

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2020**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**Commission file number 1-7933**

**Aon plc**

(Exact Name of Registrant as Specified in Its Charter)

**IRELAND**

(State or Other Jurisdiction of  
Incorporation or Organization)

**Metropolitan Building, James Joyce Street, Dublin 1, Ireland**  
(Address of principal executive offices)

**98-1539969**

(I.R.S. Employer  
Identification No.)

**D01 K0Y8**  
(Zip Code)

**+353 1 266 6000**

(Registrant's Telephone Number,  
Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of Class A Ordinary Shares of Aon plc, \$0.01 nominal value, outstanding as of October 29, 2020: 228,616,348

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Class A Ordinary Shares \$0.01 nominal value	AON	New York Stock Exchange
Guarantees of Aon plc's 2.80% Senior Notes due 2021	AON21	New York Stock Exchange
Guarantees of Aon plc's 4.00% Senior Notes due 2023	AON23	New York Stock Exchange
Guarantees of Aon plc's 3.50% Senior Notes due 2024	AON24	New York Stock Exchange
Guarantees of Aon plc's 3.875% Senior Notes due 2025	AON25	New York Stock Exchange
Guarantees of Aon plc's 2.875% Senior Notes due 2026	AON26	New York Stock Exchange
Guarantees of Aon plc's 4.25% Senior Notes due 2042	AON24	New York Stock Exchange
Guarantees of Aon plc's 4.45% Senior Notes due 2043	AON43	New York Stock Exchange
Guarantees of Aon plc's 4.60% Senior Notes due 2044	AON44	New York Stock Exchange
Guarantees of Aon plc's 4.75% Senior Notes due 2045	AON45	New York Stock Exchange

## INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

This report and reports we will subsequently file or furnish and have previously filed or furnished with the United States Securities and Exchange Commission (“SEC”) contain certain statements related to future results, or state 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 are typically identified by words such as “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “project,” “intend,” “plan,” “probably,” “potential,” “looking forward,” “continue,” 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; public health concerns and continuing uncertainty in connection with COVID-19; 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; expected effective tax rate; future actions by regulators; risks related to the Combination; and the impact of changes in accounting rules. 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, which may be revised or supplemented in subsequent reports filed or furnished with the SEC, that could impact results include:

- general economic and political conditions in the countries in which we do business around the world, including the withdrawal of the United Kingdom (the “U.K.”) from the European Union;
- changes in the competitive environment or damage to our reputation;
- fluctuations in exchange and interest rates that could influence revenues and expenses;
- changes in global equity and fixed income markets that could affect 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;
- the level of our debt limiting financial flexibility or increasing borrowing costs;
- rating agency actions that could affect our ability to borrow funds;
- volatility in our tax rate due to a variety of different factors including the United States (the “U.S.”) federal income tax reform;
- changes in estimates or assumptions on our financial statements;
- limits on our subsidiaries to make dividend and other payments to us;
- the impact of lawsuits and other contingent liabilities and loss contingencies arising from errors and omissions and other claims against us;
- 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 businesses and the possibility of conflicting regulatory requirements across jurisdictions in which we do business;
- the impact of any investigations brought by regulatory authorities in Ireland, the U.S., U.K., and other countries;
- the impact of any inquiries relating to compliance with the U.S. Foreign Corrupt Practices Act and non-U.S. anti-corruption laws and with U.S. and non-U.S. trade sanctions regimes;
- failure to protect intellectual property rights or allegations that we infringe on the intellectual property rights of others;
- the effects of Irish law on our operating flexibility and the enforcement of judgments against us;
- the failure to retain and attract qualified personnel;
- international risks associated with our global operations;
- the effects of natural or man-made disasters, including the effects of COVID-19 and other health pandemics;

- the potential of a system or network breach or disruption resulting in operational interruption or improper disclosure of personal data;
- our ability to develop and implement new technology;
- damage to our reputation among clients, markets or third parties;
- the actions taken by third parties that perform aspects of our business operations and client services;
- the extent to which we manage certain risks created in connection with the various services, including fiduciary and investment consulting and other advisory services, among others, that we currently provide, or will provide in the future, to clients;
- our ability to continue, and the costs and risks associated with, growing, developing and integrating companies that we acquire or new lines of business;
- changes in commercial property and casualty markets, commercial premium rates or methods of compensation;
- changes in the health care system or our relationships with insurance carriers;
- our ability to implement initiatives intended to yield cost savings and the ability to achieve those cost savings;
- risks and uncertainties associated with the sale of the Divested Business, as defined in Note 6 “Restructuring”;
- our ability to realize the expected benefits from our restructuring plan; and
- risks and uncertainties associated with the Combination, as defined in Note 7 “Acquisitions and Dispositions of Businesses”, including our ability to obtain the requisite approvals of, to satisfy the other conditions to, or to otherwise complete, the Combination on the expected time frame, or at all, the occurrence of unanticipated difficulties or costs in connection with the Combination, our ability to successfully integrate the combined companies following the Combination and our ability to realize the expected benefits from the Combination.

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. We and our 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 in Part II, Item 1A of this report, Part II, Item 1A of our Form 10-Q for the quarter ended March 31, 2020, and in Part I, Item 1A of our 2019 Annual Report on Form 10-K, including amendments and additions disclosed on Form 8-K issued April 1, 2020.

These factors may be revised or supplemented in our subsequent periodic filings with the SEC.

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**Part I Financial Information**  
**Item 1. Financial Statements**

*Aon plc*  
**Condensed Consolidated Statements of Income**  
**(Unaudited)**

<i>(millions, except per share data)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Revenue</b>				
Total revenue	\$ 2,385	\$ 2,379	\$ 8,101	\$ 8,128
<b>Expenses</b>				
Compensation and benefits	1,387	1,368	4,270	4,453
Information technology	107	120	325	363
Premises	70	76	217	248
Depreciation of fixed assets	42	44	124	124
Amortization of intangible assets	50	101	205	295
Other general expense	288	310	892	1,000
Total operating expenses	1,944	2,019	6,033	6,483
<b>Operating income</b>	441	360	2,068	1,645
Interest income	3	1	5	4
Interest expense	(80)	(78)	(252)	(227)
Other income (expense)	(1)	2	18	8
<b>Income from continuing operations before income taxes</b>	363	285	1,839	1,430
Income tax expense	82	56	356	238
<b>Net income from continuing operations</b>	281	229	1,483	1,192
Net income (loss) from discontinued operations	1	(1)	1	(1)
<b>Net income</b>	282	228	1,484	1,191
Less: Net income attributable to noncontrolling interests	7	6	39	33
<b>Net income attributable to Aon shareholders</b>	\$ 275	\$ 222	\$ 1,445	\$ 1,158
<b>Basic net income per share attributable to Aon shareholders</b>				
Continuing operations	\$ 1.18	\$ 0.94	\$ 6.21	\$ 4.83
Discontinued operations	—	—	—	—
Net income	\$ 1.18	\$ 0.94	\$ 6.21	\$ 4.83
<b>Diluted net income per share attributable to Aon shareholders</b>				
Continuing operations	\$ 1.18	\$ 0.93	\$ 6.18	\$ 4.79
Discontinued operations	—	—	—	—
Net income	\$ 1.18	\$ 0.93	\$ 6.18	\$ 4.79
<b>Weighted average ordinary shares outstanding - basic</b>	232.6	236.9	232.8	239.9
<b>Weighted average ordinary shares outstanding - diluted</b>	233.5	239.1	233.9	241.9

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

*Aon plc*  
**Condensed Consolidated Statements of Comprehensive Income**  
**(Unaudited)**

<i>(millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Net income</b>	\$ 282	\$ 228	\$ 1,484	\$ 1,191
Less: Net income attributable to noncontrolling interests	7	6	39	33
<b>Net income attributable to Aon shareholders</b>	275	222	1,445	1,158
Other comprehensive income (loss), net of tax:				
Change in fair value of financial instruments	6	(2)	4	(3)
Foreign currency translation adjustments	173	(212)	(136)	(182)
Postretirement benefit obligation	20	17	67	62
Total other comprehensive income (loss)	199	(197)	(65)	(123)
Less: Other comprehensive income (loss) attributable to noncontrolling interests	2	(4)	1	(2)
Total other comprehensive income (loss) attributable to Aon shareholders	197	(193)	(66)	(121)
<b>Comprehensive income attributable to Aon shareholders</b>	\$ 472	\$ 29	\$ 1,379	\$ 1,037

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

*Aon plc*  
**Condensed Consolidated Statements of Financial Position**

<i>(millions, except nominal value)</i>	(Unaudited)	
	September 30, 2020	December 31, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 821	\$ 790
Short-term investments	448	138
Receivables, net	2,906	3,112
Fiduciary assets	13,549	11,834
Other current assets	525	602
<b>Total current assets</b>	<b>18,249</b>	<b>16,476</b>
Goodwill	8,462	8,165
Intangible assets, net	665	783
Fixed assets, net	609	621
Operating lease right-of-use assets	914	929
Deferred tax assets	655	645
Prepaid pension	1,249	1,216
Other non-current assets	556	570
<b>Total assets</b>	<b>\$ 31,359</b>	<b>\$ 29,405</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,608	\$ 1,939
Short-term debt and current portion of long-term debt	472	712
Fiduciary liabilities	13,549	11,834
Other current liabilities	1,241	1,086
<b>Total current liabilities</b>	<b>16,870</b>	<b>15,571</b>
Long-term debt	7,251	6,627
Non-current operating lease liabilities	910	944
Deferred tax liabilities	223	199
Pension, other postretirement, and postemployment liabilities	1,597	1,738
Other non-current liabilities	888	877
<b>Total liabilities</b>	<b>27,739</b>	<b>25,956</b>
<b>Equity</b>		
Ordinary shares - \$0.01 nominal value Authorized: 500 shares (issued: 2020 - 229.2; 2019 - 232.1)	2	2
Additional paid-in capital	6,216	6,152
Retained earnings	1,423	1,254
Accumulated other comprehensive loss	(4,099)	(4,033)
<b>Total Aon shareholders' equity</b>	<b>3,542</b>	<b>3,375</b>
Noncontrolling interests	78	74
<b>Total equity</b>	<b>3,620</b>	<b>3,449</b>
<b>Total liabilities and equity</b>	<b>\$ 31,359</b>	<b>\$ 29,405</b>

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).



*Aon plc*  
**Condensed Consolidated Statements of Shareholders' Equity**  
(Unaudited)

<i>(millions)</i>	Shares	Ordinary Shares and Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Non- controlling Interests	Total
<b>Balance at December 31, 2019</b>	232.1	\$ 6,154	\$ 1,254	\$ (4,033)	\$ 74	\$ 3,449
Adoption of new accounting guidance	—	—	(6)	—	—	(6)
<b>Balance at January 1, 2020</b>	232.1	\$ 6,154	\$ 1,248	\$ (4,033)	\$ 74	\$ 3,443
Net income	—	—	772	—	19	791
Shares issued - employee stock compensation plans	1.2	(112)	—	—	—	(112)
Shares purchased	(2.2)	—	(463)	—	—	(463)
Share-based compensation expense	—	81	—	—	—	81
Dividends to shareholders (\$0.44 per share)	—	—	(102)	—	—	(102)
Net change in fair value of financial instruments	—	—	—	(5)	—	(5)
Net foreign currency translation adjustments	—	—	—	(395)	(2)	(397)
Net postretirement benefit obligation	—	—	—	24	—	24
<b>Balance at March 31, 2020</b>	231.1	6,123	1,455	(4,409)	91	3,260
Net income	—	—	398	—	13	411
Shares issued - employee stock compensation plans	0.4	(45)	—	—	—	(45)
Share-based compensation expense	—	64	—	—	—	64
Dividends to shareholders (\$0.44 per share)	—	—	(102)	—	—	(102)
Net change in fair value of financial instruments	—	—	—	3	—	3
Net foreign currency translation adjustments	—	—	—	87	1	88
Net postretirement benefit obligation	—	—	—	23	—	23
Purchases of subsidiary shares from noncontrolling interests	—	4	—	—	(4)	—
Dividends paid to noncontrolling interests on subsidiary common stock	—	—	—	—	(7)	(7)
<b>Balance at June 30, 2020</b>	231.5	6,146	1,751	(4,296)	94	3,695
Net income	—	—	275	—	7	282
Shares issued - employee stock compensation plans	0.1	12	—	—	—	12
Shares purchased	(2.4)	—	(500)	—	—	(500)
Share-based compensation expense	—	67	—	—	—	67
Dividends to shareholders (\$0.44 per share)	—	—	(103)	—	—	(103)
Net change in fair value of financial instruments	—	—	—	6	—	6
Net foreign currency translation adjustments	—	—	—	171	2	173
Net postretirement benefit obligation	—	—	—	20	—	20
Purchases of subsidiary shares from noncontrolling interests	—	(7)	—	—	(2)	(9)
Dividends paid to noncontrolling interests on subsidiary common stock	—	—	—	—	(23)	(23)
<b>Balance at September 30, 2020</b>	229.2	\$ 6,218	\$ 1,423	\$ (4,099)	\$ 78	\$ 3,620

<i>(millions)</i>	Shares	Ordinary Shares and Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Non- controlling Interests	Total
<b>Balance at January 1, 2019</b>	240.1	\$ 5,967	\$ 2,093	\$ (3,909)	\$ 68	\$ 4,219
Net income	—	—	659	—	17	676
Shares issued - employee stock compensation plans	1.4	(96)	—	—	—	(96)
Shares purchased	(0.6)	—	(101)	—	—	(101)
Share-based compensation expense	—	89	—	—	—	89
Dividends to shareholders (\$0.40 per share)	—	—	(96)	—	—	(96)
Net change in fair value of financial instruments	—	—	—	7	—	7
Net foreign currency translation adjustments	—	—	—	131	2	133
Net postretirement benefit obligation	—	—	—	31	—	31
<b>Balance at March 31, 2019</b>	240.9	5,960	2,555	(3,740)	87	4,862
Net income	—	—	277	—	10	287
Shares issued - employee stock compensation plans	0.6	(47)	—	—	—	(47)
Shares purchased	(5.8)	—	(1,056)	—	—	(1,056)
Share-based compensation expense	—	91	—	—	—	91
Dividends to shareholders (\$0.44 per share)	—	—	(107)	—	—	(107)
Net change in fair value of financial instruments	—	—	—	(8)	—	(8)
Net foreign currency translation adjustments	—	—	—	(103)	—	(103)
Net postretirement benefit obligation	—	—	—	14	—	14
Dividends paid to noncontrolling interests on subsidiary common stock	—	—	—	—	(20)	(20)
<b>Balance at June 30, 2019</b>	235.7	6,004	1,669	(3,837)	77	3,913
Net income	—	—	222	—	6	228
Shares issued - employee stock compensation plans	0.2	10	(1)	—	—	9
Shares purchased	(1.8)	—	(350)	—	—	(350)
Share-based compensation expense	—	72	—	—	—	72
Dividends to shareholders (\$0.44 per share)	—	—	(104)	—	—	(104)
Net change in fair value of financial instruments	—	—	—	(2)	—	(2)
Net foreign currency translation adjustments	—	—	—	(208)	(4)	(212)
Net postretirement benefit obligation	—	—	—	17	—	17
Purchases of shares from noncontrolling interests	—	—	—	—	—	—
Dividends paid to noncontrolling interests on subsidiary common stock	—	—	—	—	(10)	(10)
<b>Balance at September 30, 2019</b>	234.1	\$ 6,086	\$ 1,436	\$ (4,030)	\$ 69	\$ 3,561

