, at cost	43	60
Fixed-maturity securities	20	15
	\$165	\$239

- (2) The reduction in equity method investments is primarily due to redemptions.

Included in equity method investments is one listed company carried at \$17 million. The market value of this investment is approximately \$32 million as of December 31, 2012.

Equity method investments are as follows:

Investment	Country of Incorporation	Parent Ownership %	Group Ownership %	Holdings
Agostini Insurance Brokers Limited	Republic of Trinidad and Tobago	—	47.11%	Ordinary Shares
JS Johnson & Company Limited	The Commonwealth of the Bahamas	—	40.00%	Ordinary Shares
Star & Shield Holdings LLC	United States of America	—	45.18%	Common Equity Class B Shares
Trident V Limited Partnership	Cayman Islands	—	3.64%	n/a
Private Equity Limited Partnership	United States of America	—	various	n/a

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8. Debt

The following is a summary of outstanding debt (in millions):

As of December 31	2012	2011
Term loan credit facility due October 2013 (LIBOR + 1.38%)	\$383	\$428
6.25% EUR 500 debt securities due July 2014	661	653
5.00% senior notes due September 2020	598	598
3.50% senior notes due September 2015	598	597
8.205% junior subordinated deferrable interest debentures due January 2027	521	687
3.125% senior notes due May 2016	500	500
4.76% CAD 375 debt securities due March 2018	377	368
6.25% senior notes due September 2040	297	297
7.375% debt securities due December 2012	—	225
4.25% senior notes due December 2042	107	—
Other	123	139
Total debt	4,165	4,492
Less short-term and current portion of long-term debt	452	337
Total long-term debt	\$3,713	\$4,155

The Company uses proceeds from the commercial paper market from time to time in order to meet short-term working capital needs. The Company had \$50 million of commercial paper outstanding at December 31, 2012 and 2011, respectively, which was included in Short-term debt in the Company's Consolidated Statements of Financial Position. The weighted average commercial paper outstanding for 2012 and 2011 was \$67 million and \$35 million, respectively. The weighted average interest rate of the commercial paper outstanding during 2012 and 2011 was 0.41% and 0.35%, respectively.

On December 12, 2012, the Company issued \$166 million aggregate principal amount of 4.250% Notes Due 2042 in connection with an exchange offer of Aon Corporation's outstanding 8.205% junior subordinated deferrable interest debentures due January 2027. In connection with this exchange, the Company paid a premium of \$59 million which will be amortized into Interest expense over the life of the new notes.

On August 31, 2012, the Company filed a shelf registration statement with the SEC, registering the offer and sale from time to time of an indeterminate amount of, among other securities, debt, securities, preference shares, Class A Ordinary Shares and convertible securities. The availability of any potential liquidity for these types of securities is dependent on investor demand, market conditions and other factors.

On March 20, 2012, Aon entered into the U.S. Facility. Borrowings under the U.S. Facility will bear interest, at the Company's option, at a rate equal to either (a) the rate for eurodollar deposits as reflected on the applicable Reuters LIBOR01 page for the interest period relevant to such borrowing ("Eurodollar Rate"), plus the applicable margin or (b) the highest of (i) the rate of

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interest publicly announced by Citibank as its prime rate, (ii) the federal funds effective rate from time to time plus 0.5% and (iii) the one month Eurodollar rate plus 1.0%, in each case plus the applicable margin. The applicable margin for borrowings under the U.S. Facility may change depending on achievement of certain public debt ratings. The U.S. Facility has a maturity date of March 20, 2017. In conjunction with the Company entering into the U.S. Facility the prior revolving U.S. credit agreement dated December 4, 2009 was terminated.

On May 24, 2011, Aon entered into an underwriting agreement for the sale of \$500 million of 3.125% unsecured Senior Notes due 2016 (the “Notes”). On June 15, 2011, Aon entered into a Term Credit Agreement for unsecured term loan financing of \$450 million (“2011 Term Loan Facility”) due on October 1, 2013. The 2011 Term Loan Facility is a variable rate loan that is based on LIBOR plus a margin and at December 31, 2012, the effective annualized rate was approximately 1.59%. The Company used the net proceeds from the Notes issuance and 2011 Term Loan Facility borrowings to repay all amounts outstanding under its \$1.0 billion three-year credit agreement dated August 13, 2010 (“2010 Term Loan Facility”), which was entered into in connection with the acquisition of Hewitt. The Company recorded a \$19 million loss on the extinguishment of the 2010 Term Loan Facility as a result of the write-off of the deferred financing costs, which is included in Other income (expense) in the Consolidated Statements of Income.

On March 8, 2011, an indirect wholly-owned subsidiary of Aon issued CAD 375 million (\$377 at December 31, 2012 exchange rates) of 4.76% senior unsecured debt securities, which are due in March 2018 and are guaranteed by the Company. The Company used the net proceeds from this issuance to repay its CAD 375 million 5.05% debt securities upon their maturity on April 12, 2011.

On August 13, 2010, in connection with the acquisition of Hewitt, Aon entered into an unsecured three-year Term Credit Agreement (the “2010 Term Loan Credit Facility”), which provided unsecured term loan financing of up to \$1.0 billion. This Term Loan Credit Facility has an interest rate of LIBOR + 2.5%. The Company borrowed \$1.0 billion under this facility on October 1, 2010 to finance a portion of the Hewitt purchase price. The Company incurred \$26 million of deferred finance costs associated with the Term Loan Credit Facility that were to be amortized over the term of the loan. Concurrent with entering into the Term Loan Credit Facility, the Company also entered into a Senior Bridge Term Loan Credit Agreement which provided unsecured bridge financing of up to \$1.5 billion (the “Bridge Loan Facility”) to finance a portion of the Hewitt purchase price.

In lieu of drawing under the Bridge Loan Facility, on September 7, 2010, Aon entered into an Underwriting Agreement (the “Underwriting Agreement”) with several underwriters with respect to the offering and sale by the Company of \$600 million aggregate principal amount of its 3.50% Senior Notes due 2015 (the “2015 Notes”), \$600 million aggregate principal amount of its 5.00%

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Senior Notes due 2020 (the “2020 Notes”) and \$300 million aggregate principal amount of its 6.25% Senior Notes due 2040 (the “2040 Notes” and, together with the 2015 Notes and 2020 Notes, the “Notes”) under the Company’s Registration Statement on Form S-3. All of these Notes are unsecured. Deferred financing costs associated with the Notes of \$12 million were capitalized and are included in Other non-current assets, and will be amortized over the respective term of each note. Following the issuance of these Notes, on September 15, 2010, the Bridge Loan Facility was terminated and the Company recorded \$14 million of related deferred financing costs in the Consolidated Statements of Income.

As part of the Hewitt acquisition, the Company assumed \$346 million of long-term debt including \$299 million of privately placed senior unsecured notes with varying maturity dates. As of December 31, 2010, all of these notes had matured or have been early extinguished. Also, in 2010, \$47 million in long-term debt held by PEPS I, a consolidated VIE, was repurchased with a majority of the PEPS I restricted cash.

On October 15, 2010, the Company entered into a new €650 million (\$860 million at December 31, 2012 exchange rates) multi-currency revolving loan credit facility (the “Euro Facility”) used by certain of Aon’s European subsidiaries. The Euro Facility replaced the previous facility which was entered into in October 2005 and matured in October 2010 (the “2005 Facility”). The Euro Facility expires in October 2015 and has commitment fees of 35 basis points payable on the unused portion of the facility. Aon has guaranteed the obligations of its subsidiaries with respect to this facility. The Company had no borrowings under the Euro Facility.

On July 1, 2009, an indirect wholly-owned subsidiary of Aon issued €500 million (\$661 million at December 31, 2012 exchange rates) of 6.25% senior unsecured debentures due on July 1, 2014. The carrying value of the debt includes \$11 million related to hedging activities. The payment of the principal and interest on the debentures is unconditionally and irrevocably guaranteed by Aon. Proceeds from the offering were used to repay the Company’s \$677 million outstanding indebtedness under its 2005 Facility.

In 1997, Aon created Aon Capital A, a wholly-owned statutory business trust (“Trust”), for the purpose of issuing mandatorily redeemable preferred capital securities (“Capital Securities”). Aon received cash and an investment in 100% of the common equity of Aon Capital A by issuing 8.205% Junior Subordinated Deferrable Interest Debentures (the “Debentures”) to Aon Capital A. These transactions were structured such that the net cash flows from Aon to Aon Capital A matched the cash flows from Aon Capital A to the third party investors. Aon determined that it was not the primary beneficiary of Aon Capital A, a VIE, and, thus reflected the Debentures as long-term debt. During the first half of 2009, Aon repurchased \$15 million face value of the Capital Securities for approximately \$10 million, resulting in a \$5 million gain, which was reported in Other income (expense) in the Consolidated Statements of Income. To facilitate the legal release

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of the obligation created through the Debentures associated with this repurchase and future repurchases, Aon dissolved the Trust effective June 25, 2009. This dissolution resulted in the exchange of the Capital Securities held by third parties for the Debentures. Also in connection with the dissolution of the Trust, the \$24 million of common equity of Aon Capital A held by Aon was exchanged for \$24 million of Debentures, which were then cancelled. Following these actions, \$687 million of Debentures remain outstanding. The Debentures are subject to mandatory redemption on January 1, 2027 or are redeemable in whole, but not in part, at the option of Aon upon the occurrence of certain events.

There are a number of covenants associated with both the U.S. and Euro facilities, the most significant of which require Aon to maintain a ratio of consolidated EBITDA (earnings before interest, taxes, depreciation, and amortization), adjusted for Hewitt related transaction costs and up to \$50 million in non-recurring cash charges (“Adjusted EBITDA”), to consolidated interest expense of 4 to 1 and a ratio of consolidated debt to Adjusted EBITDA, of not greater than 3 to 1. Aon was in compliance with all debt covenants at December 31, 2012.

Other than the Debentures, outstanding debt securities are not redeemable by Aon prior to maturity. There are no sinking fund provisions. Interest is payable semi-annually on most debt securities.

Repayments of total debt are as follows (in millions):

2013	\$452
2014	684
2015	610
2016	514
2017	—
Thereafter	1,905
	<hr/> \$4,165

9. Lease Commitments

The Company leases office facilities, equipment and automobiles under non-cancelable operating leases. These leases expire at various dates and may contain renewal and expansion options. In addition to base rental costs, occupancy lease agreements generally provide for rent escalations resulting from increased assessments for real estate taxes and other charges. The Company’s lease obligations are primarily for the use of office space.

In November 2011, the Company entered into an agreement to lease office space in a new building to be constructed in London, United Kingdom. The agreement is contingent upon the completion of the building construction. Aon expects to move into the new building in 2015 when the building is completed and it exercises an early break option at another leased facility. The Company has included the future minimum rental payments for this leased space in the schedule

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below and has excluded the future minimum rental payments for the existing lease beyond the expected date of the exercise of the break option.

Rental expenses (including amounts applicable to taxes, insurance and maintenance) for operating leases are as follows (in millions):

Years ended December 31	2012	2011	2010
Rental expense	\$536	\$525	\$429
Sub lease rental income	72	71	57
Net rental expense	\$464	\$454	\$372

At December 31, 2012, future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year, net of sublease rental income, are as follows (in millions):

2013	\$432
2014	396
2015	365
2016	332
2017	293
Thereafter	1,072
Total minimum payments required	\$2,890

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10. Income Taxes

Income from continuing operations before income tax and the provision for income tax consist of the following (in millions):

Years ended December 31	2012	2011	2010
Income from continuing operations before income taxes:			
U.K.	\$36	\$222	\$147
U.S.	469	301	21
Other	876	861	891
Total	\$1,381	\$1,384	\$1,059
Income tax expense (benefit):			
Current:			
U.K.	\$(10)	\$13	\$(9)
U.S. federal	170	(17)	16
U.S. state and local	57	35	10
Other	238	204	211
Total current	\$455	\$235	\$228
Deferred:			
U.K.	\$46	\$32	\$57
U.S. federal	(83)	109	47
U.S. state and local	(10)	14	13
Other	(48)	(12)	(45)
Total deferred	\$(95)	\$143	\$72
Total income tax expense	\$360	\$378	\$300

Income from continuing operations before income taxes shown above is based on the location of the business unit to which such earnings are attributable for tax purposes. In addition, because the earnings shown above may in some cases be subject to taxation in more than one country, the income tax provision shown above as U.K., U.S., or Other may not correspond to the geographic attribution of the earnings.

A reconciliation of the income tax provisions based on the Company's domicile and statutory rate at each reporting period is performed. The 2012 reconciliation is based on the U.K.

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statutory corporate tax rate of 24% and 2011 and 2010 are based on the U.S. statutory rate of 35%. The reconciliation to the provisions reflected in the Consolidated Financial Statements is as follows:

Years ended December 31	2012	2011	2010
Statutory tax rate	24.0%	35.0%	35.0%
U.S. state income taxes, net of U.S. federal benefit	2.2	2.3	1.1
Taxes on international operations (1)	0.6	(11.5)	(12.5)
Nondeductible expenses	2.0	3.5	3.9
Adjustments to prior year tax requirements	0.4	(1.1)	0.2
Deferred tax adjustments, including statutory rate changes	0.7	0.9	0.7
Adjustments to valuation allowances	(5.6)	(1.7)	(0.2)
Other — net	1.8	(0.1)	0.2
Effective tax rate	26.1	27.3	28.4

- (1) The Company determines the adjustment for taxes on international operations based on the difference between the statutory tax rate applicable to earnings in each foreign jurisdiction and the enacted rate of 24%, 35% and 35% at December 31, 2012, 2011 and 2010, respectively.

The components of the Company's deferred tax assets and liabilities are as follows (in millions):

As of December 31	2012	2011
Deferred tax assets:		
Employee benefit plans	\$917	\$940
Net operating/capital loss and tax credit carryforwards	368	484
Other accrued expenses	47	154
Investment basis differences	13	17
Other	77	100
Total	1,422	1,695
Valuation allowance on deferred tax assets	(154)	(219)
Total	\$1,268	\$1,476
Deferred tax liabilities:		
Intangibles and property, plant and equipment	\$(1,128)	\$(1,333)
Deferred revenue	(30)	(83)
Other accrued expenses	(62)	(121)
Unrealized investment gains	(5)	(21)
Unrealized foreign exchange gains	(8)	(23)
Other	(29)	(40)
Total	\$(1,262)	\$(1,621)
Net deferred tax asset (liability)	\$6	\$(145)

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Deferred income taxes (assets and liabilities have been netted by jurisdiction) have been classified in the Consolidated Statements of Financial Position as follows (in millions):

As of December 31,	2012	2011
Deferred tax assets — current (1)	\$44	\$19
Deferred tax assets — non-current	285	258
Deferred tax liabilities — current (1)	(17)	(121)
Deferred tax liabilities — non-current	(306)	(301)
Net deferred tax asset (liability)	\$6	\$(145)

(1) Included in Other current assets and Other current liabilities.