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

*Aon plc*  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

<i>(millions)</i>	Nine Months Ended September 30,	
	2020	2019
<b>Cash flows from operating activities</b>		
Net income	\$ 1,484	\$ 1,191
Less: Net income (loss) from discontinued operations	1	(1)
Adjustments to reconcile net income to cash provided by operating activities:		
(Gain) loss from sales of businesses, net	(25)	(8)
Depreciation of fixed assets	124	124
Amortization and impairment of intangible assets	205	295
Share-based compensation expense	207	252
Deferred income taxes	(4)	(44)
Change in assets and liabilities:		
Fiduciary receivables	(1,051)	174
Short-term investments — funds held on behalf of clients	(706)	(1,285)
Fiduciary liabilities	1,757	1,111
Receivables, net	193	(167)
Accounts payable and accrued liabilities	(191)	(385)
Restructuring reserves	(112)	(62)
Current income taxes	34	3
Pension, other postretirement and postemployment liabilities	(117)	(127)
Other assets and liabilities	226	90
<b>Cash provided by operating activities</b>	<b>2,023</b>	<b>1,163</b>
<b>Cash flows from investing activities</b>		
Proceeds from investments	34	33
Payments for investments	(80)	(94)
Net purchases of short-term investments — non-fiduciary	(312)	(7)
Acquisition of businesses, net of cash acquired	(368)	(39)
Sale of businesses, net of cash sold	30	43
Capital expenditures	(119)	(167)
<b>Cash used for investing activities</b>	<b>(815)</b>	<b>(231)</b>
<b>Cash flows from financing activities</b>		
Share repurchase	(963)	(1,507)
Issuance of shares for employee benefit plans	(141)	(133)
Issuance of debt	4,153	4,918
Repayment of debt	(3,857)	(3,858)
Cash dividends to shareholders	(307)	(307)
Noncontrolling interests and other financing activities	(31)	(81)
<b>Cash used for financing activities</b>	<b>(1,146)</b>	<b>(968)</b>
<b>Effect of exchange rates on cash and cash equivalents</b>	<b>(31)</b>	<b>(18)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>31</b>	<b>(54)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>790</b>	<b>656</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 821</b>	<b>\$ 602</b>
<b>Supplemental disclosures:</b>		
Interest paid	\$ 214	\$ 196
Income taxes paid, net of refunds	\$ 326	\$ 279

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

## Notes to Condensed Consolidated Financial Statements (Unaudited)

### 1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements and Notes thereto (the “Financial Statements”) have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). The Financial Statements include the accounts of Aon plc, an Irish public limited company, and all of its controlled subsidiaries. Intercompany accounts and transactions have been eliminated. The Financial Statements 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.

Certain information and disclosures normally included in the Financial Statements prepared in accordance with U.S. GAAP have been condensed or omitted. The Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019, including amendments and additions disclosed on Form 8-K issued April 1, 2020. The results for the three and nine months ended September 30, 2020 are not necessarily indicative of operating results that may be expected for the full year ending December 31, 2020, particularly in light of the continuing effect of the COVID-19 pandemic.

On April 1, 2020, a scheme of arrangement under English law was completed pursuant to which the Class A ordinary shares of Aon plc, a public limited company incorporated under the laws of England and Wales and the publicly traded parent company of the Aon group (“Aon Global Limited”), were cancelled and the holders thereof received, on a one-for-one basis, Class A ordinary shares of Aon plc, an Irish public limited company formerly known as Aon Limited (“Aon plc”), as described in the proxy statement filed with SEC on December 20, 2019 (the “Ireland Reorganization”). Aon plc is a tax resident of Ireland. References in this report to “Aon,” the “Company,” “we,” “us,” or “our” for time periods prior to April 1, 2020 refer to Aon Global Limited. References in the Financial Statements to “Aon,” the “Company,” “we,” “us,” or “our” for time periods on or after April 1, 2020, refer to Aon plc.

#### *Use of Estimates*

The preparation of the Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of reserves and expenses. These estimates and assumptions are based on management’s best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. Management believes its estimates to be reasonable given the current facts available. Aon adjusts such estimates and assumptions when facts and circumstances dictate. Illiquid credit markets, volatile equity markets, foreign currency exchange rate movements, and, recently, impacts from the COVID-19 pandemic 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 would, if applicable, be reflected in the Financial Statements in future periods.

### 2. Accounting Principles and Practices

#### *Adoption of New Accounting Standards*

##### *Cloud Computing Arrangements*

In August 2018, the Financial Accounting Standards Board (“FASB”) issued new accounting guidance on implementation costs incurred in a cloud computing arrangement that is a service contract. The new guidance aligns capitalization requirements for certain implementation costs incurred in cloud computing arrangements with existing requirements for capitalizing implementation costs for internal-use software. These costs will be deferred over the term of the hosting arrangement, including any optional renewal periods the entity is reasonably certain to exercise. An entity may apply the new guidance on either a prospective or retrospective basis. The new guidance was effective for Aon in the first quarter of 2020 and was adopted on a prospective basis for all implementation costs incurred after the date of initial adoption. The adoption of this guidance had no significant impact on the Financial Statements.

##### *Simplifying the Test for Goodwill Impairment*

In January 2017, the FASB issued new accounting guidance on simplifying the test for goodwill impairment. Currently the standard requires an entity to perform a two-step test to determine the amount, if any, of goodwill impairment. In Step 1, an entity compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the entity performs Step 2 and compares the implied fair value of goodwill with the carrying amount of that goodwill for that reporting unit. An impairment charge equal to the amount by which the carrying

amount of goodwill for the reporting unit exceeds the implied fair value of that goodwill is recorded, limited to the amount of goodwill allocated to that reporting unit. The new guidance removes Step 2. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. The new guidance was effective for Aon in the first quarter of 2020 and was adopted on a prospective basis. The adoption of this guidance had no impact on the Financial Statements.

#### *Credit Losses*

In June 2016, the FASB issued a new accounting standard on the measurement of credit losses on financial instruments. The new standard replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Company adopted the new standard as of January 1, 2020 using the modified retrospective approach. Under this approach, prior periods were not restated. Rather, the cumulative effect of initially applying the new standard was recognized as an adjustment to retained earnings. Upon the adoption of this guidance on January 1, 2020, the Company recognized a cumulative adjustment of \$6 million to decrease retained earnings.

The Company's estimate for allowance for credit losses with respect to receivables is based on a combination of factors, including evaluation of forward-looking information, historical write-offs, aging of balances, and other qualitative and quantitative analyses.

#### *Financial Disclosures about Guarantors*

In March 2020, the SEC issued a final rule that amended the disclosure requirements related to certain registered securities under SEC Regulation S-X Rules 3-10 and 3-16 of Regulation S-X. The changes are intended to provide investors with material information given the specific facts and circumstances, make disclosures easier to understand, and reduce the cost and burdens to registrants. The final rule replaces the requirement to provide condensed consolidated financial information with a requirement to present summarized financial information of the issuers and guarantors in the registrant's Management Discussion and Analysis section or in the financial statements and reduces the periods for which summarized financial information is presented to the most recent annual period and year-to-date interim period. The amendments are effective January 4, 2021, with early adoption permitted.

The Company elected to early adopt the final rule in the second quarter of 2020 and elected to present these disclosures in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

#### ***Accounting Standards Issued But Not Yet Adopted***

##### *Simplifying the Accounting for Income Taxes*

In December 2019, the FASB issued new accounting guidance that simplifies the accounting for income taxes by removing certain exceptions to the general principles in the existing guidance. It also clarifies certain aspects of the existing guidance to promote more consistent application. The new guidance is effective for Aon in the first quarter of 2021, with early adoption permitted. The Company previously expected to adopt this guidance in the first quarter of 2021 and is now considering early adoption in the fourth quarter of 2020. Different components of the guidance require retrospective, modified retrospective, or prospective adoption. The Company does not expect there to be a significant impact on the Financial Statements.

##### *Changes to the Disclosure Requirements for Defined Benefit Plans*

In August 2018, the FASB issued new accounting guidance related to the disclosure requirements for employers that sponsor defined benefit pension and other postretirement benefit plans. The guidance requires sponsors of these plans to provide additional disclosures, including weighted average interest rates used in the entity's cash balance pension plans and a narrative description of reasons for any significant gains or losses impacting the benefit obligation for the period, and eliminates certain previous disclosure requirements. The new guidance is effective for Aon in the first quarter of 2021 and will be applied retrospectively in the Notes to Condensed Consolidated Financial Statements.

### 3. Revenue from Contracts with Customers

#### Disaggregation of Revenue

The following table summarizes revenue from contracts with customers by principal service line (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Commercial Risk Solutions	\$ 1,042	\$ 1,057	\$ 3,314	\$ 3,342
Reinsurance Solutions	321	291	1,617	1,499
Retirement Solutions	468	484	1,258	1,323
Health Solutions	282	279	1,042	1,082
Data & Analytic Services	278	271	883	893
Elimination	(6)	(3)	(13)	(11)
Total revenue	\$ 2,385	\$ 2,379	\$ 8,101	\$ 8,128

Consolidated revenue from contracts with customers by geographic area, which is attributed on the basis of where the services are performed, is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
United States	\$ 1,169	\$ 1,209	\$ 3,503	\$ 3,516
Americas other than United States	200	256	647	723
United Kingdom	332	358	1,276	1,210
Ireland	19	17	63	59
Europe, Middle East, & Africa other than United Kingdom and Ireland	372	266	1,731	1,734
Asia Pacific	293	273	881	886
Total revenue	\$ 2,385	\$ 2,379	\$ 8,101	\$ 8,128

#### Contract Costs

An analysis of the changes in the net carrying amount of costs to fulfill contracts with customers are as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Balance at beginning of period	\$ 193	\$ 216	\$ 335	\$ 329
Additions	291	326	883	1,008
Amortization	(266)	(299)	(995)	(1,095)
Impairment	—	—	—	—
Foreign currency translation and other	2	(4)	(3)	(3)
Balance at end of period	\$ 220	\$ 239	\$ 220	\$ 239

An analysis of the changes in the net carrying amount of costs to obtain contracts with customers are as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Balance at beginning of period	\$ 172	\$ 161	\$ 171	\$ 156
Additions	15	14	43	40
Amortization	(12)	(11)	(35)	(33)
Impairment	—	—	—	—
Foreign currency translation and other	1	(1)	(3)	—
Balance at end of period	\$ 176	\$ 163	\$ 176	\$ 163

#### 4. Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents include cash balances and all highly liquid instruments with initial maturities of three months or less. Short-term investments consist of money market funds. The estimated fair value of cash and cash equivalents and short-term investments approximates their carrying values.

At September 30, 2020, Cash and cash equivalents and Short-term investments were \$1,269 million compared to \$928 million at December 31, 2019, an increase of \$341 million. Of the total balances, \$100 million and \$110 million were restricted as to their use at September 30, 2020 and December 31, 2019, respectively. Included within Short-term investments as of September 30, 2020 and December 31, 2019, respectively, were £44.9 million (\$57.2 million at September 30, 2020 exchange rates) and £42.7 million (\$55.5 million at December 31, 2019 exchange rates) of operating funds required to be held by the Company in the U.K. by the Financial Conduct Authority (the “FCA”), a U.K.-based regulator.

#### 5. Other Financial Data

##### Condensed Consolidated Statements of Income Information

###### *Other Income (Expense)*

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Foreign currency remeasurement	\$ (19)	\$ 17	\$ 21	\$ 17
Financial instruments	13	(20)	(34)	(32)
Pension and other postretirement	4	3	10	12
Equity earnings	1	1	3	3
Extinguishment of debt	—	—	(7)	—
Disposal of businesses	—	1	25	8
Total	\$ (1)	\$ 2	\$ 18	\$ 8

##### Condensed Consolidated Statements of Financial Position Information

###### *Allowance for Doubtful Accounts*

An analysis of the allowance for doubtful accounts is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020 <sup>(1)</sup>	2019	2020 <sup>(1)</sup>	2019
Balance at beginning of period	\$ 84	\$ 65	\$ 70	\$ 64
Adoption of new accounting guidance <sup>(2)</sup>	—	—	7	—
Adjusted balance at beginning of period	84	65	77	64
Provision	4	7	19	19
Accounts written off, net of recoveries	—	(6)	(11)	(17)
Foreign currency translation and other	1	1	4	1
Balance at end of period	\$ 89	\$ 67	\$ 89	\$ 67

- (1) The Company’s estimate for allowance for credit losses with respect to receivables is based on a combination of factors, including evaluation of forward-looking information, historical write-offs, aging of balances, and other qualitative and quantitative analyses. Refer to Note 2 “Accounting Principles and Practices” for further information.
- (2) The allowance for doubtful accounts resulted in a \$7 million charge from the adoption of the new accounting standard on the measurement of credit losses on January 1, 2020. After tax impacts, this resulted in a \$6 million decrease to Retained earnings. Refer to Note 2 “Accounting Principles and Practices” for further information.

### **Other Current Assets**

The components of Other current assets are as follows (in millions):

As of	September 30, 2020	December 31, 2019
Costs to fulfill contracts with customers <sup>(1)</sup>	\$ 220	\$ 335
Prepaid expenses	116	97
Taxes receivable	131	88
Other <sup>(2)</sup>	58	82
<b>Total</b>	<b>\$ 525</b>	<b>\$ 602</b>

(1) Refer to Note 3 “Revenue from Contracts with Customers” for further information.

(2) December 31, 2019 includes \$4 million previously classified as “Receivables from the Divested Business”.

### **Other Non-Current Assets**

The components of Other non-current assets are as follows (in millions):

As of	September 30, 2020	December 31, 2019
Costs to obtain contracts with customers <sup>(1)</sup>	\$ 176	\$ 171
Taxes receivable	94	102
Leases	95	100
Investments	59	53
Other	132	144
<b>Total</b>	<b>\$ 556</b>	<b>\$ 570</b>

(1) Refer to Note 3 “Revenue from Contracts with Customers” for further information.

### **Other Current Liabilities**

The components of Other current liabilities are as follows (in millions):

As of	September 30, 2020	December 31, 2019
Deferred revenue <sup>(1)</sup>	\$ 251	\$ 270
Taxes payable	134	93
Leases	224	210
Other	632	513
<b>Total</b>	<b>\$ 1,241</b>	<b>\$ 1,086</b>

(1) During the three and nine months ended September 30, 2020, \$69 million and \$357 million was recognized in the Condensed Consolidated Statements of Income. During the three and nine months ended September 30, 2019, \$144 million and \$385 million was recognized in the Condensed Consolidated Statements of Income.

### **Other Non-Current Liabilities**

The components of Other non-current liabilities are as follows (in millions):

As of	September 30, 2020	December 31, 2019
Taxes payable <sup>(1)</sup>	\$ 554	\$ 525
Leases	72	76
Deferred revenue	67	62
Compensation and benefits	50	49
Other	145	165
<b>Total</b>	<b>\$ 888</b>	<b>\$ 877</b>

(1) Includes \$145 million for the non-current portion of the one-time mandatory transition tax on accumulated foreign earnings as of September 30, 2020 and December 31, 2019.



## 6. Restructuring

In 2017, Aon initiated a global restructuring plan (the “Restructuring Plan”) in connection with the sale of the benefits administration and business process outsourcing business (the “Divested Business”). The Restructuring Plan was intended to streamline operations across the organization and deliver greater efficiency, insight, and connectivity. The Company incurred all remaining costs for the Restructuring Plan, and the Restructuring Plan was closed in the fourth quarter of 2019. As such, for the three and nine months ended September 30, 2020, no charges were taken under the Restructuring Plan. For the three and nine months ended September 30, 2019, \$63 million and \$281 million of restructuring expenses were charged under the Restructuring Plan.

As of December 31, 2019, the remaining liabilities for the Restructuring Plan were \$204 million. During the nine months ended September 30, 2020, the Company made cash payments of \$112 million, and the effect of foreign currency translation and other non-cash activity was \$28 million, resulting in restructuring liabilities of \$64 million as of September 30, 2020.

## 7. Acquisitions and Dispositions of Businesses

### *Completed Acquisitions*

The Company completed six acquisitions during the nine months ended September 30, 2020 and three acquisitions during the nine months ended September 30, 2019. The following table includes the preliminary fair values of consideration transferred, assets acquired, and liabilities assumed, as a result of the Company’s acquisitions (in millions):

	Nine Months Ended September 30, 2020
<b>Consideration transferred</b>	
Cash	\$ 385
Deferred, contingent, and other consideration	34
Aggregate consideration transferred	\$ 419
<b>Assets acquired</b>	
Cash and cash equivalents	\$ 17
Receivables	21
Goodwill	315
Intangible assets	83
Current assets	16
Non-current assets	5
Total assets acquired	457
<b>Liabilities assumed</b>	
Current liabilities	27
Non-current liabilities	11
Total liabilities assumed	38
Net assets acquired	\$ 419

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

### *2020 Acquisitions*

On April 6, 2020, the Company completed the acquisition of 100% share capital of Farmington Administrative Services LLC, a U.S.-based national provider of enrollment solutions and voluntary benefits, and certain assets of other Farmington companies.

On January 31, 2020, the Company completed the acquisition of 100% share capital of Cytelligence Inc., a Canadian-based cyber security firm that provides incident response advisory, digital forensic expertise, security consulting services, and cyber security training for employees to help organizations respond to cyber security threats and strengthen their security position.

On January 3, 2020, the Company completed the acquisition of 100% share capital of CoverWallet, Inc., a U.S.-based digital insurance platform for small- and medium-sized businesses.

On January 1, 2020, the Company completed the acquisition of 100% share capital of TRIUM GmbH Insurance Broker, an insurance broker based in Germany.

On January 1, 2020, the Company completed the acquisition of 100% share capital of Assimedia SA, an insurance broker based in Switzerland.

On January 1, 2020, the Company completed the acquisition of 100% share capital of Apollo Conseil et Courtage, an insurance broker based in France.

#### *2019 Acquisitions*

On July 31, 2019, the Company completed the acquisition of 100% share capital of Ovatio Courtage SAS, an insurance broker based in France.

On July 31, 2019, the Company completed the acquisition of 100% share capital of Zalba-Caldu Correduria de Seguros, S.A., a Spanish insurance broker.

On January 1, 2019, the Company completed the acquisition of 100% share capital of Chapka Assurances SAS, based in France.

#### ***Completed Dispositions***

The Company completed no dispositions during the three months ended September 30, 2020 and one disposition during the nine months ended September 30, 2020. The Company completed two dispositions during the three months ended September 30, 2019 and six dispositions during the nine months ended September 30, 2019.

Total pretax gains recognized for the three and nine months ended September 30, 2020 were \$0 million and \$25 million, respectively. Total pretax gains recognized for the three and nine months ended September 30, 2019 were \$1 million and \$8 million, respectively. Gains and losses recognized as a result of a disposition are included in Other income (expense) in the Condensed Consolidated Statements of Income.

#### ***Other Significant Activity***

On March 9, 2020, Aon and Willis Towers Watson Public Limited Company, an Irish public limited company (“WTW”), entered into a business combination agreement (the “Business Combination Agreement”) with respect to a combination of the parties (the “Combination”). Refer to “Business Combination Agreement” within Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations for further information.

## **8. Goodwill and Other Intangible Assets**

The changes in the net carrying amount of goodwill for the nine months ended September 30, 2020 are as follows (in millions):

Balance as of December 31, 2019	\$	8,165
Goodwill related to current year acquisitions		315
Goodwill related to disposals		(3)
Foreign currency translation		(15)
Balance as of September 30, 2020	\$	8,462

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

	September 30, 2020			December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization and Impairment	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization and Impairment	Net Carrying Amount
Customer-related and contract-based	\$ 2,273	\$ 1,690	\$ 583	\$ 2,264	\$ 1,600	\$ 664
Tradenames <sup>(1)</sup>	14	12	2	1,029	956	73
Technology and other	421	341	80	380	334	46
Total	\$ 2,708	\$ 2,043	\$ 665	\$ 3,673	\$ 2,890	\$ 783

(1) In 2020, Aon wrote off \$1.0 billion of fully amortized tradenames, including the Hewitt and Benfield tradenames. The company no longer expects to receive economic benefits from these tradenames.

The estimated future amortization for finite-lived intangible assets as of September 30, 2020 is as follows (in millions):

Remainder of 2020	\$	40
2021		140
2022		100
2023		88
2024		71
2025		52
Thereafter		174
Total	\$	665

## 9. Debt

### *Notes*

On May 29, 2020, Aon Corporation, a Delaware corporation and a wholly owned subsidiary of the Company (“Aon Corporation”), issued an irrevocable notice of redemption to holders of its 5.00% Senior Notes, which were set to mature on September 30, 2020, for the redemption of all \$600 million outstanding aggregate principal amount of the notes. The redemption date was on June 30, 2020 and resulted in a loss of \$7 million due to extinguishment.

On May 12, 2020, Aon Corporation issued \$1 billion 2.80% Senior Notes due May 2030. Aon Corporation used a portion of the net proceeds on June 30, 2020 to repay its outstanding 5.00% Senior Notes, which were set to mature on September 30, 2020. The Company intends to use the remainder to repay other borrowings and for general corporate purposes.

In March 2020, the Company’s \$400 million 2.80% Senior Notes due March 2021 were classified as Short-term debt and current portion of long-term debt in the Condensed Consolidated Statements of Financial Position as the date of maturity is in less than one year.

On November 15, 2019, Aon Corporation issued \$500 million 2.20% Senior Notes due November 2022. The Company used the net proceeds of the offering to pay down a portion of outstanding commercial paper and for general corporate purposes.

On May 2, 2019, Aon Corporation issued \$750 million 3.75% Senior Notes due May 2029. The Company used the net proceeds of the offering to pay down a portion of outstanding commercial paper and for general corporate purposes.

### *Revolving Credit Facilities*

As of September 30, 2020, Aon plc had two primary committed credit facilities outstanding: its \$900 million multi-currency U.S. credit facility expiring in February 2022 and its \$750 million multi-currency U.S. credit facility expiring in October 2023. Effective February 27, 2020, the \$750 million multi-currency U.S. credit facility was increased by \$350 million from the original \$400 million. In aggregate, these two facilities provide \$1.65 billion in available credit.

Each of these primary committed credit facilities includes customary representations, warranties, and covenants, including financial covenants that require Aon to maintain specified ratios of adjusted consolidated earnings before interest, taxes, depreciation, and amortization (“EBITDA”) to consolidated interest expense and consolidated debt to adjusted consolidated EBITDA, in each case, tested quarterly. At September 30, 2020, Aon did not have borrowings under either of these primary committed credit facilities, and was in compliance with the financial covenants and all other covenants contained therein during the rolling 12 months ended September 30, 2020.

### *Commercial Paper*

Aon Corporation has established a U.S. commercial paper program (the “U.S. Program”) and Aon Global Holdings plc has established a European multi-currency commercial paper program (the “European Program” and, together with the U.S. Program, the “Commercial Paper Programs”). On April 1, 2020 the Company entered into an agreement increasing the aggregate outstanding borrowings under the U.S. Program by \$300 million, to an aggregate amount equal to \$900 million. On August 5, 2020, Aon Global Holdings plc established the European Program with aggregate amount equal to €625 million. Subsequently on September 30, 2020, a European multi-currency commercial paper program previously established by Aon Global Limited, which had an aggregate amount equal to €525 million, was withdrawn. The Commercial Paper Programs remain fully backed by the committed credit facilities.

Commercial paper may be issued in aggregate principal amounts of up to \$900 million under the U.S. Program and €625 million under the European Program, not to exceed the amount of the Company's committed credit facilities, which was \$1.65 billion at September 30, 2020. In connection with the Ireland Reorganization, on April 1, 2020, Aon plc and Aon Global Holdings plc, a company incorporated under the laws of England and Wales, entered into various agreements pursuant to which they agreed to guarantee the U.S. Program, which was previously solely guaranteed by Aon Global Limited, and the European Program, which was previously solely guaranteed by Aon Corporation. As of September 30, 2020, the U.S. Program was fully and unconditionally guaranteed by Aon plc, Aon Global Limited and Aon Global Holdings plc and the European Program was fully and unconditionally guaranteed by Aon plc, Aon Global Limited, and Aon Corporation.

Commercial paper outstanding, which is included in Short-term debt and current portion of long-term debt in the Condensed Consolidated Statements of Financial Position, is as follows (in millions):

As of	September 30, 2020	December 31, 2019
Commercial paper outstanding	\$ 25	\$ 112

The weighted average commercial paper outstanding and its related interest rates are as follows (in millions, except percentages):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Weighted average commercial paper outstanding	\$ 97	\$ 656	\$ 453	\$ 541
Weighted average interest rate of commercial paper outstanding	2.45 %	0.15 %	1.47 %	0.43 %

## 10. Income Taxes

The effective tax rates on Net income from continuing operations were 22.6% and 19.4% for the three and nine months ended September 30, 2020. The effective tax rates on Net income from continuing operations were 19.6% and 16.6% for the three and nine months ended September 30, 2019.

For the three months ended September 30, 2020, the tax rate was primarily driven by the geographical distribution of income and certain discrete items, including the tax rate increase in the UK.

For the three months ended September 30, 2019, the tax rate was primarily driven by the geographical distribution of income, including restructuring charges, and certain discrete items.

For the nine months ended September 30, 2020, the tax rate was primarily driven by the geographical distribution of income as well as certain discrete items, primarily the favorable impacts of share-based payments and the release of a valuation allowance offset by the tax rate increase in the UK.

For the nine months ended September 30, 2019, the tax rate was primarily driven by the geographical distribution of income, including restructuring charges, and certain favorable discrete items, including the impact of share-based payments and changes in the assertion for unremitted earnings.

## 11. Shareholders' Equity

### *Ordinary Shares*

Aon has a share repurchase program authorized by the Company's Board of Directors (the "Repurchase Program"). The Repurchase Program was established in April 2012 with \$5.0 billion in authorized repurchases, and was increased by \$5.0 billion in authorized repurchases in each of November 2014 and June 2017 for a total of \$15.0 billion in repurchase authorizations.

Under the Repurchase Program, the Company's Class A Ordinary 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.

The following table summarizes the Company's share repurchase activity (in millions, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019 <sup>(1)</sup>	2020	2019 <sup>(1)</sup>
Shares repurchased	2.4	1.8	4.6	8.2
Average price per share	\$ 201.96	\$ 190.83	\$ 207.01	\$ 183.26
<b>Costs recorded to retained earnings</b>				
Total repurchase cost	\$ 500	\$ 350	\$ 961	\$ 1,500
Additional associated costs	—	—	2	7
Total costs recorded to retained earnings	\$ 500	\$ 350	\$ 963	\$ 1,507

(1) Included in the 1.8 million and 8.2 million shares repurchased during the three and nine months ended September 30, 2019, respectively, were 25 thousand shares that did not settle until October 2019. These shares were settled at an average price per share of \$193.91 and total cost of \$4.8 million.

Due to COVID-19 the Company temporarily suspended share repurchases and resumed the Repurchase Program during the third quarter of 2020. At September 30, 2020, the remaining authorized amount for share repurchases under the Repurchase Program was \$1.1 billion. Under the Repurchase Program, the Company has repurchased a total of 133.4 million shares for an aggregate cost of approximately \$13.9 billion.

### Net Income Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Basic weighted average ordinary shares outstanding	232.6	236.9	232.8	239.9
Dilutive effect of potentially issuable shares	0.9	2.2	1.1	2.0
Diluted weighted average ordinary shares outstanding	233.5	239.1	233.9	241.9

Potentially issuable shares are not included in the computation of Diluted net income per share attributable to Aon shareholders if their inclusion would be antidilutive. There were no shares excluded from the calculation for the three and nine months ended September 30, 2020 and September 30, 2019, respectively.

### Accumulated Other Comprehensive Loss

Changes in Accumulated other comprehensive loss by component, net of related tax, are as follows (in millions):

	Change in Fair Value of Financial Instruments <sup>(1)</sup>	Foreign Currency Translation Adjustments	Postretirement Benefit Obligation <sup>(2)</sup>	Total
Balance at December 31, 2019	\$ (12)	\$ (1,305)	\$ (2,716)	\$ (4,033)
Other comprehensive income (loss) before reclassifications, net	(6)	(137)	(4)	(147)
<b>Amounts reclassified from accumulated other comprehensive income</b>				
Amounts reclassified from accumulated other comprehensive income	13	—	94	107
Tax expense	(3)	—	(23)	(26)
Amounts reclassified from accumulated other comprehensive income, net <sup>(3)</sup>	10	—	71	81
Net current period other comprehensive income (loss)	4	(137)	67	(66)
Balance at September 30, 2020	\$ (8)	\$ (1,442)	\$ (2,649)	\$ (4,099)

	Change in Fair Value of Financial Instruments <sup>(1)</sup>	Foreign Currency Translation Adjustments	Postretirement Benefit Obligation <sup>(2)</sup>	Total
Balance at December 31, 2018	\$ (15)	\$ (1,319)	\$ (2,575)	\$ (3,909)
Other comprehensive income (loss) before reclassifications, net	(12)	(180)	2	(190)
Amounts reclassified from accumulated other comprehensive income				
Amounts reclassified from accumulated other comprehensive income	12	—	79	91
Tax expense	(3)	—	(19)	(22)
Amounts reclassified from accumulated other comprehensive income, net <sup>(3)</sup>	9	—	60	69
Net current period other comprehensive income (loss)	(3)	(180)	62	(121)
Balance at September 30, 2019	\$ (18)	\$ (1,499)	\$ (2,513)	\$ (4,030)

- (1) Reclassifications from this category included in Accumulated other comprehensive loss are recorded in Total revenue, Interest expense, and Compensation and benefits in the Condensed Consolidated Statements of Income. Refer to Note 14 “Derivatives and Hedging” for further information regarding the Company’s derivative and hedging activity.
- (2) Reclassifications from this category included in Accumulated other comprehensive loss are recorded in Other income (expense) in the Condensed Consolidated Statements of Income.
- (3) It is the Company’s policy to release income tax effects from Accumulated other comprehensive loss using the portfolio approach.