Valuation allowances have been established primarily with regard to the tax benefits of certain net operating loss and tax credit carryforwards. Valuation allowances decreased by \$65 million in 2012, primarily attributable to the change of the following items: a decrease in valuation allowances of \$19 million related to net operating loss carryforwards due to a legal entity restructuring, a decrease of \$27 million in the valuation allowances for foreign tax credit carryforwards, and a decrease of \$22 million in the valuation allowances of an interest expense carryforward.

The Company recognized, as an adjustment to additional paid-in-capital, income tax benefits attributable to employee stock compensation of \$33 million, \$36 million and \$20 million in 2012, 2011 and 2010, respectively.

Undistributed earnings of non-U.S. entities were approximately \$2.8 billion at December 31, 2012. U.S. income taxes have not been provided on these undistributed earnings because they are considered to be permanently invested in those subsidiaries. It is not practicable to estimate the amount of unrecognized deferred tax liabilities, if any, for these undistributed foreign earnings.

At December 31, 2012, the Company had U.K. operating loss carryforwards of \$552 million and capital loss carryforwards of \$251 million, nearly all of which have an indefinite carryforward. In addition there are U.S. federal operating loss carryforwards of \$25 million that will expire at various dates from 2013 to 2027 and U.S. state operating loss carryforwards of \$605 million that will expire at various dates from 2013 to 2031. In other non-U.S. jurisdictions there are operating and capital loss carryforwards of \$283 million and \$65 million, respectively, which have various carryforward periods and will begin to expire in 2015.

During 2012, we were granted a tax holiday for the period from October 1, 2012 through September 30, 2022, with respect to withholding taxes and certain income derived from services in Singapore. This tax holiday and reduced withholding tax rate may be extended when certain conditions are met or may be terminated early if certain conditions are not met. The benefit realized during 2012 was approximately \$11 million.

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Uncertain Tax Positions

The following is a reconciliation of the Company's beginning and ending amount of uncertain tax positions (in millions):

	2012	2011
Balance at January 1	\$118	\$100
Additions based on tax positions related to the current year	21	8
Additions for tax positions of prior years	45	5
Reductions for tax positions of prior years	(1)	(16)
Settlements	(22)	(15)
Lapse of statute of limitations	(5)	(4)
Acquisitions	—	40
Balance at December 31	\$156	\$118

As of December 31, 2012, \$156 million of uncertain tax positions would impact the effective tax rate if recognized. The Company does not expect the uncertain tax positions to change significantly over the next twelve months.

The Company recognizes interest and penalties related to uncertain tax positions in its provision for income taxes. Aon accrued potential interest and penalties of \$6 million in 2012 and 2011. The Company has recorded a liability for interest and penalties of \$23 million and \$19 million as of December 31, 2012 and 2011, respectively.

The Company and its subsidiaries file income tax returns in their respective jurisdictions. The Company has substantially concluded all U.S. federal income tax matters for years through 2006. Material U.S. state and local income tax jurisdiction examinations have been concluded for years through 2005. The Company has concluded income tax examinations in its primary non-U.S. jurisdictions through 2005.

11. Shareholders' Equity

Redomestication

Prior to the Redomestication, the Company accounted for purchases of its outstanding common stock using the treasury share method permitted under U.S. GAAP. Under this method, the Company recorded purchases of its own outstanding common stock as a reduction to Additional paid-in capital based on the cost of the shares acquired. Under U.K. law, when the Company repurchases its outstanding shares, those shares are treated as cancelled. In April 2012, the Company constructively cancelled 60 million shares of treasury stock related to the Redomestication. The impact of the cancellation of all outstanding treasury shares was a decrease in Ordinary shares and Retained earnings of \$60 million and \$2.4 billion, respectively. The balance of Treasury stock at cost of \$2.5 billion was also eliminated as part of the cancellation.

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Additionally, effective upon the completion of the Redomestication, the par value of Aon's outstanding equity shares decreased from \$1.00 to \$0.01. The impact of this change was a decrease in Ordinary shares of \$323 million, and an increase in Additional paid-in capital of \$323 million.

As a U.K. incorporated company, Aon plc must have "distributable reserves" to make share repurchases or pay dividends to shareholders. Distributable reserves may be created through the earnings of the U.K. parent company and, amongst other methods, through a reduction in share capital approved by the English Companies Court. Distributable reserves are not linked to a U.S. GAAP reported amount. On April 4, 2012, the Company received approval from the English Companies Court to reduce its share premium and in connection with that approval, recognized distributable reserves in the amount of \$8.0 billion. As of December 31, 2012, the Company had distributable reserves of \$7.0 billion.

Ordinary Shares

In January 2010, the Company's Board of Directors authorized a share repurchase program under which up to \$2 billion of common stock may be repurchased ("2010 Stock Repurchase Plan"). Shares could be repurchased through the open market or in privately negotiated transactions, including structured repurchase programs, from time to time, based on prevailing market conditions, and were to be funded from available capital. Any repurchased shares were to be available for employee stock plans and for other corporate purposes.

The 2010 Stock Repurchase Program, which related to common stock of Aon Corporation and preceded the Redomestication, did not extend to shares of Aon plc. In April 2012, the Company's Board of Directors therefore authorized a share repurchase program under which up to \$5.0 billion of Class A Ordinary Shares may be repurchased ("2012 Share Repurchase Program"). Under this program, shares may be repurchased through the open market or in privately negotiated transactions, from time to time, based on prevailing market conditions, and will be funded from available capital.

In 2012, the Company repurchased 21.6 million shares at an average price per share of \$52.16 for a total cost of \$1.1 billion. The remaining authorized amount for share repurchase under the 2012 Share Repurchase Program is \$4.0 billion.

Participating Securities

Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities, as defined, and therefore, are included in computing basic and diluted earnings per share using the two class method. Certain of the Company's restricted share awards allow the holder to receive a non-forfeitable dividend equivalent.

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Income from continuing operations, income from discontinued operations and net income, attributable to participating securities, were as follows (in millions):

	Year ended December 31,		
	2012	2011	2010
Income from continuing operations	\$11	\$13	\$15
Income from discontinued operations	—	—	—
Net income	\$11	\$13	\$15

Weighted average shares outstanding are as follows (in millions):

	Year ended December 31,		
	2012	2011	2010
Shares for basic earnings per share (1)	328.5	335.5	293.4
Potentially issuable ordinary shares	4.1	5.4	4.7
Shares for diluted earnings per share	332.6	340.9	298.1

- (1) Includes 4.7 million, 7.6 million and 6.1 million shares of participating securities for the years ended December 31, 2012, 2011, and 2010 respectively.

Certain potentially issuable ordinary shares, primarily related to share options, were not included in the computation of diluted net income per share because their inclusion would have been antidilutive. The number of shares excluded from the calculation was 0.2 million in 2012, 0.1 million in 2011 and 4.8 million in 2010.

Dividends

During 2012, 2011, and 2010, the Company paid dividends on its ordinary shares of \$204 million, \$200 million, and \$175 million, respectively. Dividends paid per ordinary share were \$0.62 for the year ended December 31, 2012 and \$0.60 for each of the years ended December 31, 2011 and 2010.

In January 2013, the Company approved the declaration of a dividend to shareholders of \$0.16 per ordinary share. In February 2013, the Company paid those dividends in the amount of \$49 million.

Future dividends on Aon plc ordinary shares, if any, and the timing of declaration of any such dividends, will be at the discretion of the Board of Directors of Aon plc and will depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that the Board of Directors of Aon plc may deem relevant, as well as our ability to pay dividends in compliance with the Companies Act 2006.

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Other Comprehensive Loss

The components of other comprehensive loss and the related tax effects are as follows
(in millions):

Year ended December 31, 2012	Pretax	Income Tax Benefit (Expense)	Net of Tax
Net derivative losses arising during the year	\$(19)	\$7	\$(12)
Reclassification adjustment	33	(12)	21
Net change in derivative losses	14	(5)	9
Net foreign exchange translation adjustments	109	—	109
Net post-retirement benefit obligation	(488)	130	(358)
Total other comprehensive loss	(365)	125	(240)
Less: other comprehensive income attributable to noncontrolling interest	—	—	—
Other comprehensive loss attributable to Aon shareholders	\$(365)	\$125	\$(240)

Year ended December 31, 2011	Pretax	Income Tax Benefit (Expense)	Net of Tax
Net derivative losses arising during the year	\$(44)	\$15	\$(29)
Reclassification adjustment	25	(9)	16
Net change in derivative losses	(19)	6	(13)
Net foreign exchange translation adjustments	(46)	3	(43)
Net post-retirement benefit obligation	(593)	197	(396)
Total other comprehensive loss	(658)	206	(452)
Less: other comprehensive income attributable to noncontrolling interest	1	—	1
Other comprehensive loss attributable to Aon shareholders	\$(659)	\$206	\$(453)

Year ended December 31, 2010	Pretax	Income Tax Benefit (Expense)	Net of Tax
Net derivative losses arising during the year	\$(31)	\$10	\$(21)
Reclassification adjustment	(5)	2	(3)
Net change in derivative losses	(36)	12	(24)
Net foreign exchange translation adjustments	(92)	(43)	(135)
Net post-retirement benefit obligation	(76)	35	(41)
Total other comprehensive loss	(204)	4	(200)
Less: other comprehensive loss attributable to noncontrolling interests	(2)	—	(2)
Other comprehensive loss attributable to Aon shareholders	\$(202)	\$4	\$(198)

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Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, net of related tax, are as follows (in millions):

As of December 31	2012	2011	2010
Net derivative losses	\$(28)	\$(37)	\$(24)
Net foreign exchange translation adjustments	233	124	168
Net postretirement benefit obligations	(2,815)	(2,457)	(2,061)
Accumulated other comprehensive loss, net of tax	\$(2,610)	\$(2,370)	\$(1,917)

12. Employee Benefits

Defined Contribution Savings Plans

Aon maintains defined contribution savings plans for the benefit of its U.S. and U.K. employees. The expense recognized for these plans is included in Compensation and benefits in the Consolidated Statements of Income, as follows (in millions):

Years ended December 31	2012	2011	2010
U.S.	\$115	\$104	\$65
U.K.	41	43	35
	\$156	\$147	\$100

Pension and Other Post-retirement Benefits

The Company sponsors defined benefit pension and post-retirement health and welfare plans that provide retirement, medical, and life insurance benefits. The post-retirement healthcare plans are contributory, with retiree contributions adjusted annually, and the life insurance and pension plans are generally noncontributory.

The majority of the Company's plans are closed to new entrants. Effective April 1, 2009, the Company ceased crediting future benefits relating to salary and service in its U.S. defined benefit pension plan. This change affected approximately 6,000 active employees covered by the U.S. plan. For those employees, the Company increased its contribution to the defined contribution savings plan. In 2010, the Company ceased crediting future benefits relating to service in its Canadian defined benefit pension plans. This change affected approximately 950 active employees.

Pension Plans

The following tables provide a reconciliation of the changes in the projected benefit obligations and fair value of assets for the years ended December 31, 2012 and 2011 and a statement of the funded status as of December 31, 2012 and 2011, for the U.S. plans and material

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U.K. and non-U.S. plans, which are located in the U.K., the Netherlands, and Canada. These plans represent approximately 94% of the Company's projected benefit obligations.

<i>(millions)</i>	U.K. and Non-U.S.		U.S.	
	2012	2011	2012	2011
<i>Change in projected benefit obligation</i>				
At January 1	\$5,583	\$4,812	\$2,657	\$2,376
Service cost	15	19	—	—
Interest cost	265	267	119	122
Participant contributions	1	1	—	—
Plan amendment	—	12	—	—
Plan transfer and acquisitions	—	17	—	—
Actuarial loss (gain)	(139)	(32)	29	51
Benefit payments	(195)	(181)	(123)	(115)
Change in discount rate	562	651	202	223
Foreign currency revaluation	175	17	—	—
At December 31	\$6,267	\$5,583	\$2,884	\$2,657
Accumulated benefit obligation at end of year	\$6,186	\$5,508	\$2,884	\$2,657
<i>Change in fair value of plan assets</i>				
At January 1	\$5,098	\$4,288	\$1,325	\$1,244
Actual return on plan assets	392	595	203	83
Participant contributions	1	1	—	—
Employer contributions	412	364	226	113
Plan transfer and acquisitions	—	13	—	—
Benefit payments	(195)	(181)	(123)	(115)
Foreign currency revaluation	161	18	—	—
At December 31	\$5,869	\$5,098	\$1,631	\$1,325
Market related value at end of year	\$5,869	\$5,098	\$1,566	\$1,410
<i>Amount recognized in Statement of Financial Position at December 31</i>				
Funded status	\$(398)	\$(485)	\$(1,253)	\$(1,332)
Unrecognized prior-service cost	28	28	—	—
Unrecognized loss	2,472	2,109	1,591	1,480
Net amount recognized	\$2,102	\$1,652	\$338	\$148

Amounts recognized in the Consolidated Statements of Financial Position consist of (in millions):

	U.K. and Non-U.S.		U.S.	
	2012	2011	2012	2011
Prepaid benefit cost (included in Other non-current assets)	\$302	\$159	\$—	\$—
Accrued benefit liability (included in Pension, other post retirement, and post employment liabilities)	(700)	(644)	(1,253)	(1,332)
Accumulated other comprehensive loss	2,500	2,137	1,591	1,480
Net amount recognized	\$2,102	\$1,652	\$338	\$148

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Amounts recognized in Accumulated other comprehensive loss that have not yet been recognized as components of net periodic benefit cost at December 31, 2012 and 2011 consist of (in millions):

	U.K. and Non-U.S.		U.S.	
	2012	2011	2012	2011
Net loss	\$2,472	\$2,109	\$1,591	\$1,480
Prior service cost	28	28	—	—
	\$2,500	\$2,137	\$1,591	\$1,480

In 2012, U.S. plans with a projected benefit obligation (“PBO”) and an accumulated benefit obligation (“ABO”) in excess of the fair value of plan assets had a PBO of \$2.9 billion, an ABO of \$2.9 billion, and plan assets of \$1.6 billion. U.K. and Non-U.S. plans with a PBO in excess of the fair value of plan assets had a PBO of \$3.5 billion and plan assets with a fair value of \$2.8 billion, and plans with an ABO in excess of the fair value of plan assets had an ABO of \$3.4 billion and plan assets with a fair value of \$2.8 billion.