## 12. Employee Benefits

The following table provides the components of the net periodic (benefit) cost recognized in the Condensed Consolidated Statements of Income for Aon’s significant U.K., U.S., and other major pension plans, which are located in the Netherlands and Canada. Service cost is reported in Compensation and benefits and all other components are reported in Other income (expense) as follows (in millions):

	Three Months Ended September 30,					
	U.K.		U.S.		Other	
	2020	2019	2020	2019	2020	2019
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest cost	22	26	22	27	5	6
Expected return on plan assets, net of administration expenses	(40)	(46)	(34)	(34)	(8)	(9)
Amortization of prior-service cost	—	—	—	1	—	—
Amortization of net actuarial loss	8	7	17	13	3	3
Total net periodic (benefit) cost	\$ (10)	\$ (13)	\$ 5	\$ 7	\$ —	\$ —

	Nine Months Ended September 30,					
	U.K.		U.S.		Other	
	2020	2019	2020	2019	2020	2019
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest cost	65	81	64	81	14	20
Expected return on plan assets, net of administration expenses	(118)	(143)	(100)	(102)	(25)	(29)
Amortization of prior-service cost	1	1	—	2	—	—
Amortization of net actuarial loss	23	22	51	40	9	9
Net periodic (benefit) cost	(29)	(39)	15	21	(2)	—
Loss on pension settlement	2	—	—	—	—	—
Total net periodic (benefit) cost	\$ (27)	\$ (39)	\$ 15	\$ 21	\$ (2)	\$ —

In the second quarter of 2020, settlements from a certain U.K. pension plan exceeded the plan's service and interest cost. This triggered settlement accounting which required the immediate recognition of a portion of the accumulated losses associated with the plan. Consequently, the Company recognized a non-cash settlement charge of approximately £2 million (\$2 million using June 30, 2020 exchange rates).

### Contributions

Assuming no additional contributions are agreed to with, or required by, the pension plan trustees, the Company expects to make total cash contributions of approximately \$5 million, \$99 million, and \$19 million, (at December 31, 2019 exchange rates) to its significant U.K., U.S., and other major pension plans, respectively, during 2020. The following table summarizes contributions made to the Company's significant pension plans (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Contributions to U.K. pension plans	\$ 2	\$ 19	\$ 6	\$ 65
Contributions to U.S. pension plans	44	7	82	30
Contributions to other major pension plans	3	3	14	13
Total contributions	\$ 49	\$ 29	\$ 102	\$ 108

### 13. Share-Based Compensation Plans

The following table summarizes share-based compensation expense recognized in the Condensed Consolidated Statements of Income in Compensation and benefits (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Restricted share units ("RSUs")	\$ 43	\$ 42	\$ 145	\$ 155
Performance share awards ("PSAs")	21	28	54	90
Employee share purchase plans	3	2	8	7
Total share-based compensation expense	\$ 67	\$ 72	\$ 207	\$ 252

#### Restricted Share Units

RSUs generally vest between three and five years. The fair value of RSUs is based upon the market value of the Company's Class A ordinary shares at the date of grant. With certain limited exceptions, any break in continuous employment will cause the forfeiture of all non-vested awards. Compensation expense associated with RSUs is recognized on a straight-line basis over the requisite service period. Dividend equivalents are paid on certain RSUs, based on the initial grant amount.

The following table summarizes the status of the Company's RSUs (shares in thousands, except fair value):

	Nine Months Ended September 30,			
	2020		2019	
	Shares	Fair Value <sup>(1)</sup>	Shares	Fair Value <sup>(1)</sup>
Non-vested at beginning of period	3,634	\$ 143	4,208	\$ 120
Granted	1,221	\$ 185	1,225	\$ 174
Vested	(1,316)	\$ 133	(1,551)	\$ 112
Forfeited	(138)	\$ 152	(164)	\$ 128
Non-vested at end of period	3,401	\$ 162	3,718	\$ 141

(1) Represents per share weighted average fair value of award at date of grant.

Unamortized deferred compensation expense amounted to \$411 million as of September 30, 2020, with a remaining weighted average amortization period of approximately 2.1 years.



## Performance Share Awards

The vesting of PSAs is contingent upon meeting a cumulative level of earnings per share related performance over a three-year period. The actual issuance of shares may range from 0-200% of the target number of PSAs granted, based on the terms of the plan and level of achievement of the related performance target. The grant date fair value of PSAs is based upon the market price of the Company's Class A ordinary shares at the date of grant. The performance conditions are not considered in the determination of the grant date fair value for these awards. Compensation expense is recognized over the performance period based on management's estimate of the number of units expected to vest. Management evaluates its estimate of the actual number of shares expected to be issued at the end of the programs on a quarterly basis. The cumulative effect of the change in estimate is recognized in the period of change as an adjustment to Compensation and benefits in the Condensed Consolidated Statements of Income, if necessary. Dividend equivalents are not paid on PSAs.

The following table summarizes the Company's target PSAs granted and shares that would be issued at current performance levels for PSAs granted during the nine months ended September 30, 2020 and the years ended December 31, 2019 and 2018, respectively (shares in thousands and dollars in millions, except fair value):

	September 30, 2020	December 31, 2019	December 31, 2018
Target PSAs granted during period	500	467	564
Weighted average fair value per share at date of grant	\$ 161	\$ 165	\$ 134
Number of shares that would be issued based on current performance levels	494	447	809
Unamortized expense, based on current performance levels	\$ 65	\$ 29	\$ 8

## 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 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 earns revenues, pays expenses, enters into monetary intercompany transfers or other transactions 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. These derivatives are accounted for as hedges, and changes in fair value are recorded each period in Other comprehensive income (loss) in the Condensed Consolidated Statements of Comprehensive Income.

The Company also uses foreign exchange derivatives, typically forward contracts and options, to economically hedge the currency exposure of the Company's global liquidity profile, including monetary assets or liabilities that are denominated in a non-functional currency of an entity, typically on a rolling 30-day basis, but may be for up to 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 Condensed Consolidated Statements of Income.

The notional and fair values of derivative instruments are as follows (in millions):

	Notional Amount		Net Amount of Derivative Assets Presented in the Statements of Financial Position <sup>(1)</sup>		Net Amount of Derivative Liabilities Presented in the Statements of Financial Position <sup>(2)</sup>	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Foreign exchange contracts						
Accounted for as hedges	\$ 629	\$ 579	\$ 22	\$ 16	\$ —	\$ 1
Not accounted for as hedges <sup>(3)</sup>	401	297	—	2	1	—
Total	\$ 1,030	\$ 876	\$ 22	\$ 18	\$ 1	\$ 1

(1) Included within Other current assets (\$6 million at September 30, 2020 and \$7 million at December 31, 2019) or Other non-current assets (\$16 million at September 30, 2020 and \$11 million at December 31, 2019).

(2) Included within Other current liabilities (\$1 million at September 30, 2020 and \$1 million at December 31, 2019).

(3) These contracts typically are for 30-day durations and executed close to the last day of the most recent reporting month, thereby resulting in nominal fair values at the balance sheet date.



The amounts of derivative gains (losses) recognized in the Condensed Consolidated Financial Statements are as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Gain (Loss) recognized in Accumulated other comprehensive loss	\$ 5	\$ (6)	\$ (8)	\$ (14)

The amounts of derivative gains (losses) reclassified from Accumulated other comprehensive loss to the Condensed Consolidated Statements of Income are as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Total revenue	\$ (3)	\$ (4)	\$ (12)	\$ (11)
Compensation and benefits	1	—	—	—
Interest expense	—	—	(1)	(1)
Total	\$ (2)	\$ (4)	\$ (13)	\$ (12)

The Company estimates that approximately \$11 million of pretax losses currently included within Accumulated other comprehensive loss will be reclassified into earnings in the next 12 months.

During the three and nine months ended September 30, 2020, the Company recorded a gain of \$11 million and a loss of \$27 million, respectively, in Other income (expense) for foreign exchange derivatives not designated or qualifying as hedges. During the three and nine months ended September 30, 2019, the Company recorded a loss of \$16 million and \$20 million, respectively, in Other income (expense) for foreign exchange derivatives not designated or qualifying as hedges.

#### ***Net Investments in Foreign Operations Risk Management***

The Company uses non-derivative financial instruments to protect the value of its investments in a number of foreign subsidiaries. The Company has designated a portion of its euro-denominated commercial paper issuances as a non-derivative hedge of the foreign currency exposure of a net investment in its European operations. The change in fair value of the designated portion of the euro-denominated commercial paper due to changes in foreign currency exchange rates is recorded in Foreign currency translation adjustment, a component of Accumulated other comprehensive loss, to the extent it is effective as a hedge. The foreign currency translation adjustment of the hedged net investments is also recorded in Accumulated other comprehensive loss. Ineffective portions of net investment hedges, if any, are reclassified from Accumulated other comprehensive loss into earnings during the period of change.

The Company had no outstanding euro-denominated commercial paper at September 30, 2020 designated as a hedge of the foreign currency exposure of its net investment in its European operations. The Company had €101 million (\$112 million at December 31, 2019 exchange rates) of outstanding euro-denominated commercial paper at December 31, 2019 designated as a hedge of the foreign currency exposure of its net investment in its European operations. The unrealized gain recognized in Accumulated other comprehensive loss related to the net investment non-derivative hedging instrument was \$29 million as of September 30, 2020 and December 31, 2019.

The Company did not reclassify any deferred gains or losses related to net investment hedges from Accumulated other comprehensive loss to earnings during the three and nine months ended September 30, 2020 and 2019.

## **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* consist of institutional prime, treasury, and government money market funds. The Company reviews treasury and government money market funds to obtain reasonable assurance that the fund net asset value is \$1 per share, and reviews the floating net asset value of institutional prime money market funds for reasonableness.

*Equity investments* consist of equity securities and 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 underlying security and volatility. On a sample basis, the Company reviews the listing of Level 1 equity securities in the portfolio, agrees the closing stock prices to a national securities exchange, and 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 an understanding of the models, inputs, and assumptions used in developing prices provided by its vendors through discussions with the fund managers. The Company 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 internal Company guidelines, it is then reviewed by management and the fair value estimate provided by the vendor is adjusted, if deemed appropriate. These adjustments do not occur frequently and historically are not material to the fair value estimates used in the 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 volatility.

*Debt* is carried at outstanding principal balance, less any unamortized issuance costs, 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.

The following tables present the categorization of the Company's assets and liabilities that are measured at fair value on a recurring basis at September 30, 2020 and December 31, 2019 (in millions):

	Balance at September 30, 2020	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)
<b>Assets</b>				
Money market funds <sup>(1)</sup>	\$ 2,903	\$ 2,903	\$ —	\$ —
<b>Other investments</b>				
Government bonds	\$ 1	\$ —	\$ 1	\$ —
Equity investments	\$ 3	\$ —	\$ 3	\$ —
<b>Derivatives <sup>(2)</sup></b>				
Gross foreign exchange contracts	\$ 27	\$ —	\$ 27	\$ —
<b>Liabilities</b>				
<b>Derivatives <sup>(2)</sup></b>				
Gross foreign exchange contracts	\$ 6	\$ —	\$ 6	\$ —

	Balance at December 31, 2019	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)
<b>Assets</b>				
Money market funds <sup>(1)</sup>	\$ 2,007	\$ 2,007	\$ —	\$ —
<b>Other investments</b>				
Government bonds	\$ 1	\$ —	\$ 1	\$ —
Equity investments	\$ 1	\$ —	\$ 1	\$ —
<b>Derivatives <sup>(2)</sup></b>				
Gross foreign exchange contracts	\$ 21	\$ —	\$ 21	\$ —
<b>Liabilities</b>				
<b>Derivatives <sup>(2)</sup></b>				
Gross foreign exchange contracts	\$ 4	\$ —	\$ 4	\$ —

(1) Included within Fiduciary assets or Short-term investments in the Condensed Consolidated Statements of Financial Position, depending on their nature and initial maturity.

(2) Refer to Note 14 “Derivatives and Hedging” for additional information regarding the Company’s derivatives and hedging activity.

There were no transfers of assets or liabilities between fair value hierarchy levels in the three and nine months ended September 30, 2020 and 2019. The Company recognized no realized or unrealized gains or losses in the Condensed Consolidated Statements of Income during the three and nine months ended September 30, 2020 and 2019 related to assets and liabilities measured at fair value using unobservable inputs.

The fair value of debt is classified as Level 2 of the fair value hierarchy. The following table provides the carrying value and fair value for the Company’s term debt (in millions):

	September 30, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Current portion of long-term debt	\$ 400	\$ 404	\$ 600	\$ 614
Long-term debt	\$ 7,251	\$ 8,582	\$ 6,627	\$ 7,442

## 16. Claims, Lawsuits, and Other 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. While Aon maintains meaningful E&O insurance and other insurance programs 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 claims. Accruals for these exposures, and related insurance receivables, when applicable, are included in the Condensed Consolidated Statements of Financial Position and have been recognized in Other general expense in the Condensed Consolidated Statements of Income to the extent that losses are deemed probable and are reasonably estimable. These amounts are adjusted from time to time as developments warrant. Matters that are not probable and reasonably estimable are not accrued for in the financial statements.

The Company has included in the current matters described below certain matters in which (1) loss is probable, (2) loss is reasonably possible (that is, more than remote but not probable), or (3) there exists the reasonable possibility of loss greater than the accrued amount. In addition, the Company may from time to time disclose matters for which the probability of loss could be remote but the claim amounts associated with such matters are potentially significant. The reasonably possible range of loss for the matters described below for which loss is estimable, in excess of amounts that are deemed probable and estimable and therefore already accrued, is estimated to be between \$0 and \$0.7 billion, exclusive of any insurance coverage. These estimates are based on available information as of the date of this filing. As available information changes, the matters for which Aon is able to estimate, and the estimates themselves, may change. In addition, many estimates involve significant judgment and uncertainty. For example, at the time of making an estimate, Aon may only have limited information about the facts underlying the claim, and predictions and assumptions about future court rulings and outcomes may prove to be inaccurate. Although management at present believes that the ultimate outcome of all matters described below, individually or

in the aggregate, will not have a material adverse effect on the consolidated financial position of Aon, legal proceedings are subject to inherent uncertainties and unfavorable rulings or other events. Unfavorable resolutions could include substantial monetary or punitive damages imposed on Aon or its subsidiaries. If unfavorable outcomes of these matters were to occur, future results of operations or cash flows for any particular quarterly or annual period could be materially adversely affected.

#### *Current Matters*

On October 3, 2017, Christchurch City Council (“CCC”) invoked arbitration to pursue a claim that it asserts against Aon New Zealand. Aon provided insurance broking services to CCC in relation to CCC’s 2010-2011 material damage and business interruption program. In December 2015, CCC settled its property and business interruption claim for its losses arising from the 2010-2011 Canterbury earthquakes against the underwriter of its material damage and business interruption program and the reinsurers of that underwriter. CCC contends that acts and omissions by Aon caused CCC to recover less in that settlement than it otherwise would have. CCC claims damages of approximately NZD 528 million (\$346 million at September 30, 2020 exchange rates) plus interest and costs. Aon believes that it has meritorious defenses and intends to vigorously defend itself against these claims.

A retail insurance brokerage subsidiary of Aon was sued on September 6, 2018 in the United States District Court for the Southern District of New York by a client, Pilkington North America, Inc., that sustained damage from a tornado to its Ottawa, Illinois property. The lawsuit seeks between \$45 million and \$85 million in property and business interruption damages from either its insurer or Aon. The insurer contends that insurance proceeds were limited to \$15 million in coverage by a windstorm sub-limit purportedly contained in the policy procured by Aon for Pilkington. The insurer therefore has tendered \$15 million to Pilkington and denied coverage for the remainder of the loss. Pilkington sued the insurer and Aon seeking full coverage for the loss from the insurer or, in the alternative, seeking the same damages against Aon on various theories of professional liability if the court finds that the \$15 million sub-limit applies to the claim. Aon believes it has meritorious defenses and intends to vigorously defend itself against these claims.

Aon faces legal action arising out of a fatal plane crash in November 2016. Aon UK Limited placed an aviation civil liability reinsurance policy for the Bolivian insurer of the airline. After the crash, the insurer determined that there was no coverage under the airline’s insurance policy due to the airline’s breach of various policy conditions. In November 2018, the owner of the aircraft filed a claim in Bolivia against Aon, the airline, the insurer and the insurance broker. The claim is for \$15.5 million plus any liability the owner has to third parties. In November 2019, a federal prosecutor in Brazil filed a public civil action naming three Aon entities as defendants, along with the airline, the insurer and the lead reinsurer. That claim seeks pecuniary damages for families affected by the crash in the sum of \$300 million; or, in the alternative, \$50 million; or, in the alternative, \$25 million; plus “moral damages” of an equivalent sum. Separately, in March 2020, the Brazilian Federal Senate invited Aon to give evidence to a Parliamentary Commission of Inquiry in an investigation into the accident. Aon is cooperating with that inquiry. Finally, in August 2020, 43 individuals (surviving passengers and estates of the deceased) filed a motion in the Circuit Court of the 11th Judicial Circuit in and for Miami-Dade County, Florida, seeking permission to commence proceedings against Aon (and the insurer and reinsurers) for claims totaling \$844 million. Aon believes that it has meritorious defenses and intends to vigorously defend itself against these claims.

Aon Investments USA Inc. (“Aon Investments”) and Allianz Global Investors U.S. LLC (“AGI”) were sued on September 16, 2020, in the United States District Court for the Southern District of New York by the Blue Cross and Blue Shield Association National Employee Benefits Committee (the “NEBC”). Aon Investments and its predecessors provided investment advisory services to NEBC since 2009. The NEBC contends that it suffered investment losses exceeding \$2 billion in several Structured Alpha funds managed by AGI and recommended by Aon. The NEBC has brought claims against Aon Investments for breach of fiduciary duty, breach of co-fiduciary duty, and breach of contract. The NEBC alleges that Aon Investments and AGI are jointly and severally liable for damages, which include the restoration of investment losses, disgorgement of fees and profits, and attorneys’ fees. Aon believes that it has meritorious defenses and intends to vigorously defend itself against these claims.

In April 2017, the FCA announced an investigation relating to suspected competition law breaches in the aviation and aerospace broking industry, which, for Aon in 2016, represented less than \$100 million in global revenue. The European Commission has now assumed jurisdiction over the investigation in place of the FCA. Other antitrust agencies outside the European Union are also conducting formal or informal investigations regarding these matters. Aon intends to work diligently with all antitrust agencies concerned to ensure they can carry out their work as efficiently as possible. At this time, in light of the uncertainties and many variables involved, Aon cannot estimate the ultimate impact on the Company from these investigations or any related private litigation, nor any damages, penalties, or fines related to them. There can be no assurance that the ultimate resolution of these matters will not have a material adverse effect on the Company’s consolidated financial position, results of operations, or liquidity.

## ***Guarantees and Indemnifications***

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. Any anticipated amounts payable are included in the Financial Statements, and are recorded at fair value.

The Company expects that, as prudent business interests dictate, additional guarantees and indemnifications may be issued from time to time.

### ***Guarantee of Registered Securities***

In connection with the Company's 2012 redomestication to the U.K. (the "2012 Redomestication"), the Company on April 2, 2012 entered into 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 April 2, 2012, among Aon Corporation, Aon Global Limited, and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") (amending and restating the Indenture, dated September 10, 2010, between Aon Corporation and the Trustee); (2) Amended and Restated Indenture, dated April 2, 2012, among Aon Corporation, Aon Global Limited and the Trustee (amending and restating the Indenture, dated December 16, 2002, between Aon Corporation and the Trustee); and (3) Amended and Restated Indenture, dated April 2, 2012, among Aon Corporation, Aon Global Limited and the Trustee (amending and restating the Indenture, dated January 13, 1997, between Aon Corporation and the Trustee, as supplemented by the First Supplemental Indenture, dated January 13, 1997).

In connection with the Ireland Reorganization, on April 1, 2020, Aon plc and Aon Global Holdings plc entered into various agreements pursuant to which they agreed to guarantee the obligations of Aon Corporation arising under issued and outstanding debt securities, which were previously guaranteed solely by Aon Global Limited, and the obligations of Aon Global Limited arising under issued and outstanding debt securities, which were previously guaranteed solely by Aon Corporation. Those agreements include: (1) Second Amended and Restated Indenture, dated April 1, 2020, among Aon Corporation, Aon Global Limited, Aon plc, and Aon Global Holdings plc and the Trustee (amending and restating the Amended and Restated Indenture, dated April 2, 2012, among Aon Corporation, Aon Global Limited and the Trustee); (2) Amended and Restated Indenture, dated April 1, 2020, among Aon Corporation, Aon Global Limited, Aon plc, Aon Global Holdings plc and the Trustee (amending and restating the Indenture, dated December 12, 2012, among Aon Corporation, Aon Global Limited plc and the Trustee); (3) Second Amended and Restated Indenture, dated April 1, 2020, among Aon Corporation, Aon Global Limited, Aon plc, Aon Global Holdings plc and the Trustee (amending and restating the Amended and Restated Indenture, dated May 20, 2015, among Aon Corporation, Aon Global Limited and the Trustee); (4) Amended and Restated Indenture, dated April 1, 2020, among Aon Corporation, Aon Global Limited, Aon plc, Aon Global Holdings plc and the Trustee (amending and restating the Indenture, dated November 13, 2015, among Aon Corporation, Aon Global Limited and the Trustee); and (5) Amended and Restated Indenture, dated April 1, 2020, among Aon Corporation, Aon Global Limited, Aon plc, Aon Global Holdings plc and the Trustee (amending and restating the Indenture, dated December 3, 2018, among Aon Corporation, Aon Global Limited and the Trustee).

### ***Sale of the Divested Business***

In connection with the sale of the Divested Business, the Company guaranteed future operating lease commitments related to certain facilities assumed by the Buyer. The Company is obligated to perform under the guarantees if the Divested Business defaults on such leases at any time during the remainder of the lease agreements, which expire on various dates through 2025. As of September 30, 2020, the undiscounted maximum potential future payments under the lease guarantee is \$58 million, with an estimated fair value of \$9 million. No cash payments were made in connection to the lease commitments during the three and nine months ended September 30, 2020.

Additionally, the Company is subject to performance guarantee requirements under certain client arrangements that were assumed by the Buyer. Should the Divested Business fail to perform as required by the terms of the arrangements, the Company would be required to fulfill the remaining contract terms, which expire on various dates through 2023. As of September 30, 2020, the undiscounted maximum potential future payments under the performance guarantees were \$116 million, with an estimated fair value of \$1 million. No cash payments were made in connection to the performance guarantees during the three and nine months ended September 30, 2020.

### ***Letters of Credit***

Aon has entered into a number of arrangements whereby the Company's performance on certain obligations is guaranteed by a third party through the issuance of letters of credit ("LOCs"). The Company had total LOCs outstanding of approximately \$74 million at September 30, 2020, and \$73 million at December 31, 2019. These LOCs cover the beneficiaries related to certain of Aon's U.S. and Canadian non-qualified pension plan schemes and secure deductible retentions for Aon's own workers compensation program. The Company has also obtained LOCs to cover contingent payments for taxes and other business obligations to third parties, and other guarantees for miscellaneous purposes at its international subsidiaries.

### ***Premium Payments***

The Company has certain contractual contingent guarantees for premium payments owed by clients to certain insurance companies. The maximum exposure with respect to such contractual contingent guarantees was approximately \$88 million at September 30, 2020 compared to \$110 million at December 31, 2019.

## **17. Segment Information**

The Company operates as one segment that includes all of Aon's continuing operations, which as a global professional services firm provides advice and solutions to clients focused on risk, retirement, and health through five revenue lines which make up its principal products and services. The Chief Operating Decision Maker (the "CODM") assesses the performance of the Company and allocates resources based on one segment: Aon United.

The Company's reportable operating segment has been determined using a management approach, which is consistent with the basis and manner in which the CODM uses financial information for the purposes of allocating resources and evaluating performance. The CODM assesses performance and allocates resources based on total Aon results against its key four metrics, including organic revenue growth (decline), expense discipline, and collaborative behaviors, that maximize value for Aon and its shareholders, regardless of which revenue line it benefits.

As Aon operates as one segment, segment profit or loss is consistent with consolidated reporting as disclosed in the Condensed Consolidated Statements of Income. Refer to Note 3 "Revenue from Contracts with Customers" for further information on revenue by principal service line.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### EXECUTIVE SUMMARY OF THIRD QUARTER 2020 FINANCIAL RESULTS

Aon plc is a leading global professional services firm providing a broad range of risk, retirement, and health solutions underpinned by proprietary data and analytics. Management is leading a set of initiatives designed to strengthen Aon and unite the firm with one portfolio of capability enabled by proprietary data and analytics and one operating model to deliver additional insight, connectivity, and efficiency.

#### *Financial Results*

The following is a summary of our third quarter of 2020 financial results from continuing operations. The third quarter 2020 financial results are not necessarily indicative of results that may be expected for the full year or any future period, particularly in light of the continuing effect and uncertainty of the COVID-19 pandemic.

- For the third quarter of 2020, revenue increased \$6 million, or 0%, to \$2.4 billion compared to the prior year period due primarily to a 1% favorable impact from acquisitions, net of divestitures, offset by a 1% unfavorable impact from fiduciary investment income. For the nine months ended September 30, 2020, revenue decreased \$27 million, or 0%, to \$8.1 billion compared to the prior year period due primarily to a 1% unfavorable impact from foreign currency translation, offset by 1% organic revenue growth.
- Operating expenses for the third quarter of 2020 were \$1.9 billion, a decrease of \$75 million from the prior year period. The decrease was due primarily to a \$63 million decrease in restructuring charges, a \$54 million decrease from accelerated amortization related to certain tradenames that were fully amortized in the second quarter, and expense discipline in an effort to proactively manage liquidity due to uncertainties surrounding COVID-19 and its impact on the Company, including lower travel and entertainment expense, partially offset by \$43 million of transaction costs related to the pending combination with Willis Towers Watson, a \$12 million increase in expense related to acquisitions, net of divestitures, a \$13 million unfavorable impact from foreign currency translation, and an increase in discretionary expenses. Operating expenses for the first nine months of 2020 were \$6.0 billion, a decrease of \$450 million compared to the prior year period primarily due to a \$281 million decrease in restructuring charges, an \$87 million decrease from accelerated amortization related to certain tradenames that were fully amortized in the second quarter, an \$80 million favorable impact from foreign currency translation, and expense discipline in an effort to proactively manage liquidity due to uncertainties surrounding COVID-19 and its impact on the Company, partially offset by \$79 million of transaction costs related to the pending combination with WTW, an \$18 million increase in expense related to acquisitions, net of divestitures, and \$15 million of costs related to the Ireland Reorganization.
- Operating margin increased to 18.5% in the third quarter of 2020 from 15.1% in the prior year period. The increase was driven by a decrease in operating expenses as listed above. Operating margin for the first nine months of 2020 increased to 25.5% from 20.2% in the prior year period. The increase was driven by 1% organic revenue growth and a decrease in operating expenses as listed above.
- Due to the factors set forth above, net income from continuing operations increased \$52 million, or 23%, to \$281 million for the third quarter of 2020 compared to the prior year period. During the first nine months of 2020, net income from continuing operations increased \$291 million, or 24%, to \$1,483 million compared to the first nine months of 2019.
- Diluted earnings per share from continuing operations was \$1.18 per share for the third quarter of 2020 compared to \$0.93 per share for the prior year period. During the first nine months of 2020, diluted earnings per share from continuing operations was \$6.18 per share compared to \$4.79 per share for the prior year period.
- Cash flows provided by operating activities was \$2,023 million for the first nine months of 2020, an increase of \$860 million from the prior year period, primarily due to working capital improvements, of which a portion is related to short-term actions taken to proactively manage liquidity, a \$210 million decrease in restructuring cash outlays, and strong operational improvement. The prior year period included approximately \$85 million of net cash payments related to legacy litigation.

We focus on four key metrics not presented in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) that we communicate to shareholders: organic revenue growth (decline), adjusted operating margin, adjusted diluted earnings per share, and free cash flow. These non-GAAP metrics should be viewed in addition to, not instead of, our Financial Statements. The following is our measure of performance against these four metrics from continuing operations for the third quarter of 2020:

- Organic revenue growth (decline) is a non-GAAP measure defined under the caption “Review of Consolidated Results — Organic Revenue Growth (Decline).” Organic revenue was flat for the third quarter of 2020. Flat organic revenue reflects strength in the core portions of our business, offset by a decline in the more discretionary portions. Organic revenue growth was 1% for the first nine months of 2020, driven by strength in the core portions of our business, partially offset by a decline in the more discretionary portions.
- Adjusted operating margin, a non-GAAP measure defined under the caption “Review of Consolidated Results — Adjusted Operating Margin,” was 22.4% for the third quarter of 2020 compared to 22.0% in the prior year period. The increase in adjusted operating margin primarily reflects expense discipline, including lower travel and entertainment expense, partially offset by an increase in discretionary expenses, an \$18 million decrease in fiduciary investment income, and an unfavorable impact from foreign currency translation of \$3 million. For the first nine months of 2020, adjusted operating margin was 29.0% compared to 27.3% for the prior year period. The increase in adjusted operating margin primarily reflects expense discipline, including lower travel and entertainment expense, increased operating leverage across the portfolio, and 1% organic revenue growth, partially offset by a \$35 million decrease in fiduciary investment income, and an unfavorable impact from foreign currency translation of \$17 million.
- Adjusted diluted earnings per share from continuing operations, a non-GAAP measure defined under the caption “Review of Consolidated Results — Adjusted Diluted Earnings per Share,” was \$1.53 per share for the third quarter of 2020 and \$7.19 per share in the first nine months of 2020, compared to \$1.45 and \$6.64 per share for the respective prior year periods.
- Free cash flow, a non-GAAP measure defined under the caption “Review of Consolidated Results — Free Cash Flow,” increased in the first nine months of 2020 by \$908 million, or 91%, from the prior year period, to \$1,904 million, reflecting an increase in cash flows from operations and a \$48 million decrease in capital expenditures.