In 2011, U.S. plans with a PBO and an ABO in excess of the fair value of plan assets had a PBO of \$2.7 billion, an ABO of \$2.7 billion, and plan assets of \$1.3 billion. U.K. and Non-U.S. plans with a PBO in excess of the fair value of plan assets had a PBO of \$3.1 billion and plan assets with a fair value of \$2.5 billion, and plans with an ABO in excess of the fair value of plan assets had an ABO of \$3.0 billion and plan assets with a fair value of \$2.4 billion.

The following table provides the components of net periodic benefit cost for the plans (in millions):

	U.K. and Non-U.S.			U.S.		
	2012	2011	2010	2012	2011	2010
Service cost	\$15	\$19	\$15	\$—	\$—	\$—
Interest cost	265	267	249	119	122	124
Expected return on plan assets	(323)	(287)	(240)	(127)	(120)	(118)
Amortization of prior-service cost	1	1	1	—	—	—
Amortization of net actuarial loss	60	53	54	43	31	24
Net periodic benefit cost	\$18	\$53	\$79	\$35	\$33	\$30

In addition to the net periodic benefit cost shown above in 2010, the Company recorded a non-cash charge of \$49 million (\$29 million after-tax) with a corresponding credit to Accumulated other comprehensive loss. This charge is included in Compensation and benefits in the Consolidated Statements of Income and represents the correction of an error in the calculation of pension expense for the Company’s U.S. pension plan for the period from 1999 to the end of the first quarter of 2010.

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The weighted-average assumptions used to determine future benefit obligations are as follows:

	U.K. and Non-U.S.		U.S.	
	2012	2011	2012	2011
Discount rate	3.25 – 4.45%	4.40 – 4.94%	3.73 – 4.05%	4.33 – 4.60%
Rate of compensation increase	2.25 – 3.85%	2.25 – 3.55%	N/A	N/A
Underlying price inflation	2.00 – 2.95%	2.00 – 3.05%	N/A	N/A

The weighted-average assumptions used to determine the net periodic benefit cost are as follows:

	U.K. and Non-U.S.			U.S.		
	2012	2011	2010	2012	2011	2010
Discount rate	4.40 – 4.94%	4.70 – 5.50%	4.00 – 6.19%	4.33 – 4.60%	4.35 – 5.34%	5.22 – 5.98%
Expected return on plan assets	4.90 – 6.75	3.20 – 7.20	4.70 – 7.00	8.80	8.80	8.80
Rate of compensation increase	2.25 – 3.55	2.00 – 4.00	2.50 – 3.60	N/A	N/A	N/A

The amounts in Accumulated other comprehensive loss expected to be recognized as components of net periodic benefit cost during 2013 are \$52 million in the U.S. and \$75 million outside the U.S.

Expected Return on Plan Assets

To determine the expected long-term rate of return on plan assets, the historical performance, investment community forecasts and current market conditions are analyzed to develop expected returns for each asset class used by the plans. The expected returns for each asset class are weighted by the target allocations of the plans. The expected return on plan assets in the U.S. of 8.80% reflects a portfolio that is seeking asset growth through a higher equity allocation while maintaining prudent risk levels. The portfolio contains certain assets that have historically resulted in higher returns and other financial instruments to minimize downside risk.

No plan assets are expected to be returned to the Company during 2013.

Fair value of plan assets

The Company determined the fair value of plan assets through numerous procedures based on the asset class and available information. See Note 15 “Fair Value Measurements and Financial Instruments” for a description of the procedures performed to determine the fair value of the plan

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assets. The fair values of the Company's U.S. pension plan assets at December 31, 2012 and December 31, 2011, by asset category, are as follows (in millions):

Asset Category	Balance at December 31, 2012	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents (1)	\$22	\$22	\$—	\$—
Equity investments: (2)				
Large cap domestic	233	233	—	—
Small cap domestic	44	—	44	—
Large cap international	188	59	129	—
Equity derivatives	226	69	157	—
Fixed income investments: (3)				
Corporate bonds	421	—	421	—
Government and agency bonds	97	—	97	—
Asset-backed securities	18	—	18	—
Fixed income derivatives	52	—	52	—
Other investments:				
Alternative investments (4)	262	—	—	262
Commodity derivatives (5)	17	—	17	—
Real estate and REITS (6)	51	51	—	—
Total	\$1,631	\$434	\$935	\$262

- (1) Consists of cash and institutional short-term investment funds.
- (2) Consists of equity securities, equity derivatives, and pooled equity funds.
- (3) Consists of corporate and government bonds, asset-backed securities, and fixed income derivatives.
- (4) Consists of limited partnerships, private equity and hedge funds.
- (5) Consists of long-dated options on a commodity index.
- (6) Consists of exchange traded REITS.

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Asset Category	Fair Value Measurements Using			
	Balance at December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents (1)	\$22	\$22	\$—	\$—
Equity investments: (2)				
Large cap domestic	151	151	—	—
Small cap domestic	58	—	58	—
Large cap international	97	9	88	—
Equity derivatives	173	63	110	—
Fixed income investments: (3)				
Corporate bonds	355	—	355	—
Government and agency bonds	116	—	116	—
Asset-backed securities	18	—	18	—
Fixed income derivatives	83	—	83	—
Other investments:				
Alternative investments (4)	191	—	—	191
Commodity derivatives (5)	19	—	19	—
Real estate and REITS (6)	42	42	—	—
Total	\$1,325	\$287	\$847	\$191

- (1) Consists of cash and institutional short-term investment funds.
- (2) Consists of equity securities, equity derivatives, and pooled equity funds.
- (3) Consists of corporate and government bonds, asset-backed securities, and fixed income derivatives.
- (4) Consists of limited partnerships, private equity and hedge funds.
- (5) Consists of long-dated options on a commodity index.
- (6) Consists of exchange traded REITS.

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The following table presents the changes in the Level 3 fair-value category in the Company's U.S. pension plans for the years ended December 31, 2012 and December 31, 2011 (in millions):

	Fair Value Measurement Using Level 3 Inputs
Balance at January 1, 2011	\$193
Actual return on plan assets:	
Relating to assets still held at December 31, 2011	(8)
Relating to assets sold during 2011	1
Purchases, sales and settlements — net	5
Transfer in/(out) of Level 3	—
Balance at December 31, 2011	191
Actual return on plan assets:	
Relating to assets still held at December 31, 2012	22
Relating to assets sold during 2012	1
Purchases, sales and settlements — net	48
Transfer in/(out) of Level 3	—
Balance at December 31, 2012	\$262

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The fair values of the Company's major U.K. and non-U.S. pension plan assets at December 31, 2012 and December 31, 2011, by asset category, are as follows (in millions):

	Balance at December 31, 2012	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$303	\$303	\$—	\$—
Equity investments:				
Pooled funds: (1)				
Global	1,241	—	1,241	—
Europe	319	—	319	—
North America	65	—	65	—
Equity securities — global (2)	137	137	—	—
Derivatives (2)	103	—	103	—
Fixed income investments:				
Pooled funds: (1)				
Fixed income securities	973	—	973	—
Derivatives	23	—	23	—
Fixed income securities (3)	1,298	1,235	63	—
Annuities	568	—	—	568
Derivatives (3)	245	—	245	—
Other investments:				
Pooled funds: (1)				
Commodities	30	—	30	—
REITS	5	—	5	—
Real estate (4)	87	—	—	87
Derivatives	15	—	15	—
Alternative investments (5)	457	—	—	457
Total	\$5,869	\$1,675	\$3,082	\$1,112

- (1) Consists of various equity, fixed income, commodity, and real estate mutual fund type investment vehicles.
- (2) Consists of equity securities and equity derivatives.
- (3) Consists of corporate and government bonds and fixed income derivatives.
- (4) Consists of property funds and trusts holding direct real estate investments.
- (5) Consists of limited partnerships, private equity and hedge funds.

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	Fair Value Measurements Using			
	Balance at December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$276	\$276	\$—	\$—
Equity investments:				
Pooled funds: (1)				
Global	960	—	960	—
Europe	347	—	347	—
North America	56	—	56	—
Equity securities — global (2)	128	128	—	—
Derivatives (2)	11	—	11	—
Fixed income investments:				
Pooled funds: (1)				
Fixed income securities	823	—	823	—
Derivatives	21	—	21	—
Fixed income securities (3)	1,355	1,299	56	—
Annuities	419	—	—	419
Derivatives (3)	178	—	178	—
Other investments:				
Pooled funds: (1)				
Commodities	26	—	26	—
REITS	4	—	4	—
Real estate (4)	134	—	—	134
Derivatives	14	—	14	—
Alternative investments (5)	346	—	—	346
Total	\$5,098	\$1,703	\$2,496	\$899

- (1) Consists of various equity, fixed income, commodity, and real estate mutual fund type investment vehicles.
- (2) Consists of equity securities and equity derivatives.
- (3) Consists of corporate and government bonds and fixed income derivatives.
- (4) Consists of property funds and trusts holding direct real estate investments.
- (5) Consists of limited partnerships, private equity and hedge funds.

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The following table presents the changes in the Level 3 fair-value category in the Company's U.K. and non-U.S. pension plans for the years ended December 31, 2012 and December 31, 2011 (in millions):

	Fair Value Measurements Using Level 3 Inputs					
	Global	Fixed	Annuities	Real Estate	Alternative Investments	Total
Balance at January 1, 2011	\$162	\$40	\$380	\$127	\$218	\$927
Actual return on plan assets:						
Relating to assets still held at December 31, 2011	—	—	35	3	—	38
Relating to assets sold during 2011	—	—	—	—	1	1
Purchases, sales and settlements — net	—	—	—	2	86	88
Transfers in/(out) of Level 3 (1)	(162)	(40)	—	1	41	(160)
Foreign exchange	—	—	4	1	—	5
Balance at December 31, 2011	—	—	419	134	346	899
Actual return on plan assets:						
Relating to assets still held at December 31, 2012	—	—	(4)	(1)	19	14
Relating to assets sold during 2012	—	—	—	1	11	12
Purchases, sales and settlements — net	—	—	137	(32)	68	173
Transfers in/(out) of Level 3	—	—	—	(18)	—	(18)
Foreign exchange	—	—	16	3	13	32
Balance at December 31, 2012	\$—	\$—	\$568	\$87	\$457	\$1,112

- (1) During 2011, a pooled global equity fund with a fair value of \$162 million was transferred from Level 3 to Level 2 due to increased observability of the inputs. Additionally, a fund of funds with a fair value of \$40 million was reclassified within Level 3 to be consistent with other similar fund of funds classified as Alternative Investments within the fair value hierarchy.

Investment Policy and Strategy

The U.S. investment policy, as established by the Aon Retirement Plan Governance and Investment Committee (“RPGIC”), seeks reasonable asset growth at prudent risk levels within target allocations, which are 49% equity investments, 30% fixed income investments, and 21% other investments. Aon believes that plan assets are well-diversified and are of appropriate quality. The investment portfolio asset allocation is reviewed quarterly and re-balanced to be within policy target allocations. The investment policy is reviewed at least annually and revised, as deemed appropriate by the RPGIC. The investment policies for international plans are generally established by the local pension plan trustees and seek to maintain the plans’ ability to meet liabilities and to comply with local minimum funding requirements. Plan assets are invested in diversified portfolios

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that provide adequate levels of return at an acceptable level of risk. The investment policies are reviewed at least annually and revised, as deemed appropriate to ensure that the objectives are being met. At December 31, 2012, the weighted average targeted allocation for the U.K. and non-U.S. plans was 45% for equity investments and 55% for fixed income investments.

Cash Flows

Contributions

Based on current assumptions, the Company expects to contribute approximately \$167 million and \$381 million, respectively, to its U.S. and non-U.S. pension plans during 2013.

Estimated Future Benefit Payments

Estimated future benefit payments for plans are as follows at December 31, 2012 (in millions):

	U.K. and Non-U.S.	U.S.
2013	\$184	\$145
2014	190	141
2015	199	147
2016	213	154
2017	221	153
2018 – 2022	1,336	787

U.S. and Canadian Other Post-Retirement Benefits

The following table provides an overview of the accumulated projected benefit obligation, fair value of plan assets, funded status and net amount recognized as of December 31, 2012 and 2011 for the Company's other post-retirement benefit plans located in the U.S. and Canada (in millions):

	2012	2011
Accumulated projected benefit obligation	\$134	\$134
Fair value of plan assets	20	20
Funded status	(114)	(114)
Unrecognized prior-service credit	(15)	(8)
Unrecognized loss	37	25
Net amount recognized	\$(92)	\$(97)

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Other information related to the Company's other post-retirement benefit plans are as follows:

	2012	2011	2010
Net periodic benefit cost recognized (millions)	\$1	\$6	\$4
Weighted-average discount rate used to determine future benefit obligations	3.67 – 4.00%	4.33 – 5.00%	4.92 – 6.00%
Weighted-average discount rate used to determine net periodic benefit costs	4.33 – 5.00%	4.92 – 6.00%	5.90 – 6.19%

Amounts recognized in Accumulated other comprehensive loss that have not yet been recognized as components of net periodic benefit cost at December 31, 2012 are \$37 million and \$15 million of net loss and prior service credit, respectively. The amount in Accumulated other comprehensive income expected to be recognized as a component of net periodic benefit cost during 2013 is \$1 million and \$5 million of net loss and prior service credit, respectively.

Based on current assumptions, the Company expects:

- To contribute \$6 million to fund material other post-retirement benefit plans during 2013.
- Estimated future benefit payments will be approximately \$8 million each year for 2013 through 2017, and \$41 million in aggregate for 2018-2022.

The accumulated post-retirement benefit obligation is increased by \$3 million and decreased by \$3 million by a respective 1% increase or decrease to the assumed health care trend rate. The service cost and interest cost components of net periodic benefits cost is increased by \$0.2 million and decreased by \$0.2 million by a respective 1% increase or decrease to the assumed healthcare trend rate.

For most of the participants in the U.S. plan, Aon's liability for future plan cost increases for pre-65 and Medical Supplement plan coverage is limited to 5% per annum. Although the net employer trend rates range from 8% to 5% per year, because of this cap, these plans are effectively limited to 5% per year in the future. During 2012, Aon recognized a plan amendment that phases out post-retirement coverage in its U.S. plan over the next two years. The amendment resulted in recognition of prior service credits of \$5 million in 2012 in net periodic benefit cost. The impact of this amendment also resulted in a new prior service credit of \$10 million which will impact net periodic benefit cost in future periods as it is recognized over the average remaining service life of the employees.

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13. Share-Based Compensation Plans

The following table summarizes share-based compensation expense recognized in the Consolidated Statements of Income in Compensation and benefits (in millions):

Years ended December 31	2012	2011	2010
Restricted share units (“RSUs”)	\$154	\$142	\$138
Performance share awards (“PSAs”)	46	78	62
Share options	5	9	17
Employee share purchase plans	7	6	4
Total share-based compensation expense	212	235	221
Tax benefit	62	77	75
Share-based compensation expense, net of tax	\$150	\$158	\$146

Restricted Share Units

RSUs generally vest between three and five years, but may vest up to ten years from the date of grant. The fair value of RSUs is based upon the market value of the Aon ordinary shares at the date of grant. With certain limited exceptions, any break in continuous employment will cause the forfeiture of all unvested awards. Compensation expense associated with RSUs is recognized over the service period. Dividend equivalents are paid on certain RSUs, based on the initial grant amount.

A summary of the status of Aon’s RSUs is as follows (shares in thousands):

Years ended December 31	2012		2011		2010	
	Shares	Fair Value (1)	Shares	Fair Value (1)	Shares	Fair Value (1)
Non-vested at beginning of year	9,916	\$42	10,674	\$38	12,850	\$36
Granted	5,113	46	3,506	51	3,817	40
Vested	(3,958)	42	(3,773)	39	(5,278)	35
Forfeited	(639)	44	(491)	39	(715)	35
Non-vested at end of year	10,432	44	9,916	42	10,674	38

(1) Represents per share weighted average fair value of award at date of grant.

The fair value of RSUs that vested during 2012, 2011 and 2010 was \$180 million, \$146 million and \$174 million, respectively.

Performance Share Awards

The vesting of PSAs is contingent upon meeting various individual, divisional or company-wide performance conditions, including revenue generation or growth in revenue, pretax income or earnings per share over a one to five-year period. The performance conditions are not considered in the determination of the grant date fair value for these awards. The fair value of

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PSAs is based upon the market price of the Aon ordinary share at the date of grant. Compensation expense is recognized over the performance period, and in certain cases an additional vesting period, based on management's estimate of the number of units expected to vest. Compensation expense is adjusted to reflect the actual number of shares issued at the end of the programs. The actual issuance of shares may range from 0 – 200% of the target number of PSAs granted, based on the plan. Dividend equivalents are not paid on PSAs.

Information regarding PSAs granted during the years ended December 31, 2012, 2011 and 2010 follows (shares in thousands, dollars in millions, except fair value):

	2012	2011	2010
Target PSAs granted	1,369	1,715	1,390
Fair Value (1)	\$47	\$50	\$39
Number of shares that would be issued based on current performance levels	1,722	1,120	1,079
Unamortized expense, based on current performance levels	\$63	\$19	\$—

(1) Represents per share weighted average fair value of award at date of grant.

During 2012, the Company issued approximately 1.4 million shares in connection with the 2009 Leadership Performance Plan (“LPP”) cycle and 0.9 million shares related to other performance plans. During 2011, the Company issued approximately 1.2 million shares in connection with the 2008 LPP cycle and 0.3 million shares related to a 2006 performance plan. During 2010, the Company issued approximately 1.6 million shares in connection with the 2007 LPP cycle and 0.1 million shares related to other performance plans.

Share Options

Options to purchase ordinary shares are granted to certain employees at fair value on the date of grant. Commencing in 2010, the Company ceased granting new share options with the exception of historical contractual commitments. Generally, employees are required to complete two continuous years of service before the options begin to vest in increments until the completion of a four-year period of continuous employment, although a number of options were granted that require five continuous years of service before the options are fully vested. Options issued under the LPP program vest ratably over three years with a six-year term. The maximum contractual term on share options is generally ten years from the date of grant.

The Company uses a lattice-binomial option-pricing model to value share options. Lattice-based option valuation models use a range of assumptions over the expected term of the options. Expected volatilities are based on the average of the historical volatility of the Company's share price and the implied volatility of traded options and the Company's shares. The valuation model stratifies employees between those receiving LPP options, Special Stock Plan (“SSP”) options, and all other option grants. The Company believes that this stratification better represents prospective

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share option exercise patterns. The expected dividend yield assumption is based on the Company's historical and expected future dividend rate. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected life of employee share options represents the weighted-average period stock options are expected to remain outstanding and is a derived output of the lattice-binomial model.

The weighted average assumptions, the weighted average expected life and estimated fair value of employee share options are summarized as follows:

Years ended December 31	2012	2011	2010
	All Other Options	All Other Options	All Other Options
Weighted average volatility	NA	26.1%	28.5%
Expected dividend yield	NA	1.3%	1.6%
Risk-free rate	NA	2.2%	3.0%
Weighted average expected life, in years	NA	5.5	6.1
Weighted average estimated fair value per share	NA	\$10.92	\$10.37

In connection with its incentive compensation plans, the Company granted the following number of share options at the noted exercise price: 2012 — none, 2011 — 80,000 shares at \$53 per share, and 2010 — 143,000 shares at \$38 per share. In 2010, the Company acquired Hewitt Associates and immediately vested all outstanding options issued under Hewitt's Global Stock and Incentive Compensation Plan.

Each outstanding vested Hewitt stock option was converted into a fully vested and exercisable option to purchase Aon common stock with the same terms and conditions as the Hewitt stock option. On the acquisition date, 4.5 million options to purchase Aon common stock were issued to former holders of Hewitt stock options and 0.6 million of these options remain outstanding and exercisable at December 31, 2012.

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A summary of the status of the Company's share options and related information is as follows (shares in thousands):

Years ended December 31	2012		2011		2010	
	Shares	Weighted-Average Exercise Price Per Share	Shares	Weighted-Average Exercise Price Per Share	Shares	Weighted-Average Exercise Price Per Share
Beginning outstanding	9,116	\$32	13,919	\$32	15,937	\$33
Options issued in connection with the Hewitt acquisition	—	—	—	—	4,545	22
Granted	—	—	80	53	143	38
Exercised	(3,413)	31	(4,546)	32	(6,197)	27
Forfeited and expired	(92)	37	(337)	36	(509)	35
Outstanding at end of year	5,611	32	9,116	32	13,919	32
Exercisable at end of year	5,117	31	7,833	30	11,293	30
Shares available for grant	17,024		24,508		22,777	

A summary of options outstanding and exercisable as of December 31, 2012 is as follows (shares in thousands):

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Shares Outstanding	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price Per Share	Shares Exercisable	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price Per Share
\$14.71 – 22.86	1,747	2.07	\$21.72	1,747	2.07	\$21.72
22.87 – 25.51	331	2.43	25.40	331	2.43	25.40
25.52 – 32.53	675	1.74	27.30	675	1.74	27.30
32.54 – 36.88	631	2.99	35.89	482	2.57	35.73
36.89 – 43.44	1,393	2.81	39.50	1,238	2.37	39.58
43.45 – 52.93	834	3.79	46.54	644	3.32	45.64
	5,611			5,117		

The aggregate intrinsic value represents the total pretax intrinsic value, based on options with an exercise price less than the Company's closing share price of \$55.61 as of December 31, 2012, which would have been received by the option holders had those option holders exercised their options as of that date. At December 31, 2012, the aggregate intrinsic value of options outstanding was \$131 million, of which \$124 million was exercisable.

Other information related to the Company's share options is as follows (in millions):

	2012	2011	2010
Aggregate intrinsic value of stock options exercised	\$67	\$80	\$87
Cash received from the exercise of stock options	105	153	162
Tax benefit realized from the exercise of stock options	11	14	4

Unamortized deferred compensation expense, which includes both options and awards, amounted to \$302 million as of December 31, 2012, with a remaining weighted-average amortization period of approximately 2.1 years.

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Employee Share Purchase Plan

United States

The Company has an employee share purchase plan that provides for the purchase of a maximum of 7.5 million shares of the Company's ordinary shares by eligible U.S. employees. Prior to 2011, shares of the Company's common stock were purchased at 3-month intervals at 85% of the lower of the fair market value of the common stock on the first or the last day of each 3-month period. Beginning in 2011, the Company's ordinary shares were purchased at 6-month intervals at 85% of the lower of the fair market value of the ordinary shares on the first or last day of each 6-month period. In 2012, 2011, and 2010, 621,000 shares, 468,000 shares and 357,000 shares, respectively, were issued to employees under the plan. Compensation expense recognized was \$6 million in 2012, \$5 million in 2011, and \$3 million in 2010.

United Kingdom

The Company also has an employee share purchase plan for eligible U.K. employees that provides for the purchase of shares after a 3-year period and that is similar to the U.S. plan previously described. Three-year periods began in 2008 and 2006, allowing for the purchase of a maximum of 200,000 and 525,000 shares, respectively. In 2012, 2011 and 2010, 25,000 shares, 63,000 shares, and 5,000 shares, respectively, were issued under the plan. In 2012, 2011 and 2010, \$1 million, \$1 million, and \$1 million, respectively, of compensation expense was recognized.

14. Derivatives and Hedging

The Company is exposed to market risks, including changes in foreign currency exchange rates and interest rates. To manage the risk related to these exposures, the Company enters into various derivative instruments that reduce these market risks by creating offsetting exposures. The Company does not enter into derivative transactions for trading or speculative purposes.

Foreign Exchange Risk Management

The Company is exposed to foreign exchange risk when it receives revenues, pays expenses, or enters into intercompany loans denominated in a currency that differs from its functional currency. The Company uses foreign exchange derivatives, typically forward contracts, options and cross currency swaps, to reduce its overall exposure to the effects of currency fluctuations on cash flows. These exposures are hedged, on average, for less than two years; however, in limited instances, the Company has hedged certain exposures up to five years in the future.

The Company also uses foreign exchange derivatives, typically forward contracts and options, to manage the currency exposure of the Company's global liquidity profile typically up to

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one year in the future. These derivatives are not accounted for as hedges, and changes in fair value are recorded each period in Other income (expense) in the Consolidated Statements of Income.

Interest Rate Risk Management

The Company holds variable-rate short-term brokerage and other operating deposits. The Company uses interest rate derivatives, typically swaps, to reduce its exposure to the effects of interest rate fluctuations on the forecasted interest receipts from these deposits typically up to two years in the future.

Certain derivatives also give rise to credit risks from the possible non-performance by counterparties. The credit risk is generally limited to the fair value of those contracts that are favorable to the Company. The Company has limited its credit risk by using International Swaps and Derivatives Association (“ISDA”) master agreements, collateral and credit support arrangements, entering into non-exchange-traded derivatives with highly-rated major financial institutions and by using exchange-traded instruments. The Company monitors the credit worthiness of, and exposure to, its counterparties. As of December 31, 2012, all net derivative positions were free of credit risk contingent features. The Company has not received or pledged any collateral as of December 31, 2012.

The notional and fair values of derivative instruments are as follows (in millions):

	Notional Amount		Derivative Assets (1) Fair Value		Derivative Liabilities (2) Fair Value	
	2012	2011	2012	2011	2012	2011
As of December 31						
Derivatives accounted for as hedges:						
Interest rate contracts	\$336	\$702	\$17	\$16	\$—	\$—
Foreign exchange contracts	1,819	1,297	191	140	250	188
Total	2,155	1,999	208	156	250	188
Derivatives not accounted for as hedges:						
Foreign exchange contracts	305	246	2	1	1	1
Total	\$2,460	\$2,245	\$210	\$157	\$251	\$189

(1) Included within Other current assets or Other non-current assets

(2) Included within Other liabilities or Other non-current liabilities

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The amounts of derivative gains (losses) recognized in the Consolidated Financial Statements are as follows (in millions):

	December 31,	
	2012	2011
Gain (Loss) recognized in Accumulated Other Comprehensive Loss:		
Cash flow hedges:		
Interest rate contracts	\$—	\$(1)
Foreign exchange contracts	(21)	(54)
Total	(21)	(55)
Foreign net investment hedges:		
Foreign exchange contracts	\$4	\$(2)
Gain (Loss) reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion):		
Cash flow hedges:		
Interest rate contracts (1)	\$(1)	\$—
Foreign exchange contracts (2)	(34)	(36)
Total	(35)	(36)
Foreign net investment hedges:		
Foreign exchange contracts	\$—	\$—

(1) Included within Fiduciary investment income and Interest expense

(2) Included within Other income (expense)

The amount of gain (loss) recognized in the Consolidated Financial Statements is as follows (in millions):

	Twelve months ended December 31,			
	Amount of Gain (Loss) Recognized in Income on Derivative (2)		Amount of Gain (Loss) Recognized in Income on Related Hedged Item	
	2012	2011	2012	2011
Fair value hedges:				
Foreign exchange contracts(1)	\$1	\$2	\$(1)	\$(2)

(1) Relates to fixed rate debt

(2) Included in interest expense

It is estimated that approximately \$20 million of pretax losses currently included within Accumulated other comprehensive loss will be reclassified into earnings in the next twelve months.

The amount of gain (loss) recognized in income on the ineffective portion of derivatives for 2012, 2011 and 2010 was not material.

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The Company recorded a gain of \$13 million and a loss of \$9 million in Other income (expense) for foreign exchange derivatives not designated or qualifying as hedges for 2012 and 2011, respectively.

15. Fair Value Measurements and Financial Instruments

Accounting standards establish a three tier fair value hierarchy that prioritizes the inputs used in measuring fair values as follows:

- Level 1 — observable inputs such as quoted prices for identical assets in active markets;
- Level 2 — inputs other than quoted prices for identical assets in active markets, that are observable either directly or indirectly; and
- Level 3 — unobservable inputs in which there is little or no market data which requires the use of valuation techniques and the development of assumptions.

The following methods and assumptions are used to estimate the fair values of the Company's financial instruments:

Money market funds and highly liquid debt securities are carried at cost and amortized cost, respectively, as an approximation of fair value. Based on market convention, the Company considers cost a practical and expedient measure of fair value.