## **IRELAND REORGANIZATION**

On April 1, 2020, a scheme of arrangement under English law was completed pursuant to which the Class A ordinary shares of Aon plc, a public limited company incorporated under the laws of England and Wales and the publicly traded parent company of the Aon group (“Aon Global Limited”), were cancelled and the holders thereof received, on a one-for-one basis, Class A ordinary shares of Aon plc, an Irish public limited company formerly known as Aon Limited (“Aon plc”), as described in the proxy statement filed with the SEC on December 20, 2019. Aon plc is a tax resident of Ireland. References in this report to “Aon,” the “Company,” “we,” “us,” or “our” for time periods prior to April 1, 2020 refer to Aon Global Limited. References in the Financial Statements to “Aon,” the “Company,” “we,” “us,” or “our” for time periods on or after April 1, 2020, refer to Aon plc.

## **BUSINESS COMBINATION AGREEMENT**

On March 9, 2020, Aon and WTW, entered into a Business Combination Agreement with respect to a combination of the parties (the “Combination”). At the effective date of the Combination, WTW shareholders will be entitled to receive 1.08 newly issued Class A ordinary shares of Aon in exchange for each ordinary share of WTW held by such holders. The Combination is expected to be completed in the first half of 2021 and is subject to Irish Takeover Rules. The Business Combination Agreement contains certain operating covenants relating to the conduct of business of both parties in the interim period until the transaction is completed. These covenants require both parties to operate their respective businesses in all material respects in the ordinary course of business consistent with past practice. In addition, these covenants restrict each party from engaging in certain actions unless a party obtains the prior written consent of the other party. These actions relate to, among other things, authorizing or paying dividends above a specified rate; issuing or authorizing for issuance additional securities; salary, benefits or other compensation and employment-related matters; capital management, debt and liquidity matters; engaging in mergers, acquisitions and dispositions; entering into or materially modifying material agreements; entering into material litigation-related settlements; and making other corporate, tax and accounting changes. On July 8, 2020, Aon and WTW filed a definitive proxy statement relating to the Combination with the SEC, which was delivered to Aon’s and WTW’s shareholders.



On July 30, 2020, Aon, and WTW received written notice from the Committee on Foreign Investment in the United States (“CFIUS”) that CFIUS had concluded its review under Section 721 of the U.S. Defense Production Act of 1950 (“DPA”) of the transaction contemplated by the Business Combination Agreement and CFIUS determined that there are no unresolved national security concerns with respect to the transaction. CFIUS advised that action under Section 721 of the DPA has concluded with respect to such transaction. The foregoing satisfies the closing condition regarding CFIUS in the Business Combination Agreement.

On August 26, 2020, the respective shareholders of Aon and WTW approved the Combination. The shareholder approval satisfies a closing condition in the Business Combination Agreement.

## **RECENT DEVELOPMENTS**

The outbreak of the coronavirus, COVID-19, was declared by the World Health Organization to be a pandemic and has continued to spread across the globe, impacting almost all countries, in varying degrees, creating significant public health concerns, and significant volatility, uncertainty and economic disruption in every region in which we operate. While countries are in various stages of business and travel restrictions to address the COVID-19 pandemic, as well as related re-openings, these policies have impacted and will continue to impact worldwide economic activity and may continue to adversely affect our business. We continue to closely monitor the situation and our business, liquidity, and capital planning initiatives. We continue to be fully operational and continue to reoccupy certain offices in phases, where deemed appropriate and in compliance with governmental restrictions considering the impact on health and safety of our colleagues, their families, and our clients. For other areas where restrictions remain in place or where we have started to see a resurgence of COVID-19, we are closely monitoring the situation and continuously reevaluating our plan to return to the workplace. We continue to deploy business continuity protocols to facilitate remote working capabilities to ensure the health and safety of our colleagues and to comply with public health and travel guidelines and restrictions. We will reoccupy our remaining offices as local mandates are lifted and once protocols are in place to ensure a safe work environment.

As the situation is rapidly evolving, and the scale and duration of disruption cannot be predicted, it is not possible to quantify or estimate the full impact that COVID-19 will have on our business. We are focused on navigating these challenges and potential future impacts to our business presented by COVID-19 through preserving our liquidity and managing our cash flow by taking proactive steps to enhance our ability to meet our short-term liquidity needs and support a commitment to no layoffs of our colleagues due to COVID-19. Such actions include, but are not limited to, issuing \$1 billion of our new 10-year senior unsecured notes on May 12, 2020 and using the proceeds to repay short-term debt and for other corporate purposes, and reducing our discretionary spending, including limiting discretionary spending on mergers and acquisitions. We also temporarily suspended our share buyback program and temporarily reduced employee salaries during the second quarter, as a precautionary measure. After carefully monitoring the situation, we determined it was appropriate, based on macroeconomic conditions and business performance, to resume share buyback during the third quarter. In addition, temporarily reduced salaries for non-executives were restored at the end of the second quarter and withheld salaries, plus 5% of the withheld salary amounts, were repaid in the third quarter. On October 27, 2020, we determined to end the previously announced temporary salary reductions for named executive officers and cash compensation reductions for non-executive directors, effective for November 1, 2020. Withheld amounts will be repaid in full. For further information, see Part II, Item 5 of this report.

While the ultimate public health and economic impact of the COVID-19 pandemic is highly uncertain, we expect that our business operations and results of operations, including our net revenues, earnings, and cash flows, will be adversely impacted, depending on the duration and severity of the downturn, as well as governmental or other regulatory policies and actions that may impact our business or operations. Our revenues can be generalized into two categories: core and more discretionary arrangements. Core revenues tend to be highly-recurring and non-discretionary, where the services are typically regulated, required, or necessary costs of managing the risk of doing business. As expected, in the third quarter of 2020 our core revenues did not experience a significant decrease due to the impacts of COVID-19; however, if the economic downturn becomes more severe, we expect that certain services within our core business may be negatively impacted as well. More discretionary revenues tend to include project-related services, where as expected, in the third quarter of 2020 we saw an impact from decreases in revenue due to the impacts of COVID-19. The impacts of the pandemic on our business operations and results of operations for the third quarter of 2020 are further described in the section entitled “Review of Consolidated Results” and “Liquidity and Financial Condition” contained in Part I, Item 2 of this report.

## REVIEW OF CONSOLIDATED RESULTS

### Summary of Results

Our consolidated results are as follow (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Revenue</b>				
Total revenue	\$ 2,385	\$ 2,379	\$ 8,101	\$ 8,128
<b>Expenses</b>				
Compensation and benefits	1,387	1,368	4,270	4,453
Information technology	107	120	325	363
Premises	70	76	217	248
Depreciation of fixed assets	42	44	124	124
Amortization of intangible assets	50	101	205	295
Other general expense	288	310	892	1,000
Total operating expenses	1,944	2,019	6,033	6,483
<b>Operating income</b>	441	360	2,068	1,645
Interest income	3	1	5	4
Interest expense	(80)	(78)	(252)	(227)
Other income (expense)	(1)	2	18	8
<b>Income from continuing operations before income taxes</b>	363	285	1,839	1,430
Income tax expense	82	56	356	238
<b>Net income from continuing operations</b>	281	229	1,483	1,192
Net income (loss) from discontinued operations	1	(1)	1	(1)
<b>Net income</b>	282	228	1,484	1,191
Less: Net income attributable to noncontrolling interests	7	6	39	33
<b>Net income attributable to Aon shareholders</b>	\$ 275	\$ 222	\$ 1,445	\$ 1,158
<b>Diluted net income per share attributable to Aon shareholders</b>				
Continuing operations	\$ 1.18	\$ 0.93	\$ 6.18	\$ 4.79
Discontinued operations	—	—	—	—
Net income	\$ 1.18	\$ 0.93	\$ 6.18	\$ 4.79
<b>Weighted average ordinary shares outstanding - diluted</b>	233.5	239.1	233.9	241.9

### Revenue

Total revenue increased \$6 million in the third quarter of 2020 compared to the third quarter of 2019. This increase reflects a 1% favorable impact from acquisitions, net of divestitures, offset by a 1% unfavorable impact from fiduciary investment income. For the first nine months ended September 30, 2020, revenue decreased \$27 million compared to the prior year period due primarily to a 1% unfavorable impact from foreign currency translation, offset by 1% organic revenue growth.

*Commercial Risk Solutions* revenue decreased \$15 million, or 1%, to \$1,042 million in the third quarter of 2020, compared to \$1,057 million in the third quarter of 2019. Organic revenue growth was 2% in the third quarter of 2020, driven by growth across all major geographies, with particular strength in Asia, driven by strong retention and management of the renewal book portfolio. Results also reflect strong growth in core P&C in the U.S., and a decline in the more discretionary portions of our book globally, including transaction liability and construction. On average globally, exposures and pricing were both modestly positive, resulting in a modestly positive market impact overall. For the first nine months of 2020, revenue decreased \$28 million, or 1%, to \$3,314 million, compared to \$3,342 million in the first nine months of 2019. Organic revenue growth was 2% in the first nine months of 2020, driven by growth across most major geographies, including modest growth in the U.S. and EMEA and double-digit growth in Latin America, driven by strong retention and management of the renewal book portfolio, partially offset by a decline in the Pacific region. On average globally, exposures and pricing were both modestly positive, resulting in a modestly positive market impact overall.

*Reinsurance Solutions* revenue increased \$30 million, or 10%, to \$321 million in the third quarter of 2020, compared to \$291 million in the third quarter of 2019. Organic revenue growth was 13% in the third quarter of 2020, driven by double-digit growth across treaty, facultative, and capital markets transactions, reflecting continued net new business generation. Results in the quarter also include a modest positive impact from the timing of certain revenue. For the first nine months of 2020, revenue increased \$118 million, or 8%, to \$1,617 million, compared to \$1,499 million in the first nine months of 2019. Organic revenue growth was 10% in the first nine months of 2020, driven by double-digit growth in treaty and in facultative placements, reflecting continued net new business generation. Market impact was modestly positive on results for the three and nine months of 2020.

*Retirement Solutions* revenue decreased \$16 million, or 3%, to \$468 million in the third quarter of 2020, compared to \$484 million in the third quarter of 2019. Organic revenue decline was 5% in the third quarter of 2020, primarily driven by a decline in Human Capital for rewards and assessment services, primarily from clients in the financial services space. Results also include a modest decline in Retirement and Investments, primarily in the more discretionary portions of the business. For the first nine months of 2020, revenue decreased \$65 million, or 5%, to \$1,258 million, compared to \$1,323 million in the first nine months of 2019. Organic revenue decline was 2% in the first nine months of 2020, primarily driven by a decline in Human Capital for rewards and assessment services and a modest decline in core retirement, partially offset by growth in Investments.

*Health Solutions* revenue increased \$3 million, or 1%, to \$282 million in the third quarter of 2020, compared to \$279 million in the third quarter of 2019. Organic revenue growth of 1%, in a seasonally smaller quarter, reflects modest growth internationally, with particular strength in Asia and the Pacific region, and well as a modest positive impact from the timing of certain revenue, partially offset by a modest decline in the U.S. as we continue to see the impact from lower employment levels. For the first nine months of 2020, revenue decreased \$40 million, or 4%, to \$1,042 million, compared to \$1,082 million in the first nine months of 2019. Organic revenue decline of 3% in the first nine months of 2020, was driven by a decrease primarily related to COVID-19, including a reduction primarily reflecting the annualized impact of lower employment levels and lower renewals, and a decrease from the timing of certain revenue and a decline in the more discretionary portions of the business. Results were further negatively impacted by a one-time adjustment of \$16 million related to revenue that was recorded across multiple years and was identified in connection with the implementation of a new system, partially offset by solid growth internationally.

*Data & Analytic Services* revenue increased \$7 million, or 3%, to \$278 million in the third quarter of 2020 compared to \$271 million in the third quarter of 2019. Organic revenue decline was 7% in the third quarter of 2020, primarily driven by a decrease in the travel and events practice globally, partially offset by growth in professional associations. For the first nine months of 2020, revenue decreased \$10 million, or 1%, to \$883 million, compared to \$893 million in the first nine months of 2019. Organic revenue decline was 5% in the first nine months of 2020, driven by a decrease in the travel and events practice globally. Continued investments in our CoverWallet digital insurance platform have resulted in a three-fold increase in platform premium volume year-to-date, allowing us to meet client demand for digital services in a more efficient way.

### ***Compensation and Benefits***

Compensation and benefits increased \$19 million, or 1%, in the third quarter of 2020 compared to the third quarter of 2019. This increase was primarily driven by an \$11 million unfavorable impact from foreign currency translation and a \$9 million increase in expense related to acquisitions, net of divestitures, partially offset by a \$9 million decrease in restructuring charges, and an increase in discretionary expenses. For the nine months of 2020, compensation and benefits decreased \$183 million, or 4%, compared to the first nine months of 2019. The decrease was primarily driven by a \$111 million decrease in restructuring charges and a \$53 million favorable impact from foreign currency translation.

### ***Information Technology***

Information technology, which represents costs associated with supporting and maintaining our infrastructure, decreased \$13 million, or 11%, in the third quarter of 2020 compared to the third quarter of 2019. This decrease was primarily driven by a \$14 million decrease in restructuring charges. For the first nine months of 2020, Information technology decreased \$38 million, or 10%, compared to the first nine months of 2019. The decrease was primarily driven by a \$29 million decrease in restructuring charges and expense discipline.

### ***Premises***

Premises, which represents the cost of occupying offices in various locations throughout the world, decreased \$6 million, or 8%, in the third quarter of 2020 compared to the third quarter of 2019. This decrease was primarily driven by a \$3 million decrease in restructuring charges and a decrease related to reduced office occupancy. For the first nine months of 2020, Premises decreased \$31 million, or 13%, compared to the first nine months of 2019. The decrease was primarily driven by a \$17 million decrease in restructuring charges and a decrease related to reduced office occupancy.

### ***Depreciation of Fixed Assets***

Depreciation of fixed assets primarily relates to software, leasehold improvements, furniture, fixtures and equipment, computer equipment, buildings, and automobiles. Depreciation of fixed assets decreased \$2 million, or 5%, in the third quarter of 2020 compared to the third quarter of 2019. For the first nine months of 2020, Depreciation of fixed assets was similar compared to the first nine months of 2019.