Cash, cash equivalents, and highly liquid debt instruments consist of cash and institutional short-term investment funds. The Company independently reviews the short-term investment funds to obtain reasonable assurance the fund net asset value is \$1 per share.

Equity investments consist of domestic and international equity securities and exchange traded equity derivatives valued using the closing stock price on a national securities exchange. Over the counter equity derivatives are valued using observable inputs such as underlying prices of the equity security and volatility. The Company independently reviews the listing of Level 1 equity securities in the portfolio and agrees the closing stock prices to a national securities exchange, and on a sample basis, independently verifies the observable inputs for Level 2 equity derivatives and securities.

Fixed income investments consist of certain categories of bonds and derivatives. Corporate, government, and agency bonds are valued by pricing vendors who estimate fair value using recently executed transactions and proprietary models based on observable inputs, such as interest rate spreads, yield curves and credit risk. Asset-backed securities are valued by pricing vendors who estimate fair value using discounted cash flow models utilizing observable inputs based on trade and quote activity of securities with similar features. Fixed income derivatives are valued by pricing vendors using observable inputs such as interest rates and yield curves. The Company obtains a

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detailed understanding of the models, inputs, and assumptions used in developing prices provided by its vendors. This understanding includes discussions with valuation resources at the vendor. During these discussions, the Company uses a fair value measurement questionnaire, which is part of the Company's internal controls over financial reporting, to obtain the information necessary to assert the model, inputs and assumptions used comply with U.S. GAAP, including disclosure requirements. The Company also obtains observable inputs from the pricing vendor and independently verifies the observable inputs, as well as assesses assumptions used for reasonableness based on relevant market conditions and internal Company guidelines. If an assumption is deemed unreasonable, based on the Company's guidelines, it is then reviewed by a member of management and the fair value estimate provided by the vendor is adjusted, if deemed appropriate. These adjustments do not occur frequently and have not historically been material to the fair value estimates used in the Consolidated Financial Statements.

Pooled funds consist of various equity, fixed income, commodity, and real estate mutual fund type investment vehicles. Pooled investment funds fair value is estimated based on the proportionate share ownership in the underlying net assets of the investment, which is based on the fair value of the underlying securities that trade on national securities exchanges. Where possible, the Company independently reviews the listing securities in the portfolio and agrees the closing stock prices to a national securities exchange. The Company gains an understanding of the investment guidelines and valuation policies of the fund and discusses fund performance with pooled fund managers. The Company obtains audited fund manager financial statements, when available. If the pooled fund is designed to replicate a publicly traded index, the Company compares the performance of the fund to the index to assess the reasonableness of the fair value measurement.

Alternative investments consist of limited partnerships, private equity and hedge funds. Alternative investment fair value is generally estimated based on the proportionate share ownership in the underlying net assets of the investment as determined by the general partner or investment manager. The valuations are based on various factors depending on investment strategy, proprietary models, and specific financial data or projections. The Company obtains audited fund manager financial statements, when available. The Company obtains a detailed understanding of the models, inputs and assumptions used in developing prices provided by the investment managers (or appropriate party) through regular discussions. During these discussions with the investment managers, the Company uses a fair value measurement questionnaire, which is part of the Company's internal controls over financial reporting, to obtain the information necessary to assert the model, inputs and assumptions used comply with U.S. GAAP, including disclosure requirements. The Company also obtains observable inputs from the investment manager and independently verifies the observable inputs, as well as assesses assumptions used for reasonableness based on relevant market conditions and internal Company guidelines. If an assumption is deemed unreasonable, based on the Company's guidelines, it is then reviewed by a member of management

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and the fair value estimate provided by the vendor is adjusted, if deemed appropriate. These adjustments do not occur frequently and have not historically been material to the fair value estimates in the Consolidated Financial Statements.

Derivatives are carried at fair value, based upon industry standard valuation techniques that use, where possible, current market-based or independently sourced pricing inputs, such as interest rates, currency exchange rates, or implied volatilities.

Annuity contracts consist of insurance group annuity contracts purchased to match the pension benefit payment stream owed to certain selected plan participant demographics within a few major United Kingdom defined benefit plans. Annuity contracts are valued using a discounted cash flow model utilizing assumptions such as discount rate, mortality, and inflation. The Company independently verifies the observable inputs.

Real estate and REITs consist of publicly traded REITs and direct real estate investments. Level 1 REITs are valued using the closing stock price on a national securities exchange. The Level 3 values are based on the proportionate share of ownership in the underlying net asset value as determined by the investment manager. The Company independently reviews the listing of Level 1 REIT securities in the portfolio and agrees the closing stock prices to a national securities exchange. The Company gains an understanding of the investment guidelines and valuation policies of the Level 3 real estate funds and discusses performance with the fund managers. The Company obtains audited fund manager financial statements, when available. See the description of “Alternative Investments” for further detail on valuation procedures surrounding Level 3 REITs.

Guarantees are carried at fair value, which is based on discounted estimated cash flows using published historical cumulative default rates and discount rates commensurate with the underlying exposure.

Debt is carried at outstanding principal balance, less any unamortized discount or premium. Fair value is based on quoted market prices or estimates using discounted cash flow analyses based on current borrowing rates for similar types of borrowing arrangements.

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The following table presents the categorization of the Company's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2012 and 2011, respectively (in millions):

	Balance at December 31, 2012	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds and highly liquid debt securities (1)	\$2,133	\$2,108	\$25	\$—
Other investments				
Fixed maturity securities				
Corporate bonds	12	—	—	12
Government bonds	8	—	8	—
Equity securities	5	5	—	—
Derivatives				
Interest rate contracts	17	—	17	—
Foreign exchange contracts	193	—	193	—
Liabilities:				
Derivatives				
Foreign exchange contracts	251	—	251	—

- (1) Includes \$2,108 million of money market funds and \$25 million of highly liquid debt securities that are classified as fiduciary assets, short-term investments or cash equivalents in the Consolidated Statements of Financial Position, depending on their nature and initial maturity. See Note 7 "Investments" for additional information regarding the Company's investments.

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	Fair Value Measurements Using			
	Balance at December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds and highly liquid debt securities (1)	\$2,428	\$2,403	\$25	\$—
Other investments				
Fixed maturity securities				
Corporate bonds	12	—	—	12
Government bonds	3	—	3	—
Derivatives				
Interest rate contracts	16	—	16	—
Foreign exchange contracts	141	—	141	—
Liabilities:				
Derivatives				
Foreign exchange contracts	189	—	189	—

- (1) Includes \$2,403 million of money market funds and \$25 million of highly liquid debt securities that are classified as fiduciary assets, short-term investments or cash equivalents in the Consolidated Statements of Financial Position, depending on their nature and initial maturity. See Note 7 “Investments” for additional information regarding the Company’s investments.

There were no transfers of assets or liabilities between fair value hierarchy levels during 2012 or 2011. There were no realized or unrealized gains or losses recognized in the Consolidated Statements of Income during 2012, 2011 or 2010, related to assets and liabilities measured at fair value using unobservable inputs.

The fair value of all long-term debt instruments is classified as Level 2. The following table discloses the Company’s financial instruments where the carrying amounts and fair values differ (in millions):

As of December 31	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	\$3,713	\$4,162	\$4,155	\$4,494

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16. Commitments and Contingencies

Legal

Aon and its subsidiaries are subject to numerous claims, tax assessments, lawsuits and proceedings that arise in the ordinary course of business, which frequently include errors and omissions (“E&O”) claims. The damages claimed in these matters are or may be substantial, including, in many instances, claims for punitive, treble or extraordinary damages. Aon has historically purchased E&O insurance and other insurance to provide protection against certain losses that arise in such matters. Aon has exhausted or materially depleted its coverage under some of the policies that protect the Company and, consequently, is self-insured or materially self-insured for some historical claims. Accruals for these exposures, and related insurance receivables, when applicable, have been provided to the extent that losses are deemed probable and are reasonably estimable. These amounts are adjusted from time to time as developments warrant. Amounts related to settlement provisions are recorded in Other general expenses in the Consolidated Statements of Income.

At the time of the 2004-05 investigation of the insurance industry by the Attorney General of New York and other regulators, purported classes of clients filed civil litigation against Aon and other companies under a variety of legal theories, including state tort, contract, fiduciary duty, antitrust and statutory theories and federal antitrust and Racketeer Influenced and Corrupt Organizations Act (“RICO”) theories. The federal actions were consolidated in the U.S. District Court for the District of New Jersey, and a state court collective action was filed in California. In the New Jersey actions, the Court dismissed plaintiffs’ federal antitrust and RICO claims in separate orders in August and October 2007, respectively. In August 2010, the U.S. Court of Appeals for the Third Circuit affirmed the dismissals of most, but not all, of the claims. In March 2011, Aon entered into a Memorandum of Understanding documenting a settlement of the civil cases consolidated in the U.S. District Court for the District of New Jersey. Under that agreement, Aon paid \$550,000 in exchange for dismissal of the class claims. This agreement received final approval in the trial court in March 2012. In April 2012, certain entities that had objected to the settlement filed notices of appeal from the trial court judgment. The appellate court has dismissed the appeal, and the class settlement is final. One non-class claim brought by an individual plaintiff that opted out of the class action proceeding will remain pending, but the Company does not believe this case presents material exposure to the Company.

A retail insurance brokerage subsidiary of Aon provides insurance brokerage services to Northrop Grumman Corporation (“Northrop”). This Aon subsidiary placed Northrop’s excess property insurance program for the period covering 2005. Northrop suffered a substantial loss in August 2005 when Hurricane Katrina damaged Northrop’s facilities in the Gulf states. Northrop’s excess insurance carrier, Factory Mutual Insurance Company (“Factory Mutual”), denied coverage

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for the claim pursuant to a flood exclusion. Northrop sued Factory Mutual in the United States District Court for the Central District of California and later sought to add this Aon subsidiary as a defendant, asserting that if Northrop's policy with Factory Mutual does not cover the losses suffered by Northrop stemming from Hurricane Katrina, then this Aon subsidiary will be responsible for Northrop's losses. On August 26, 2010, the court granted in large part Factory Mutual's motion for partial summary judgment regarding the applicability of the flood exclusion and denied Northrop's motion to add this Aon subsidiary as a defendant in the federal lawsuit. On January 27, 2011, Northrop filed suit against this Aon subsidiary in state court in Los Angeles, California, pleading claims for negligence, breach of contract and negligent misrepresentation. Aon believes that it has meritorious defenses and intends to vigorously defend itself against these claims. The outcome of this lawsuit, and the amount of any losses or other payments that may result, cannot be estimated at this time.

Another retail insurance brokerage subsidiary of Aon has been sued in Tennessee state court by a client, Opry Mills Mall Limited Partnership ("Opry Mills") that sustained flood damage to its property in May 2010. The lawsuit seeks \$200 million from numerous insurers with whom this Aon subsidiary placed the client's property insurance coverage. The insurers contend that only \$50 million in coverage is available for the loss because the flood event occurred on property in a high hazard flood zone. Opry Mills is seeking full coverage from the insurers for the loss and has sued this Aon subsidiary in the alternative for the same \$150 million difference on various theories of professional liability if the court determines there is not full coverage. Aon believes it has meritorious defenses and intends to vigorously defend itself against these claims. The outcome of this lawsuit, and the amount of any losses or other payments that may result, cannot be estimated at this time.

A pensions consulting and administration subsidiary of Hewitt prior to its acquisition by Aon provided advisory services to the Trustees of the Philips U.K. pension fund and the relevant employer of fund beneficiaries (together, "Philips"). In December 2011, the Aon subsidiary received notice of a potential claim alleging negligence and breach of duty. The notice asserts Philips' right to claim damages related to Philips' use of a credit default swap hedging strategy pursuant to the supply of the advisory services, which is said to have resulted in substantial damages to Philips. No lawsuit has yet been filed. Aon believes that it has meritorious defenses and intends to vigorously defend itself against these allegations. The outcome of this circumstance, and the amount of any losses or other payments that may result, cannot be estimated at this time.

Mazeikiu Nafta ("MN"), which operates an oil refinery in Lithuania, has sued an insurance brokerage subsidiary of Aon in London. Aon placed property damage and business interruption coverage for MN. There was a fire at the refinery in 2006. MN settled with insurers in November 2011 and claimed against Aon in December 2012. The claim is for \$125 million, which is the shortfall alleged by MN to have been caused by Aon's failure to obtain appropriate business

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interruption coverage. Aon believes it has meritorious defenses and intends to defend itself vigorously against these allegations. The outcome of this lawsuit, and the amount of any losses or other payments that may result, cannot be estimated at this time.

From time to time, Aon's clients may bring claims and take legal action pertaining to the performance of fiduciary responsibilities. Whether client claims and legal action related to the Company's performance of fiduciary responsibilities are founded or unfounded, if such claims and legal actions are resolved in a manner unfavorable to the Company, they may adversely affect Aon's financial results and materially impair the market perception of the Company and that of its products and services.

Although the ultimate outcome of all matters referred to above cannot be ascertained, and liabilities in indeterminate amounts may be imposed on Aon or its subsidiaries, on the basis of present information, amounts already provided, availability of insurance coverages and legal advice received, it is the opinion of management that the disposition or ultimate determination of such claims will not have a material adverse effect on the consolidated financial position of Aon. However, it is possible that future results of operations or cash flows for any particular quarterly or annual period could be materially affected by an unfavorable resolution of these matters.

Guarantees and Indemnifications

In connection with the Redomestication, the Company on April 2, 2012 entered various agreements pursuant to which it agreed to guarantee the obligations of its subsidiaries arising under issued and outstanding debt securities. Those agreements included the (1) Amended and Restated Indenture, dated as of April 2, 2012, among Aon Corporation, Aon plc, and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") (amending and restating the Indenture, dated as of September 10, 2010, between Aon Corporation and the Trustee), (2) Amended and Restated Indenture, dated as of April 2, 2012, among Aon Corporation, Aon plc and the Trustee (amending and restating the Indenture, dated as of December 16, 2002, between Aon Corporation and the Trustee), (3) Amended and Restated Indenture, dated as of April 2, 2012, among Aon Corporation, Aon plc and the Trustee (amending and restating the Indenture, dated as of January 13, 1997, as supplemented by the First Supplemental Indenture, dated as of January 13, 1997), (4) First Supplemental Indenture, dated as of April 2, 2012, among Aon Finance N.S. 1, ULC, as issuer, Aon Corporation, as guarantor, Aon plc, as guarantor, and Computershare Trust Company of Canada, as trustee, and (5) Amended and Restated Trust Deed, among Aon Corporation, Aon plc, Aon Services Luxembourg & Co S.C.A. (formerly known as Aon Financial Services Luxembourg S.A.) ("Aon Luxembourg") and BNY Mellon Corporate Trustee Services Limited, as trustee (the "Luxembourg Trustee") (amending and restating the Trust Deed, dated as of July 1, 2009, as amended and restated on January 12, 2011, among Aon Delaware, Aon Luxembourg and the Luxembourg Trustee).

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Effective as of the same date, the Company also entered into agreements pursuant to which it agreed to guarantee the obligations of its subsidiaries arising under the (1) \$450,000,000 Term Credit Agreement dated June 15, 2011, among Aon Corporation, as borrower, Bank of America, N.A., as administrative agent and the other agents and lenders party thereto, (2) \$400,000,000 Five-Year Agreement dated March 20, 2012, among Aon Corporation, as borrower, Citibank, N.A., as administrative agent and the other agents and lenders party thereto and (3) €650,00,000 Facility Agreement, dated October 15, 2010, among Aon Corporation, the subsidiaries of Aon Corporation party thereto as borrowers, Citibank International plc, as agent, and the other agents and lenders party thereto, as amended on July 18, 2011.

The Company provides a variety of guarantees and indemnifications to its customers and others. The maximum potential amount of future payments represents the notional amounts that could become payable under the guarantees and indemnifications if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or other methods. These amounts may bear no relationship to the expected future payments, if any, for these guarantees and indemnifications. Guarantees are recorded at fair value and are included in the Company's Consolidated Financial Statements.

The Company expects that, as prudent business interests dictate, additional guarantees and indemnifications may be issued from time to time.

Letters of Credit

The Company has total letters of credit ("LOCs") outstanding for approximately \$74 million and \$75 million at December 31, 2012 and 2011, respectively. These letters of credit cover the beneficiaries related to certain of Aon's U.S. and Canadian non-qualified pension plan schemes and secure deductible retentions on Aon's own workers compensation program. The Company has also issued LOCs to cover contingent payments for taxes and other business obligations to third parties, and other guarantees for miscellaneous purposes at its international subsidiaries. Amounts are accrued in the Consolidated Financial Statements to the extent that they are probable and estimable.

Commitments

The Company has provided commitments to fund certain limited partnerships in which it has an interest in the event that the general partners request funding. Some of these commitments have specific expiration dates and the maximum potential funding under these commitments was \$51 million at December 31, 2012. During 2012, the Company funded \$11 million of these commitments.

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Premium Payments

The Company has certain contractual contingent guarantees for premium payments owed by clients to certain insurance companies. Costs associated with these guarantees, to the extent estimable and probable, are provided in Aon's allowance for doubtful accounts. The maximum exposure with respect to such contractual contingent guarantees was approximately \$104 million at December 31, 2012.

17. Related Party Transactions

During 2012, the Company, in the ordinary course of business, provided retail brokerage, consulting and financial advisory services to, and received wholesale brokerage services from, an entity that is controlled by one of the Company's shareholders. These transactions were negotiated at an arms-length basis and contain customary terms and conditions. During 2012 and 2011, commissions and fee revenue recognized by the Company from these transactions was approximately \$15 million and \$9 million, respectively.

18. Segment Information

The Company has two reportable segments: Risk Solutions and HR Solutions. Unallocated income and expenses, when combined with the operating segments and after the elimination of intersegment revenues and expenses, total to the amounts in the Consolidated Financial Statements.

Reportable operating segments have been determined using a management approach, which is consistent with the basis and manner in which Aon's chief operating decision maker ("CODM") uses financial information for the purposes of allocating resources and evaluating performance. The CODM assesses performance based on operating income and generally accounts for intersegment revenue as if the revenue were from third parties and at what management believes are current market prices. The Company does not present net assets by segment as this information is not reviewed by the CODM.

Risk Solutions acts as an advisor and insurance and reinsurance broker, helping clients manage their risks, via consultation, as well as negotiation and placement of insurance risk with insurance carriers through Aon's global distribution network.

HR Solutions partners with organizations to solve their most complex benefits, talent and related financial challenges, and improve business performance by designing, implementing, communicating and administering a wide range of human capital, retirement, investment management, health care, compensation and talent management strategies.

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Aon's total revenue is as follows (in millions):

Years ended December 31	2012	2011	2010
Risk Solutions	\$7,632	\$7,537	\$6,989
HR Solutions	3,925	3,781	1,545
Intersegment elimination	(43)	(31)	(22)
Total revenue	\$11,514	\$11,287	\$8,512

Commissions, fees and other revenues by product are as follows (in millions):

Years ended December 31	2012	2011	2010
Retail brokerage	\$6,089	\$6,022	\$5,491
Reinsurance brokerage	1,505	1,463	1,444
Total Risk Solutions Segment	7,594	7,485	6,935
Consulting services	1,585	1,546	821
Outsourcing	2,372	2,258	731
Intrasegment	(32)	(23)	(8)
Total HR Solutions Segment	3,925	3,781	1,544
Intersegment	(43)	(31)	(22)
Total commissions, fees and other revenues	\$11,476	\$11,235	\$8,457

Fiduciary investment income by segment is as follows (in millions):

Years ended December 31	2012	2011	2010
Risk Solutions	\$38	\$52	\$54
HR Solutions	—	—	1
Total fiduciary investment income	\$38	\$52	\$55

A reconciliation of segment operating income before tax to income from continuing operations before income taxes is as follows (in millions):

Years ended December 31	2012	2011	2010
Risk Solutions	\$1,493	\$1,413	\$1,328
HR Solutions	289	336	121
Segment income from continuing operations before income taxes	1,782	1,749	1,449
Unallocated expenses	(186)	(153)	(205)
Interest income	10	18	15
Interest expense	(228)	(245)	(182)
Other income (expense)	3	15	(18)
Income from continuing operations before income taxes	\$1,381	\$1,384	\$1,059

Unallocated expenses include administrative or other costs not attributable to the operating segments, such as corporate governance costs and the costs associated with corporate investments. Interest income represents income earned primarily on operating cash balances and certain income producing securities. Interest expense represents the cost of worldwide debt obligations.

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Other income (expense) consists of equity earnings, realized gains or losses on the sale of investments, gains or losses on the disposal of businesses, gains or losses on hedging activities, and gains or losses on foreign currency transactions.

Revenues are generally attributed to geographic areas based on the location of the resources producing the revenues. Intercompany revenues and expenses are eliminated in consolidated results.

Consolidated revenue by geographic area is as follows (in millions):

Years ended December 31	Total	United States	Americas other than U.S.	United Kingdom	Europe, Middle East, & Africa	Asia Pacific
2012	\$11,514	\$5,336	\$1,190	\$1,541	\$2,271	\$1,176
2011	11,287	5,134	1,176	1,519	2,377	1,081
2010	8,512	3,400	978	1,322	2,035	777

Consolidated non-current assets by geographic area are as follows (in millions):

As of December 31	Total	United States	Americas other than U.S.	United Kingdom	Europe, Middle East, & Africa	Asia Pacific
2012	\$13,819	\$8,355	\$599	\$1,721	\$2,462	\$682
2011	13,789	8,617	574	1,589	2,448	561

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19. Quarterly Financial Data (Unaudited)

Selected quarterly financial data for the years ended December 31, 2012 and 2011 as follows (in millions, except per share data):

	1Q	2Q	3Q	4Q	2012
INCOME STATEMENT DATA					
Commissions, fees and other revenue	\$2,829	\$2,813	\$2,726	\$3,108	\$11,476
Fiduciary investment income	12	8	11	7	38
Total revenue	<u>\$2,841</u>	<u>\$2,821</u>	<u>\$2,737</u>	<u>\$3,115</u>	<u>\$11,514</u>
Operating income	<u>\$402</u>	<u>\$394</u>	<u>\$339</u>	<u>\$461</u>	<u>\$1,596</u>
Income from continuing operations	\$249	\$255	\$210	\$307	\$1,021
Loss from discontinued operations	—	1	—	—	1
Net income	249	254	210	307	1,020
Less: Net income attributable to noncontrolling interests	11	8	6	2	27
Net income attributable to Aon shareholders	<u>\$238</u>	<u>\$246</u>	<u>\$204</u>	<u>\$305</u>	<u>\$993</u>
PER SHARE DATA					
Basic:					
Income from continuing operations	\$0.72	\$0.74	\$0.62	\$0.95	\$3.03
Loss from discontinued operations	—	—	—	—	—
Net income	<u>\$0.72</u>	<u>\$0.74</u>	<u>\$0.62</u>	<u>\$0.95</u>	<u>\$3.03</u>
Diluted:					
Income from continuing operations	\$0.71	\$0.73	\$0.62	\$0.93	\$2.99
Loss from discontinued operations	—	—	—	—	—
Net income	<u>\$0.71</u>	<u>\$0.73</u>	<u>\$0.62</u>	<u>\$0.93</u>	<u>\$2.99</u>
CLASS A ORDINARY SHARE DATA					
Dividends paid per share	\$0.15	\$0.16	\$0.16	\$0.16	\$0.62
Price range:					
High	\$49.51	\$52.61	\$53.35	\$57.92	\$57.92
Low	\$45.58	\$45.04	\$45.87	\$51.78	\$45.04
Shares outstanding	326.4	322.4	318.7	310.9	310.9
Average monthly trading volume	47.0	47.6	30.1	33.7	39.6

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	1Q	2Q	3Q	4Q	2011
INCOME STATEMENT DATA					
Commissions, fees and other revenue	\$2,748	\$2,799	\$2,708	\$2,980	\$11,235
Fiduciary investment income	11	12	15	14	52
Total revenue	\$2,759	\$2,811	\$2,723	\$2,994	\$11,287
Operating income	\$398	\$440	\$328	\$430	\$1,596
Income from continuing operations	\$253	\$265	\$208	\$280	\$1,006
Income from discontinued operations	2	2	—	—	4
Net income	255	267	208	280	1,010
Less: Net income attributable to noncontrolling interests	9	9	10	3	31
Net income attributable to Aon shareholders	\$246	\$258	\$198	\$277	\$979
PER SHARE DATA					
Basic:					
Income from continuing operations	\$0.72	\$0.76	\$0.59	\$0.84	\$2.91
Income from discontinued operations	—	—	—	\$0.01	\$0.01
Net income	\$0.72	\$0.76	\$0.59	\$0.85	\$2.92
Diluted:					
Income from continuing operations	\$0.71	\$0.75	\$0.59	\$0.82	\$2.86
Income from discontinued operations	—	—	—	\$0.01	0.01
Net income	\$0.71	\$0.75	\$0.59	\$0.83	\$2.87
CLASS A ORDINARY SHARE DATA					
Dividends paid per share	\$0.15	\$0.15	\$0.15	\$0.15	\$0.60
Price range:					
High	\$53.17	\$54.58	\$52.17	\$51.11	\$54.58
Low	\$43.31	\$48.66	\$39.68	\$39.90	\$39.68
Shares outstanding	330.5	326.7	323.3	324.4	324.4
Average monthly trading volume	50.7	40.2	55.3	56.3	50.6

20. Directors' Emoluments

Information relating to Directors' emoluments is incorporated herein by reference to the audited section of the Directors' Remuneration Report contained in this report.

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21. Auditors' Remuneration

The Group obtained the following services from the Group's auditor, Ernst & Young LLP, at costs as detailed in the tables below (in millions):

2012

	Audit Fees	Audit Related Fees	Taxation Fees	All Other Fees	Total
Audit of the Group's financial statements	10.4	—	—	—	10.4
Other Services:					
The auditing of accounts of any associate of the company	8.5	0.3	—	—	8.8
Audit-related assurance services	—	1.2	—	—	1.2
Taxation compliance services	—	—	0.9	—	0.9
All taxation advisory services	—	—	1.2	—	1.2
Internal audit services	—	—	—	—	—
All assurance services	—	—	—	—	—
All services relating to corporate finance transactions	—	0.1	—	—	0.1
All non-audit services	—	—	—	—	—
	18.9	1.6	2.1	—	22.6

2011

	Audit Fees	Audit Related Fees	Taxation Fees	All Other Fees	Total
Audit of the Group's financial statements	9.6	—	—	—	9.6
Other Services:					
The auditing of accounts of any associate of the company	9.0	0.4	—	—	9.4
Audit-related assurance services	—	1.3	—	—	1.3
Taxation compliance services	—	—	0.7	—	0.7
All taxation advisory services	—	—	1.3	—	1.3
Internal audit services	—	—	—	—	—
All assurance services	—	—	—	—	—
All services relating to corporate finance transactions	—	—	—	—	—
All non-audit services	—	—	—	—	—
	18.6	1.7	2.0	—	22.3

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22. Employees

The average number of persons employed by the Group during 2012 was as follows:

	2012	2011
Risk solutions	31,463	30,777
HR solutions	28,199	25,955
Corporate and other	4,165	4,094
Total	63,828	60,826

Employee costs were as follows (in millions):

	2012	2011
Wages and salaries	\$4,352	\$4,283
Social security costs	227	205
Share based compensation expense	212	235
Pension and postretirement expense	156	147
Other, primarily employee benefits	1,762	1,697
Total employee costs	\$6,709	\$6,567

23. Tangible Fixed Assets

	2012 (millions)	2011 (millions)
COST:		
Balance at 1 January	\$1,971	\$1,877
Additions	291	255
Disposals	(87)	(155)
Foreign currency translation	14	(6)
Balance at 31 December	\$2,189	\$1,971
DEPRECIATION:		
Balance at 1 January	\$1,188	\$1,096
Charge for the year	232	220
Disposals	(61)	(122)
Foreign currency translation	10	(6)
Balance at 31 December	\$1,369	\$1,188
NET BOOK VALUE:		
As at 31 December	\$820	\$783
As at 1 January	\$783	\$781

The Company has presented the components of tangible fixed assets in Note 3 to the Consolidated Financial Statements. The Company has presented the activity in tangible fixed assets in aggregate as no individual component has a significant level of activity during the periods presented.