### ***Amortization and Impairment of Intangibles Assets***

Amortization and impairment of intangible assets primarily relates to finite-lived tradenames and customer-related, contract-based, and technology assets. Amortization and impairment of intangibles decreased \$51 million, or 50%, in the third quarter of 2020 compared to the third quarter of 2019 reflecting a \$54 million decrease from accelerated amortization related to certain tradenames that were fully amortized in the second quarter. For the first nine months of 2020 Amortization and impairment of intangibles decreased \$90 million, or 31%, compared to the first nine months of 2019 due primarily to a \$87 million decrease from accelerated amortization related to certain tradenames that were fully amortized in the second quarter.

### ***Other General Expense***

Other general expense in the third quarter of 2020 decreased \$22 million, or 7%, compared to the third quarter of 2019 due primarily to a temporary reduction of certain expenses, primarily travel and entertainment, and a \$32 million decrease in restructuring charges, partially offset by \$43 million of transaction costs related to the pending combination with WTW and an increase in discretionary expenses. For the first nine months of 2020, Other general expense decreased \$108 million, or 11%, compared to the prior year period. This decrease was primarily driven by an \$117 million decrease in restructuring charges, a temporary reduction of certain expenses, primarily travel and entertainment, and a \$16 million favorable impact from foreign currency translation, partially offset by \$79 million of transaction costs related to the pending combination with WTW and \$15 million of costs related to the Ireland Reorganization.

### ***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. During the third quarter of 2020, Interest income was \$3 million, an increase of \$2 million compared to the prior year period. For the first nine months of 2020, Interest income was \$5 million, an increase of \$1 million compared to the prior year period.

### ***Interest Expense***

Interest expense, which represents the cost of our debt obligations, was \$80 million for the third quarter of 2020, an increase of \$2 million, or 3%, from the third quarter of 2019. For the first nine months of 2020, Interest expense was \$252 million, an increase of \$25 million, or 11%, from the prior year period. This increase in both periods was driven primarily by higher outstanding term debt.

### ***Other Income (Expense)***

Total other expense was \$1 million for the third quarter of 2020, compared to other income of \$2 million for the third quarter of 2019. Other expense for the third quarter of 2020 primarily includes \$19 million of losses due to the unfavorable impact of exchange rates on the remeasurement of assets and liabilities in non-functional currencies, partially offset by \$13 million of gains on financial instruments used to economically hedge gains and losses from changes in foreign exchange rates, \$4 million of pension and other postretirement income, and \$1 million of equity earnings. Other income for the third quarter of 2019 primarily includes \$17 million of gains due to the favorable impact of exchange rates on the remeasurement of assets and liabilities in non-functional currencies, \$3 million of pension and other postretirement income, a \$1 million gain on the sale of certain businesses, and \$1 million of equity earnings, partially offset by \$20 million of losses on financial instruments used to economically hedge gains and losses from changes in foreign exchange rates. Other income for the first nine months of 2020 primarily includes a \$25 million gain on the sale of certain businesses, \$21 million of gains due to the favorable impact of exchange rates on the remeasurement of assets and liabilities in non-functional currencies, \$10 million of pension and other postretirement income, and \$3 million of equity earnings, partially offset by \$34 million of losses on financial instruments used to economically hedge gains and losses from changes in foreign exchange rates, \$7 million of expense related to the prepayment of \$600 million Senior Notes due September 2020. Other income for the first nine months of 2019 primarily includes \$17 million of gains due to the favorable impact of exchange rates on the remeasurement of assets and liabilities in non-functional currencies, \$12 million of pension and other postretirement income, an \$8 million gain on the sale of certain businesses, and \$3 million of equity earnings, partially offset by \$32 million of losses on financial instruments used to economically hedge gains and losses from changes in foreign exchange rates.

### ***Income from Continuing Operations before Income Taxes***

Due to the factors discussed above, income from continuing operations before income taxes for the third quarter of 2020 was \$363 million, a 27% increase from income from continuing operations before income taxes of \$285 million in the third quarter of 2019, and income from continuing operations before income taxes was \$1,839 million for the first nine months of 2020, a 29% increase from \$1,430 million for the first nine months of 2019.

### ***Income Taxes from Continuing Operations***

The effective tax rates on net income from continuing operations were 22.6% and 19.6% for the third quarter of 2020 and 2019, respectively. The effective tax rates on net income from continuing operations were 19.4% and 16.6% for the nine months ended September 30, 2020 and 2019, respectively.

For the nine months ended September 30, 2020, the tax rate was primarily driven by the geographical distribution of income and certain discrete items, including the favorable impacts of share-based payments and the release of a valuation allowance offset by the tax rate increase in the UK.

For the nine months ended September 30, 2019, the tax rate was primarily driven by the geographical distribution of income, including restructuring charges, and certain favorable discrete items, including the impact of share-based payments and changes in the assertion for unremitted earnings.

### ***Net Income (Loss) from Discontinued Operations***

Net income from discontinued operations was \$1 million in both the three and nine months ended September 30, 2020, compared to net loss of \$1 million in both the three and nine months ended September 30, 2019.

### ***Net Income Attributable to Aon Shareholders***

Net income attributable to Aon shareholders for the third quarter of 2020 increased to \$275 million, or \$1.18 per diluted share, from \$222 million, or \$0.93 per diluted share, in the prior year period. Net income attributable to Aon shareholders for the first nine months of 2020 increased to \$1,445 million, or \$6.18 per diluted share, from \$1,158 million, \$4.79 per diluted share, in the prior year period.

### **Non-GAAP Metrics**

In our discussion of consolidated results, we sometimes refer to certain non-GAAP supplemental information derived from consolidated financial information specifically related to organic revenue growth (decline), adjusted operating margin, adjusted diluted earnings per share, free cash flow, and the impact of foreign exchange rate fluctuations on operating results. This non-GAAP supplemental information should be viewed in addition to, not instead of, our Financial Statements.

### Organic Revenue Growth (Decline)

We use supplemental information related to organic revenue growth (decline) to help us and our investors evaluate business growth from existing operations. Organic revenue growth (decline) is a non-GAAP measure that includes the impact of intercompany activity and excludes the impact of changes in foreign exchange rates, fiduciary investment income, acquisitions, divestitures, transfers between revenue lines, and gains or losses on derivatives accounted for as hedges. This supplemental information related to organic revenue growth (decline) represents a measure not in accordance with U.S. GAAP and should be viewed in addition to, not instead of, our Financial Statements. Industry peers provide similar supplemental information about their revenue performance, although they may not make identical adjustments. A reconciliation of this non-GAAP measure to the reported Total revenue is as follows (in millions, except percentages):

	Three Months Ended September 30,		% Change	Less: Currency Impact <sup>(1)</sup>	Less: Fiduciary Investment Income <sup>(2)</sup>	Less: Acquisitions, Divestitures & Other	Organic Revenue Growth (Decline) <sup>(3)</sup>
	2020	2019					
<b>Revenue</b>							
Commercial Risk Solutions	\$ 1,042	\$ 1,057	(1)%	— %	(1)%	(2)%	2 %
Reinsurance Solutions	321	291	10	—	(3)	—	13
Retirement Solutions	468	484	(3)	1	—	1	(5)
Health Solutions	282	279	1	(2)	—	2	1
Data & Analytic Services	278	271	3	1	—	9	(7)
Elimination	(6)	(3)	N/A	N/A	N/A	N/A	N/A
<b>Total revenue</b>	<b>\$ 2,385</b>	<b>\$ 2,379</b>	<b>— %</b>	<b>— %</b>	<b>(1)%</b>	<b>1 %</b>	<b>— %</b>

	Nine Months Ended September 30,		% Change	Less: Currency Impact <sup>(1)</sup>	Less: Fiduciary Investment Income <sup>(2)</sup>	Less: Acquisitions, Divestitures & Other	Organic Revenue Growth (Decline) <sup>(3)</sup>
	2020	2019					
<b>Revenue</b>							
Commercial Risk Solutions	\$ 3,314	\$ 3,342	(1)%	(1)%	— %	(2)%	2 %
Reinsurance Solutions	1,617	1,499	8	—	(1)	(1)	10
Retirement Solutions	1,258	1,323	(5)	—	—	(3)	(2)
Health Solutions	1,042	1,082	(4)	(2)	—	1	(3)
Data & Analytic Services	883	893	(1)	(1)	—	5	(5)
Elimination	(13)	(11)	N/A	N/A	N/A	N/A	N/A
<b>Total revenue</b>	<b>\$ 8,101</b>	<b>\$ 8,128</b>	<b>— %</b>	<b>(1)%</b>	<b>— %</b>	<b>— %</b>	<b>1 %</b>

(1) Currency impact is determined by translating prior period's revenue at the current period's foreign exchange rates.

(2) Fiduciary investment income for the three months ended September 30, 2020 and 2019, respectively, was \$3 million and \$21 million. Fiduciary investment income for the nine months ended September 30, 2020 and 2019, respectively, was \$23 million and \$58 million.

(3) Organic revenue growth (decline) includes the impact of intercompany activity and excludes the impact of changes in foreign exchange rates, fiduciary investment income, acquisitions, divestitures, transfers between revenue lines, and gains or losses on derivatives accounted for as hedges.

### Adjusted Operating Margin

We use adjusted operating margin as a non-GAAP measure of our core operating performance. Adjusted operating margin excludes the impact of certain items, as listed below, because management does not believe these expenses are the best indicators of our core operating performance. 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 Financial Statements.

A reconciliation of this non-GAAP measure to the reported operating margin is as follows (in millions, except percentages):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Revenue from continuing operations</b>	\$ 2,385	\$ 2,379	\$ 8,101	\$ 8,128
<b>Operating income from continuing operations - as reported</b>	\$ 441	\$ 360	\$ 2,068	\$ 1,645
Amortization and impairment of intangible assets	50	101	205	295
Restructuring	—	63	—	281
Transaction costs <sup>(1)</sup>	43	—	79	—
<b>Operating income from continuing operations - as adjusted</b>	\$ 534	\$ 524	\$ 2,352	\$ 2,221
<b>Operating margin from continuing operations - as reported</b>	18.5 %	15.1 %	25.5 %	20.2 %
<b>Operating margin from continuing operations - as adjusted</b>	22.4 %	22.0 %	29.0 %	27.3 %

(1) Certain transaction costs associated with the Combination will be incurred prior to the expected completion of the Combination in the first half of 2021. These costs may include advisory, legal, accounting, valuation, and other professional or consulting fees required to complete the Combination.

### Adjusted Diluted Earnings per Share

We use adjusted diluted earnings per share as a non-GAAP measure of our core operating performance. Adjusted diluted earnings per share excludes the items identified above, because management does not believe these expenses are representative of our core earnings. 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 Financial Statements.

A reconciliation of this non-GAAP measure to the reported Diluted earnings per share attributable to Aon shareholders is as follows (in millions, except per share data and percentages):

	Three Months Ended September 30, 2020		
	U.S. GAAP	Adjustments	Non-GAAP Adjusted
<b>Operating income from continuing operations</b>	\$ 441	\$ 93	\$ 534
Interest income	3	—	3
Interest expense	(80)	—	(80)
Other income (expense)	(1)	—	(1)
<b>Income from continuing operations before income taxes</b>	363	93	456
Income tax expense <sup>(1)</sup>	82	10	92
<b>Net income from continuing operations</b>	281	83	364
Net income from discontinued operations	1	—	1
<b>Net income</b>	282	83	365
Less: Net income attributable to noncontrolling interests	7	—	7
<b>Net income attributable to Aon shareholders</b>	\$ 275	\$ 83	\$ 358
<b>Diluted net income per share attributable to Aon shareholders</b>			
Continuing operations	\$ 1.18	\$ 0.35	\$ 1.53
Discontinued operations	—	—	—
<b>Net income</b>	\$ 1.18	\$ 0.35	\$ 1.53
Weighted average ordinary shares outstanding - diluted	233.5	—	233.5
<b>Effective tax rates <sup>(1)</sup></b>			
Continuing operations	22.6 %	—	20.2 %
Discontinued operations	26.0 %	—	26.0 %

	Three Months Ended September 30, 2019		
	U.S. GAAP	Adjustments	Non-GAAP Adjusted
	<b>Operating income from continuing operations</b>	\$ 360	\$ 164
Interest income	1	—	1
Interest expense	(78)	—	(78)
Other income (expense)	2	—	2
<b>Income from continuing operations before income taxes</b>	285	164	449
Income tax expense <sup>(1)</sup>	56	40	96
<b>Net income from continuing operations</b>	229	124	353
Net income from discontinued operations	(1)	—	(1)
<b>Net income</b>	228	124	352
Less: Net income attributable to noncontrolling interests	6	—	6
<b>Net income attributable to Aon shareholders</b>	\$ 222	\$ 124	\$ 346
<b>Diluted net income per share attributable to Aon shareholders</b>			
Continuing operations	\$ 0.93	\$ 0.52	\$ 1.45
Discontinued operations	—	—	—
<b>Net income</b>	\$ 0.93	\$ 0.52	\$ 1.45
<b>Weighted average ordinary shares outstanding - diluted</b>			
	239.1	—	239.1
<b>Effective tax rates <sup>(1)</sup></b>			
Continuing operations	19.6 %		21.4 %
Discontinued operations	26.0 %		26.0 %

	Nine Months Ended September 30, 2020		
	U.S. GAAP	Adjustments	Non-GAAP Adjusted
	<b>Operating income from continuing operations</b>	\$ 2,068	\$ 284
Interest income	5	—	5
Interest expense	(252)	—	(252)
Other income (expense)	18	—	18
<b>Income from continuing operations before income taxes</b>	1,839	284	2,123
Income tax expense <sup>(1)</sup>	356	48	404
<b>Net income from continuing operations</b>	1,483	236	1,719
Net income from discontinued operations	1	—	1
<b>Net income</b>	1,484	236	1,720
Less: Net income attributable to noncontrolling interests	39	—	39
<b>Net income attributable to Aon shareholders</b>	\$ 1,445	\$ 236	\$ 1,681
<b>Diluted net income per share attributable to Aon shareholders</b>			
Continuing operations	\$ 6.18	\$ 1.01	\$ 7.19
Discontinued operations	—	—	—
<b>Net income</b>	\$ 6.18	\$ 1.01	\$ 7.19
<b>Weighted average ordinary shares outstanding - diluted</b>			
	233.9	—	233.9
<b>Effective tax rates <sup>(1)</sup></b>			
Continuing operations	19.4 %		19.0 %
Discontinued operations	24.1 %		24.1 %



	Nine Months Ended September 30, 2019		
	U.S. GAAP	Adjustments	Non-GAAP Adjusted
<b>Operating income from continuing operations</b>	\$ 1,645	\$ 576	\$ 2,221
Interest income	4	—	4
Interest expense	(227)	—	(227)
Other income (expense)	8	—	8
<b>Income from continuing operations before income taxes</b>	1,430	576	2,006
Income tax expense <sup>(1)</sup>	238	127	365
<b>Net income from continuing operations</b>	1,192	449	1,641
Net income from discontinued operations	(1)	—	(1)
<b>Net income</b>	1,191	449	1,640
Less: Net income attributable to noncontrolling interests	33	—	33
<b>Net income attributable to Aon shareholders</b>	\$ 1,158	\$ 449	\$ 1,607
<b>Diluted net income per share attributable to Aon shareholders</b>			
Continuing operations	\$ 4.79	\$ 1.85	\$ 6.64
Discontinued operations	—	—	—
<b>Net income</b>	\$ 4.79	\$ 1.85	\$ 6.64
<b>Weighted average ordinary shares outstanding - diluted</b>			
	241.9	—	241.9
<b>Effective tax rates <sup>(1)</sup></b>			
Continuing operations	16.6 %		18.2 %
Discontinued operations	50.4 %		50.4 %

(1) Adjusted items are generally taxed at the estimated annual effective tax rate, except for the applicable tax impact associated with estimated restructuring plan expenses, accelerated tradename amortization, impairment charges and certain transaction costs, which are adjusted at the related jurisdictional rate. In addition, tax expense excludes the tax impacts of payment of certain legacy litigation and enactment date impacts of the Tax Cuts and Jobs Act of 2017.