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24. Subsequent events

On March 8, 2013, the Company issued \$90 million in aggregate principal amount of 4.250% Notes Due 2042. The 4.250% Notes Due 2042 constitute a further issuance of, and will be consolidated and form a single series of debt securities with, the \$166 million aggregate principal amount of the 4.250% Notes Due 2042 issued by Aon plc on December 12, 2012. The 4.250% Notes Due 2042 will be unconditionally guaranteed as to the payment of principal and interest by Aon Corporation.

On March 14, 2013 the Company drew \$200 million on the Euro Facility. The proceeds from this drawing will be used to fund short-term working capital needs.

As of March 15, 2013, the Company had \$350 million of commercial paper borrowings outstanding. The proceeds from the issuance of commercial paper will be used to fund short-term working capital needs.

During the period from January 1, 2013 to March 15, 2013, the Company repurchased 5.0 million shares at an average price per share of \$59.82 for a total cost of \$300 million. At March 15, 2013, the remaining authorized amount for share repurchase under the 2012 Share Repurchase Program is \$3.7 billion.

25. Subsidiaries

As at 31 December 2012, the principal subsidiaries affecting the results and assets of the group were as follows:

Name of company	Country of incorporation	Holdings	Proportion of voting rights and shares held	Nature of business
Aon Holdings LLC	United States of America	Ordinary shares	100%	Holding Company
Aon Corporation	United States of America	Ordinary shares	100%	Holding Company
Aon Group Inc	United States of America	Ordinary shares	100%	Holding Company
Aon Consulting Worldwide Inc.	United States of America	Ordinary shares	100%	HR Solutions
Hewitt Associates LLC	United States of America	Ordinary shares	100%	HR Solutions
Aon Services Group, Inc.	United States of America	Ordinary shares	100%	Risk Solutions
Aon Risk Services Companies, Inc.	United States of America	Ordinary shares	100%	Risk Solutions
Aon Special Risk Resources, Inc.	United States of America	Ordinary shares	100%	Holding Company
Aon Benfield Global, Inc.	United States of America	Ordinary shares	100%	Risk Solutions
Aon Benfield, Inc.	United States of America	Ordinary shares	100%	Risk Solutions
Aon Holdings International BV	Netherlands	Ordinary shares	100%	Holding Company
Aon Holdings BV	Netherlands	Ordinary shares	100%	Holding Company
Aon Southern Europe	Netherlands	Ordinary shares	100%	Holding Company
Aon Group International	Netherlands	Ordinary shares	100%	Holding Company

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Name of company	Country of incorporation	Holdings	Proportion of voting rights and shares held	Nature of business
Aon International Coöperatief U.A.	Netherlands	Ordinary shares	100%	Holding Company
Aon International Holdings, Inc.	United States of America	Ordinary shares	100%	Holding Company
Aon U.K. Group Ltd	Great Britain	Ordinary shares	100%	Holding Company
Aon U.K. Holdings Intermediaries Limited	Great Britain	Ordinary shares	100%	Holding Company
Aon Benfield Limited	Great Britain	Ordinary shares	100%	Risk Solutions
Aon U.K. Limited	Great Britain	Ordinary shares	100%	HR Solutions and Risk Solutions

Wholly owned subsidiaries Aon Zimbabwe and Glenrand Zimbabwe are not included in the consolidated financial statements due to hyperinflationary environments. There are no transactions between Aon Zimbabwe or Glenrand Zimbabwe and the group.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AON PLC

We have audited the parent company financial statements of Aon plc for the period 8 December 2011 to 31 December 2012 which comprise the Parent Company Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 101, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (U.K. and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012;

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- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of Aon plc for the year ended 31 December 2012.

Kevin Senior (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
15 March 2013

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PARENT COMPANY BALANCE SHEET

<i>(thousands USD)</i>	As of 31 December	Note	2012
FIXED ASSETS			
Property and equipment			\$1
Investments			
Investment in group undertakings	6		10,228,559
Loans to group undertakings			107,354
Total Fixed Assets			<u>10,335,914</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	7		29,807
Debtors: amounts falling due after more than one year	7		1,064
Cash at bank and in hand			131,088
Total Current Assets			<u>161,959</u>
Creditors: Amounts falling due in one year			
Creditors	8		81,709
Loans and borrowings	9		790,000
NET CURRENT ASSETS			<u>(709,750)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>9,626,164</u>
Creditors: Amounts falling due after more than one year			
Creditors	8		4,627
Loans and borrowings	9		2,207,378
Total Non Current Liabilities			<u>2,212,005</u>
NET ASSETS			<u>\$7,414,159</u>
CAPITAL AND RESERVES			
Called up share capital	11, 12		3,186
Share premium account	12		81,980
Revaluation reserves	12		—
Share option reserves	12		294,942
Capital redemption reserves	12		6,662
Profit and loss account	12		7,027,389
Total Capital and Reserves			<u>\$7,414,159</u>

The financial statements of Aon plc (registered number 07876075) were approved by the Board of Directors on 15 March 2013.

Signed on behalf of the Board

Gregory C. Case, Director

The notes on pages 174 to 187 form an integral part of these financial statements.

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NOTES TO PARENT COMPANY BALANCE SHEET

1. Basis of Presentation

The financial statements of Aon plc (the ‘Parent Company’) have been prepared in accordance with applicable accounting standards and the Companies Act 2006. The financial statements are prepared under the historical cost convention modified to include the revaluation of investments in group undertakings.

The Company has also adopted the exemption of presenting the profit and loss account as permitted by section 408 of the Companies Act 2006. The Parent Company’s profit for the period 8 December 2011 to 31 December 2012 was \$415 million.

The Company has availed of the exemption in Financial Reporting Standard (“FRS”) 1 (Revised) from the requirement to present a cash flow statement on the grounds that the Company’s cash flows are included within the Consolidated Cash Flows Statement presented on page 109 of the consolidated accounts.

The financial statements have been prepared on a going concern basis. The directors have considered the appropriateness of the going concern basis in the directors’ report on page 81.

The financial statements and related notes have been prepared and presented in U.S. Dollars, being the Company’s functional and presentational currency. Unless otherwise noted, amounts are presented in USD thousands.

Company Redomestication

On April 2, 2012, the Company completed the reorganization of the corporate structure of the group of companies controlled by its predecessor, Aon Corporation, as holding company of the Aon group, pursuant to which Aon Corporation merged with one of its indirect, wholly-owned subsidiaries and Aon plc became the publicly-held parent company of the Aon group. This transaction is referred to as the Redomestication. In the Redomestication, each issued and outstanding share of Aon Corporation ordinary shares held by stockholders of Aon Corporation was converted into the right to receive one Class A Ordinary Share, nominal value \$0.01 per share, of Aon plc. Likewise, equity incentive and compensation plans were assumed by Aon plc and amended to provide that those plans will now provide for the award and issuance of Class A Ordinary Shares instead of shares of ordinary shares of Aon Corporation on a one-for-one basis. Shares of treasury stock of Aon Corporation were cancelled in the Redomestication.

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2. Summary of Significant Accounting Principles and Practices

Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

In accordance with FRS 19 deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax returns in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax balances are not discounted.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation were taken to the profit and loss account.

Longer term incentive provision

The Company operates a number of long-term incentive schemes and any costs associated with these have been calculated and provision made where applicable.

Loans and borrowings

Interest-bearing borrowings are recorded at the value of proceeds received, net of discounts and direct issue costs. Finance charges, including the unwinding of any discounts or premiums, are accounted for on an accrual basis to the profit and loss account using the effective interest method. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost.

Loans to group undertakings

Interest-bearing loans to group undertakings are recorded at the value of funds loaned, net of discounts and direct issue costs. Finance charges, including the unwinding of any discounts or premiums, are accounted for on an accrual basis to the profit and loss account using the effective interest method. Subsequent to initial recognition, interest-bearing loans are stated at amortised cost.

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Share based payments

Directors and certain senior executives of the Company and its subsidiaries receive an element of remuneration in the form of share based payments, whereby the participants effectively render their services in consideration for shares of the Company. The awards vest when certain performance and/or service obligations are met, see Note 13 for individual vesting conditions for the various schemes.

Share based compensation expense is measured based on the estimated grant date fair value and recognised over the requisite service period for awards that are ultimately expected to vest. The Company estimates forfeitures at the time of grant based on actual experience to date and revises estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Investment in group undertakings

Investments in group undertakings are stated at a valuation that is based on alternative accounting rules as allowed by Schedule 1.32(3) of the Companies Act 2006 on a basis that the Directors deem to be appropriate in the circumstances of the Company. The Directors have elected to value the investment in subsidiary undertakings at its U.S. GAAP net asset value of the group headed by the subsidiary undertaking. The adoption of this policy was deemed appropriate as the net asset value provides a consistent measure of value of group headed by the subsidiary undertaking. The value of this investment is revalued at each balance sheet date and changes in net asset value are recorded in the revaluation reserve.

Debtors

Debtors are stated net of specific provisions against doubtful debts, which are made on the basis of regular reviews made by management. Provisions are established when specific debtors are identified as being unable to pay.

3. Employees

The Parent Company employed only certain officers during the period 8 December 2011 to 31 December 2012. Information regarding directors' remunerations, interests in stock, stock options and pension benefits for consolidated Aon plc is included within the Directors' Remuneration Report contained in this report. Information regarding directors' remunerations for the Parent Company is included within Note 4 over Directors' Remuneration below.

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The number of persons employed by the parent was as follows:

	2012
Corporate and other	15

Employee costs were as follows (in thousands):

	2012
Wages and salaries	\$4,024
Social security costs	211
Share based compensation expense	27,109
Pension and postretirement expense	—
Other, primarily employee benefits	10,882
Total employee costs	\$42,226

4. Directors' Remuneration

The directors of the Company during the period were also directors and/or employees of other group companies. Information regarding directors' remunerations, interests in stock, stock options and pension benefits for consolidated Aon plc is included within the Directors' Remuneration Report contained in this report.

5. Auditors' Remuneration

The actual auditor's remuneration for the statutory audit is analysed as follows:

	2012
	\$000
Audit of the individual financial statements	365

6. Investment in Group Undertakings

	\$000
Directors' valuation	
At 8 December 2011	—
Additions	2,438,606
Revaluations	7,789,953
At 31 December 2012	10,228,559
Cost	
At 8 December 2011	—
Additions	2,438,606
At 31 December 2012	2,438,606

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Details of the direct subsidiary undertakings are detailed as follows:

Name of company	Country of incorporation	Holdings	Proportion of voting rights and shares held	Nature of business
Aon Holdings LLC	United States of America	Ordinary shares	100%	Intermediate holding company
Aon Global Operations Ltd	Great Britain	Ordinary shares	100%	Intermediate holding company
Aon Overseas Holdings Ltd	Great Britain	Ordinary shares	100%	Intermediate holding company
Aon Holdings (Isle of Man) Ltd	Isle of Man	Ordinary shares	100%	Intermediate holding company
Aon Holdings Luxembourg S.a.r.l	Luxembourg	Ordinary shares	100%	Intermediate holding company
Aon Hewitt U.S. Holdings Ltd	Great Britain	Ordinary shares	100%	Intermediate holding company
Aon Risk Services U.S. Holdings Ltd	Great Britain	Ordinary shares	100%	Intermediate holding company

On 16 March 2012, Aon Corporation contributed all 1,000 shares of Aon Holdings LLC to the Company. Aon Corporation did not receive consideration in exchange for the shares.

On 2 April 2012, a reorganization of the corporate structure of the group of companies controlled by the Company's predecessor, Aon Corporation, was completed, pursuant to which an indirect, wholly-owned subsidiary of the Company merged with Aon Corporation, and Aon plc became the group's publicly-held parent company ("the Redomestication").

On 2 April 2012, as part of the Redomestication, the Company entered into a Deed of Assumption in respect of the existing equity based compensation plans of Aon Corporation. As all equity awards and options will be settled in Aon plc shares in the future, a Share Option Reserve and a related increase in Investment in Subsidiary was recorded to reflect this arrangement.

During 2012, the Company entered into an agreement with one of its subsidiary undertakings whereby it issued a note payable in the amount of \$2.1 billion to the subsidiary in exchange for a 100% ownership interest in Aon Holdings Luxembourg S.a.r.l.

During 2012, the Company capitalized the remaining subsidiary undertakings with cash contributions.

The principal activities of the subsidiaries are that of an intermediate holding company.

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7. Debtors

	2012
	\$000
Amounts falling due within one year	
Amounts owed by subsidiary undertakings	16,285
Group relief receivable	9,270
Other debtors	4,252
	29,807
Amounts falling due after more than one year	
Deferred taxation	1,064

8. Creditors

	2012
	\$000
Amounts falling due within one year	
Amounts owed to group undertakings	72,184
Creditors	9,525
	81,709
Amounts falling due after more than one year	
Creditors	4,627

9. Loans and Borrowings

	2012
	\$000
Borrowings and loans due in one year	
Loans from group undertakings	790,000
Borrowings and loans due after more than one year	
Loans	107,378
Loans from group undertakings	2,100,000
	2,207,378

On December 12, 2012, the Company issued \$166 million aggregate principal amount of 4.250% Notes Due 2042 in connection with an exchange offer of subsidiary Aon Corporation's outstanding 8.205% junior subordinated deferrable interest debentures due January 2027. In connection with this exchange, the Company paid a premium of \$59 million which will be amortized into Interest expense over the life of the new notes. The \$166 million aggregate principal amount of 4.250% Notes will be repaid in a singular payment in 2042.

Loans from group undertakings relate to controlled entities of the consolidated Company. The Company has \$2,000 million revolving credit with the Company's cash pool, of which \$790 million was drawn upon as at 31 December 2012 and due in November 2013. Interest on

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draws is the bank's overnight lending rate plus 0.55%. In connection with a legal entity restructuring, the Company issued \$2,100 million aggregate principal amount of 1.3% notes due June 2015 to a consolidated subsidiary.

10. Guarantees

On 2 April 2012, the Company entered into a series of agreements to guarantee certain debt instruments of Aon Corporation and its subsidiaries. The following debt instruments are guaranteed by the Company:

- A €650 million multi-currency revolving loan credit facility used by certain of Aon Corporation's European subsidiaries to fund operations. This facility expires in October 2015 and has commitment fees of 35 basis points payable on the unused portion of the facility. The coupon rate on borrowings from this facility is LIBOR plus 100 basis points. There are no borrowings under this facility as at 31 December 2012.
- A \$400 million U.S. revolving credit facility to support short term borrowing needs. This facility expires in March 2017 and has commitment fees of 15 basis points on the unused portion of the facility. The coupon rate on borrowings from this facility is LIBOR plus 97.5 basis points. There are no borrowings under this facility as at 31 December 2012.
- A \$450 million term credit facility to support short term borrowing needs. This facility expires in October 2013 and has scheduled payments of \$11.25 million quarterly on outstanding borrowings. The coupon rate on borrowings from this facility is LIBOR plus 137.5 basis points. There were \$383 million borrowings outstanding as at 31 December 2012.
- A \$400 million credit facility to support commercial paper borrowings. There were no borrowings under this facility as at 31 December 2012. The Company entered into the agreement to guarantee this facility on 13 April 2012.

The following table summarises the remaining term loans that are guaranteed by the Company:

Issue Type	Debt Outstanding	Coupon	Maturity
Jr Sub Debt	\$521,000,000	8.205%	1 January 2027
Sr Unsecured Debt	€500,000,000	6.250%	1 July 2014
Sr Unsecured Debt	\$598,000,000	3.500%	30 September 2015
Sr Unsecured Debt	\$500,000,000	3.125%	27 May 2016
Sr Unsecured Debt	CAD 375,000,000	4.760%	8 March 2018
Sr Unsecured Debt	\$598,000,000	5.000%	30 September 2020
Sr Unsecured Debt	\$297,000,000	6.250%	30 September 2040

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11. Called Up Share Capital

	2012
	\$000
<i>Allotted and called up and fully paid:</i>	
310,858,575 Class A Ordinary Shares of \$0.01 each	3,109
125,000 Class B Ordinary Shares of £0.40 each	77
	3,186

The Company was incorporated with 10 ordinary shares having a nominal value of £0.10 each, for an aggregate consideration of £1. On 15 December 2011, these initial 10 ordinary shares were reclassified as Class B Ordinary Shares. On this same date, the Company issued 345,523,558 Class A Ordinary Shares having a nominal value of \$0.01 each for an aggregate consideration of \$3,455,235.58, settled in exchange for a deed of trust for subscription monies. Further, on the same date, the Company issued an additional 499,990 Class B Ordinary Shares having a nominal value of £0.10 each for a consideration of £49,999, settled in exchange for a deed of trust for subscription monies. The deed of trust for subscription monies was settled for cash of \$3,455,235.58 and £49,990 on 27 March 2012.

Subsequent to the share subscriptions, the Company then entered into a Deposit Agreement with EES Trustees International Limited, acting as depository. Under the Deposit Agreement, the Class A Ordinary Shares were deposited with EES Nominees International Ltd (Custodian). The Custodian then issued Depositary Receipts, each of which represented one Class A Ordinary Share.

15 March 2012 — The Company subdivided its 500,000 Class B Ordinary Shares having a nominal value of £0.10 each into 5,000,000 Class B Ordinary Shares having a nominal value of £0.01 each. In addition, the Company issued 400,000,000 additional Class B Ordinary Shares having a nominal value of £0.01 each to Aon Corporation in exchange for consideration of £4,000,000, settled in exchange for a deed of trust for subscription monies. The deed of trust for subscription monies was settled in cash £4,000,010 on 29 March 2012.

27 March 2012 — The Company received a capital contribution of \$300,000 and £4,000,000 from Aon Corporation.

2 April 2012 — The Company redeemed 400,000,000 Class B Ordinary Shares having a nominal value of £0.01 each in the capital of the Company for a total consideration of £4,000,000. Further, the Company consolidated the remaining 5,000,000 Class B Ordinary Shares in the capital of the Company, having a nominal value of £0.01 each, into 125,000 Class B Ordinary Shares with a nominal value of £0.40 each.

2 April 2012 — In connection with the Redomestication, each issued and outstanding share of common stock of Aon Corporation was converted into the right to receive one Class A Ordinary

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Share, par value \$0.01 of the Company, with 326,415,020 shares exchanged for shares of common stock of Aon Corporation. Prior to the Redomestication, the Company also had outstanding 125,000 Class B Ordinary Shares of £0.40 each, held by Aon Corporation. The Class B ordinary shares have no voting rights or rights to dividends or distributions as they are held by a subsidiary undertaking (and in accordance with the Companies Act 2006 do not carry voting rights or the right to receive dividends).

2 April 2012 — The Company redeemed 19,108,538 Class A Ordinary Shares having a nominal value of \$0.01 each in the Capital of the Company for a total consideration of \$191,085.38.

2 April 2012 — The Depositary Receipts were cancelled. Instead, all outstanding Class A Ordinary Shares of the Company were transferred to Cede & Co., as Nominee for Deposit Trust Company.

2 April 2012 — The Company issued a since redeemable Class C Ordinary Share to Aon Corporation as a fully paid bonus share, thereby capitalizing the revaluation reserve recognised by the Company as a result of its indirect holding of Aon Corporation after the Redomestication.

4 April 2012 — The Company received approval from the English Companies Court to reduce the Class C Ordinary Share, and the share premium paid thereon. As a result of this approval, the share premium of \$8,000,000 was reduced and distributable reserves of \$8,000,000 were recognised. This process resulted in the cancellation of the Class C Ordinary Share.

During the year, the Company repurchased in the open market 19,498,745 Class A Ordinary Shares having a nominal value of \$0.01 each in the Capital of the Company for a total consideration of \$1,025 million.

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12. Reconciliation of Shareholders' Funds

	Called up share capital	Share premium account	Revaluation reserves	Share option reserves	Capital Redemption reserves	Profit and loss account	Total shareholders' funds
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
At beginning of period	—	—	—	—	—	—	—
Profit for the period	—	—	—	—	—	414,803	414,803
Issued during the year —							
A shares	3,495	82,175	—	—	—	—	85,670
Issued during the year —							
B shares	6,353	—	—	—	—	—	6,353
Capital contributions received	—	—	—	—	—	6,684	6,684
Revaluation of subsidiary	—	—	7,789,953	—	—	—	7,789,953
Transfer from Profit and Loss Reserve	—	—	210,047	—	—	(210,047)	—
Issuance of C share	—	8,000,000	(8,000,000)	—	—	—	—
Capital reduction of C shares	—	(8,000,000)	—	—	—	8,000,000	—
Capital redemption of B shares	(6,276)	—	—	—	6,276	(6,276)	(6,276)
Capital redemption of A shares	(191)	—	—	—	191	(191)	(191)
Share option reserve	—	—	—	294,942	—	—	294,942
Dividends paid	—	—	—	—	—	(152,582)	(152,582)
Share Repurchases	(195)	(195)	—	—	195	(1,025,002)	(1,025,197)
At end of period	3,186	81,980	—	294,942	6,662	7,027,389	7,414,159

The Company had distributable reserves of \$7,027,389,000 as at 31 December 2012.

During 2012, the Company paid dividends on its ordinary shares of \$153 million. Dividends paid per ordinary share were \$0.47 for the year ended December 31, 2012.

In January 2013, the Company approved the declaration of a dividend to shareholders of \$0.16 per ordinary share. In February 2013, the Company paid those dividends in the amount of \$49 million.

Future dividends on Aon plc ordinary shares, if any, and the timing of declaration of any such dividends, will be at the discretion of the Board of Directors of Aon plc and will depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that the Board of Directors of Aon plc may deem relevant, as well as our ability to pay dividends in compliance with the Companies Act 2006.

13. Share Based Payments

Prior to the Redomestication, Aon Corporation had established various share based payment plans. On 2 April 2012, the Company entered into a Deed of Assumption to assume the obligation to issue shares under the various plans as disclosed below. As of 2 April 2012, there were awards and options that had previously vested for which shares had not yet been issued, as well as awards and options which had not yet vested. The following table summarises the fair value attributable to

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vested awards and outstanding options for which shares that had not been issued as at 31 December 2012:

Grant Date Fair Value	Number Outstanding	Fair Value	Total \$000
Restricted Stock Units	2,143,521	\$55.61	119,201
Stock Options	5,611,319	\$18.76	105,268
			224,469

The Company recognized \$27,109 thousand of share based payment expense from 2 April 2012 to 31 December 2012.

Restricted Stock Units

Stock awards in the form of restricted stock units are granted to certain employees and vest over a service period, which is generally between three and five years, but may vest up to ten years after the date of grant. The fair value of the restricted stock unit is based upon the market value of the underlying stock at the date of grant. Restricted stock units are settled in equity. The table below summarizes the movement in the number of unvested restricted stock units outstanding at the end of the period:

	Shares
At 2 April 2012	9,958,236
Granted	2,835,204
Vested	(1,936,172)
Cancelled	(425,662)
At 31 December 2012	10,431,606

The weighted average remaining contractual life of the restricted stock units outstanding is 2.08 years as at 31 December 2012. The weighted average fair value at measurement date of the restricted stock units outstanding is \$44 as at 31 December 2012.

Performance Share Awards

Performance share awards are granted and require certain performance conditions to be met in order for the granted shares to vest. The vesting of performance share awards is contingent upon meeting various individual, divisional, or company-wide performance conditions, including revenue generation or growth in revenue, pre-tax income or earnings per share over a one to five year period. The fair value of performance share awards is based upon the market price of the Company stock on the grant date. The actual issuance of these shares may range from 0 – 200% of the target number of awards granted, based on the plan. As at 31 December 2012, the number of performance share awards that would have been granted based on current performance levels was

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4,040,577 shares at a fair value of \$55.61 per share. Performance share awards are settled in equity. There were a negligible amount of performance share awards granted from 2 April 2012 to 31 December 2012, and 376,478 awards vested during that period. The performance share awards had a remaining weighted average life of 1.29 years as at 31 December 2012.

Stock Options

Commencing in 2010, Aon Corporation ceased granting new stock options with the exception of historical contractual commitments. As at 31 December 2012, there were 5,611,319 options outstanding, 5,116,624 of which were exercisable. The fair value of the options was \$18.76, with a weighted average remaining life on the unvested options of 1.29 years. Stock options are settled in equity. There were no grants and 2,380,616 exercises during the period from 2 April 2012 to 31 December 2012. Options were exercised on a regular basis throughout the period. The average daily close price of Aon plc ordinary shares from 2 April 2012 to 31 December 2012 was \$51.18.

A summary of the status of Aon's stock options and related information is as follows (shares in thousands):

Period from 2 April 2012 to 31 December 2012	2012	
	Shares	Weighted-Average Exercise Price Per Share
Beginning outstanding	8,073	\$31
Granted	—	—
Exercised	(2,381)	29
Forfeited and expired	(81)	36
Outstanding at end of year	5,611	32
Exercisable at end of year	5,117	31

The table below summarizes the ranges of exercise prices for the options outstanding at 31 December 2012:

Grant Price Range	Shares Exercisable	Weighted-Average Remaining Contractual Term
14.71 – 22.86	1,746,725	2.07
22.87 – 25.51	331,080	2.43
25.52 – 32.53	674,856	1.74
32.54 – 36.88	631,179	2.99
36.89 – 43.44	1,393,417	2.81
43.45 – 52.93	834,062	3.79
Total	5,611,319	

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The method of valuation for stock options is the Black-Scholes model. The fair value of options was estimated with the following weighted average assumptions:

Weighted average volatility	24.86%
Expected dividend yield	1.22%
Risk-free rate	0.29%

Expected volatilities are based on the average of the historical volatility of Aon Corporation's stock price. The expected dividend yield assumption is based on the Aon Corporation's historical and Aon plc's expected future dividend rate. The risk-free rate for periods within the contractual life of the option is based on U.S. Treasury yield curve in effect at the time of the grant.

14. Tax

a) **U.K. Corporation tax**

	2012
	\$000s
U.K. corporation tax credit on the results for the year at 24.5%	(9,270)
Total current tax	<u>(9,270)</u>
Deferred tax credit	<u>(1,064)</u>
Total Tax Credit For The Year	<u>(10,334)</u>

b) **Factors affecting current tax charge/credit**

The tax assessed on the profit/(loss) on ordinary activities for the period is lower than the standard rate of corporation tax in the U.K. of 24.5%. The differences are reconciled below:

	2012
	\$000s
Profit/(loss) on ordinary activities before tax	<u>404,469</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the U.K. of 24.5%	99,095
Effect of:	
Expenses not deductible for tax purposes	13,007
Income not subject to tax	(121,444)
Transfer Pricing	<u>72</u>
Total current tax credit (a)	<u>(9,270)</u>

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- c) **Deferred taxation**
The movements in deferred taxation are as follows:

	2012
	\$000s
Credit for the year	1,064
Balance at 31 December	1,064

The deferred tax balance as at 31 December represents:

	2012
	\$000s
Accrued compensation	1,064
Balance at 31 December	1,064

There is no deferred tax asset recognised in respect of share based payments as there are no grants in respect of share based payments as at the balance sheet date that will result in a future deduction for corporation tax purposes in Aon Plc.

- d) The 2012 Autumn Statement announced that the corporation tax rate from 1 April 2014 would be reduced from the previously announced rate of 22% to 21%. This change was not substantively enacted by 31 December 2012 and has therefore not been reflected in the amounts recognised as at that date. It is estimated that the effect on these accounts is immaterial.

15. Related Party Transactions

The Company is exempt from the requirements of FRS 8: Related Party Disclosures, concerning the disclosure of transactions with other group companies that qualify as related parties within the Group, as the Company's financial statements are presented together with the Group's consolidated financial statements.

Details of other related party transactions are set out in note 17 to the Group's consolidated financial statements.

16. Post Balance Sheet Events

On March 8, 2013, the Company issued \$90 million in aggregate principal amount of 4.250% Notes Due 2042. The 4.250% Notes Due 2042 constitute a further issuance of, and will be consolidated and form a single series of debt securities with, the \$166 million aggregate principal amount of the 4.250% Notes Due 2042 issued by Aon plc on December 12, 2012. The 4.250% Notes Due 2042 will be unconditionally guaranteed as to the payment of principal and interest by Aon Corporation.

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On March 14, 2013 the Company drew \$200 million on the Euro Facility. The proceeds from this drawing will be used to fund short-term working capital needs.

As of March 15, 2013, the Company had \$350 million of commercial paper borrowings outstanding. The proceeds from the issuance of commercial paper will be used to fund short-term working capital needs.

During the period from January 1, 2013 to March 15, 2013, the Company repurchased 5.0 million shares at an average price per share of \$59.82 for a total cost of \$300 million. At March 15, 2013, the remaining authorized amount for share repurchase under the 2012 Share Repurchase Program is \$3.7 billion.