### **Free Cash Flow**

We use free cash flow, defined as cash flow provided by operations less capital expenditures, as a non-GAAP measure of our core operating performance and cash-generating capabilities of our business operations. 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 Financial Statements. The use of this non-GAAP measure does not imply or represent the residual cash flow for discretionary expenditures. A reconciliation of this non-GAAP measure to the reported cash provided by operating activities is as follows (in millions):

	Nine Months Ended September 30,	
	2020	2019
Cash provided by operating activities	\$ 2,023	\$ 1,163
Capital expenditures used for operations	(119)	(167)
<b>Free cash flow provided by operations</b>	\$ 1,904	\$ 996

### **Impact of Foreign Exchange Rate Fluctuations**

Because we conduct business in over 120 countries and sovereignties, foreign exchange rate fluctuations may have a significant impact on our business. 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 an illustration of the impact of foreign currency exchange rates on our financial results. The methodology used to calculate this impact isolates the impact of the change in currencies between periods by translating the prior year quarter's revenue, expenses, and net income using the current quarter's foreign exchange rates.

Translating prior year quarter results at current quarter foreign exchange rates, currency fluctuations had an unfavorable impact of \$0.01 and an unfavorable impact of \$0.04 on net income per diluted share during the three and nine months ended September 30, 2020, respectively. Currency fluctuations had an unfavorable impact of \$0.01 and an unfavorable impact of \$0.16 on net income per diluted share during the three and nine months ended September 30, 2019, respectively, when 2018 results were translated at 2019 rates.

Translating prior year quarter results at current quarter foreign exchange rates, currency fluctuations had an unfavorable impact of \$0.01 and an unfavorable impact of \$0.06 on adjusted net income per diluted share during the three and nine months ended September 30, 2020, respectively. Currency fluctuations had an unfavorable impact of \$0.02 and an unfavorable impact of \$0.20 on adjusted net income per diluted share during the three and nine months ended September 30, 2019, respectively, when 2018 results were translated at 2019 rates. These translations are performed for comparative and illustrative purposes only and do not impact the accounting policies or practices for amounts included in our Financial Statements.

## **LIQUIDITY AND FINANCIAL CONDITION**

### **Liquidity**

#### *Executive Summary*

We believe that our balance sheet and strong cash flows provide us with adequate liquidity. Our primary sources of liquidity are cash flows provided by operations, available cash reserves, and debt capacity available under our credit facilities. Our primary uses of liquidity are operating expenses, restructuring activities, capital expenditures, acquisitions, share repurchases, pension obligations, and shareholder dividends. We believe that cash flows from operations, available credit facilities and the capital markets will be sufficient to meet our liquidity needs, including principal and interest payments on debt obligations, capital expenditures, pension contributions, and anticipated working capital requirements, for the foreseeable future.

As a result of the COVID-19 pandemic, we have taken various proactive steps and continue to evaluate opportunities that will increase our liquidity and strengthen our financial position. Such actions include, but are not limited to, issuing \$1 billion of our new 10-year senior unsecured notes on May 12, 2020 and using the proceeds to repay short-term debt and for other corporate purposes, and reducing our discretionary spending, including limiting discretionary spending on mergers and acquisitions. We also temporarily suspended our share buyback program and temporarily reduced employee salaries during the second quarter, as a precautionary measure to protect our liquidity. After carefully monitoring the situation, we determined it was appropriate, based on macroeconomic conditions and business performance, to resume share buyback during the third quarter. In addition, temporarily reduced salaries for non-executives were restored at the end of the second quarter and withheld salaries, plus 5% of the withheld salary amounts, were repaid in the third quarter. On October 27, 2020, we determined to end the previously announced temporary salary reductions for named executive officers and cash compensation reductions for non-executive directors, effective for November 1, 2020. Withheld amounts will be repaid in full. For further information, see Part II, Item 5 of this report.

We expect to have the ability to meet our cash needs for the foreseeable future through the use of Cash and cash equivalents, Short-term investments, funds available under our credit facilities and commercial paper programs, and cash flows from operations. Short-term investments included in our liquidity portfolio are expected to be highly liquid, giving us the ability to readily convert them to cash, as deemed appropriate. In the second quarter, we issued \$1 billion in 2.80% Senior Notes due May 2030, from which a portion of the proceeds were used to repay our \$600 million 5.00% senior notes in June 2020, which were scheduled to mature in September 2020. Additionally, in the third quarter, Aon Global Holdings plc established the European Commercial Paper Program for €625 million, subsequently the previous European Commercial Paper Program, established by Aon Global Limited for €525 million, was withdrawn in the quarter, increasing the aggregate outstanding borrowings under the European program by €100 million.

We believe our liquidity position at September 30, 2020 remains strong as evidenced by strong cash flows in the quarter. Given the significant uncertainties of economic conditions due to COVID-19, we will continue to closely monitor and actively manage our liquidity as economic conditions change.

Cash on our balance sheet includes funds available for general corporate purposes, as well as amounts restricted as to their use. Funds held on behalf of clients in a fiduciary capacity are segregated and shown together with uncollected insurance premiums in Fiduciary assets in our Condensed Consolidated Statements of Financial Position, with a corresponding amount in Fiduciary liabilities.

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 underwriters. We also collect claims or refunds from underwriters on behalf of insureds, which are then returned 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, depending on when we collect premiums, claims, and refunds, make payments to underwriters and insureds, and collect funds from clients and make payments on their behalf, and upon the impact of foreign currency movements. Fiduciary assets, because of their nature, are generally invested in very liquid securities with highly rated, credit-worthy financial institutions. In our Condensed Consolidated Statements of Financial Position, the amounts we report for Fiduciary assets and Fiduciary liabilities are equal and offsetting. Our Fiduciary assets included cash and short-term investments of \$5.9 billion and \$5.2 billion at September 30, 2020 and December 31, 2019, respectively, and fiduciary receivables of \$7.7 billion and \$6.7 billion at September 30, 2020 and December 31, 2019, respectively. While we earn investment income on the fiduciary assets held in cash and investments, the cash and investments cannot be used for general corporate purposes.

We maintain multicurrency cash pools with third-party banks in which various Aon entities participate. Individual Aon entities are permitted to overdraw on their individual accounts provided the overall global balance does not fall below zero. At September 30, 2020, non-U.S. cash balances of one or more entities may have been negative; however, the overall balance was positive.

The following table summarizes our Cash and cash equivalents, Short-term investments, and Fiduciary assets as of September 30, 2020 (in millions):

Asset Type	Statement of Financial Position Classification			
	Cash and Cash Equivalents	Short-term Investments	Fiduciary Assets	Total
Certificates of deposit, bank deposits or time deposits	\$ 821	\$ —	\$ 3,395	\$ 4,216
Money market funds	—	448	2,455	2,903
Cash and short-term investments	821	448	5,850	7,119
Fiduciary receivables	—	—	7,699	7,699
<b>Total</b>	<b>\$ 821</b>	<b>\$ 448</b>	<b>\$ 13,549</b>	<b>\$ 14,818</b>

Cash and cash equivalents increased \$31 million in 2020. A summary of our cash flows provided by and used for operations from operating, investing, and financing activities is as follows (in millions):

	Nine Months Ended September 30,	
	2020	2019
Cash provided by operating activities	\$ 2,023	\$ 1,163
Cash used for investing activities	\$ (815)	\$ (231)
Cash used for financing activities	\$ (1,146)	\$ (968)
Effect of exchange rates changes on cash and cash equivalents	\$ (31)	\$ (18)

### **Operating Activities**

Net cash provided by operating activities during the nine months ended September 30, 2020 increased \$860 million, or 74%, from the prior year period to \$2,023 million. This amount represents net income reported, as adjusted for gains or losses on sales of businesses, share-based compensation expense, depreciation expense, amortization and impairments, and other non-cash income and expenses, as well as changes in working capital that relate primarily to the timing of payments of accounts payable and accrued liabilities and collection of receivables.

### **Pension Contributions**

Pension contributions were \$102 million for the nine months ended September 30, 2020, as compared to \$108 million for the nine months ended September 30, 2019. For the remainder of 2020, we expect to contribute approximately \$21 million in cash to our pension plans, including contributions to non-U.S. pension plans, which are subject to changes in foreign exchange rates.

### **Investing Activities**

Cash flow used for investing activities was \$815 million during the nine months ended September 30, 2020, an increase of \$584 million compared to \$231 million of cash flow used for investing activities in the prior year period. Generally, the primary drivers of cash flow used for investing activities are acquisition of businesses, purchases of short-term investments, capital expenditures, and payments for investments. Generally, the primary drivers of cash flow provided by investing activities are sales of businesses, sales of short-term investments, and proceeds from investments. The gains and losses corresponding to cash

flows provided by proceeds from investments and used for payments for investments are primarily recognized in Other income (expense) in our Condensed Consolidated Statements of Income.

#### *Short-term Investments*

Short-term investments increased \$310 million as compared to December 31, 2019. As disclosed in Note 15 “Fair Value Measurements and Financial Instruments” of our Financial Statements contained in Part I, Item 1 of this report, the majority of our investments carried at fair value are money market funds. These money market funds are held throughout the world with various financial institutions. We are not aware of any market liquidity issues that would materially impact the fair value of these investments.

#### *Acquisitions and Dispositions of Businesses*

During the first nine months of 2020, we completed the acquisition of six businesses for a total consideration of \$368 million, net of cash acquired, and one business was sold for a net cash inflow of \$30 million.

During the first nine months of 2019, we completed the acquisition of three businesses for a total consideration of \$39 million, net of cash acquired, and six businesses were sold for a net cash inflow of \$43 million.

#### *Capital Expenditures*

Our additions to fixed assets, including capitalized software, which amounted to \$119 million and \$167 million for the nine months ended September 30, 2020 and 2019, respectively, primarily relate to the refurbishing and modernizing of office facilities, software development costs, and computer equipment purchases.

#### *Financing Activities*

Cash flow used for financing activities during the nine months ended September 30, 2020 was \$1,146 million, an increase of \$178 million compared to the prior year period. The primary drivers of cash flow used for financing activities are issuances of debt, net of repayments, dividends paid to shareholders, issuances of shares for employee benefit plans, transactions with noncontrolling interests, share repurchases, and other financing activities, such as collection of or payments for deferred consideration in connection with prior-year business acquisitions and divestitures.

#### *Share Repurchase Program*

We have a share repurchase program authorized by our Board of Directors. The Repurchase Program was established in April 2012 with \$5.0 billion in authorized repurchases, and was increased by \$5.0 billion in authorized repurchases in each of November 2014 and June 2017 for a total of \$15.0 billion in repurchase authorizations. Although the Company temporarily suspended its share Repurchase Program in the first half of the year, the Company resumed share buyback during the third quarter based on macroeconomic conditions and business performance.

The following table summarizes our share repurchase activity (in millions, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019 <sup>(1)</sup>	2020	2019 <sup>(1)</sup>
Shares repurchased	2.4	1.8	4.6	8.2
Average price per share	\$ 201.96	\$ 190.83	\$ 207.01	\$ 183.26
Costs recorded to retained earnings				
Total repurchase cost	\$ 500	\$ 350	\$ 961	\$ 1,500
Additional associated costs	—	—	2	7
Total costs recorded to retained earnings	\$ 500	\$ 350	\$ 963	\$ 1,507

(1) Included in the 1.8 million and 8.2 million shares repurchased during the three and nine months ended September 30, 2019, respectively, were 25 thousand shares that did not settle until October 2019. These shares were settled at an average price per share of \$193.91 and total cost of \$4.8 million.

At September 30, 2020, the remaining authorized amount for share repurchases under the Repurchase Program was \$1.1 billion. Under the Repurchase Program, the Company has repurchased a total of 133.4 million shares for an aggregate cost of approximately \$13.9 billion. For further information regarding the Repurchase Program, see Part II, Item 2 of this report.

## Borrowings

Total debt at September 30, 2020 was \$7.7 billion, an increase of \$0.4 billion compared to December 31, 2019. Further, commercial paper activity during the nine months ended September 30, 2020 and 2019 is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Total issuances <sup>(1)</sup>	\$ —	\$ 1,959	\$ 3,162	\$ 4,771
Total repayments	(309)	(1,634)	(3,250)	(3,858)
Net issuances	\$ (309)	\$ 325	\$ (88)	\$ 913

(1) The proceeds of the commercial paper issuances were used primarily for short-term working capital needs.

On May 29, 2020, Aon Corporation, a Delaware corporation and a wholly owned subsidiary of the Company, issued an irrevocable notice of redemption to holders of its 5.00% Senior Notes, which were set to mature on September 30, 2020, for the redemption of all \$600 million outstanding aggregate principal amount of the notes. The redemption date was on June 30, 2020 and resulted in a loss of \$7 million due to extinguishment.

On May 12, 2020, Aon Corporation issued \$1 billion 2.80% Senior Notes due May 2030. The Company used a portion of the net proceeds on June 30, 2020 to repay its outstanding 5.00% Senior Notes, which were to mature on September 30, 2020. The Company intends to use the remainder to repay other borrowings and for general corporate purposes.

In March 2020, our \$400 million 2.80% Senior Notes due March 2021 were classified as Short-term debt and current portion of long-term debt in our Condensed Consolidated Statement of Financial Position as the date of maturity is in less than one year.

On November 15, 2019, Aon Corporation issued \$500 million 2.20% Senior Notes due November 2022. We used the net proceeds of the offering to pay down a portion of outstanding commercial paper and for general corporate purposes.

On May 2, 2019, Aon Corporation issued \$750 million 3.75% Senior Notes due May 2029. We used the net proceeds of the offering to pay down a portion of outstanding commercial paper and for general corporate purposes.

## Other Liquidity Matters

### Distributable Profits

The Company is required under Irish law to have available “distributable profits” to make share repurchases or pay dividends to shareholders. Distributable profits are created through the earnings of the Irish parent company and, among other methods, through intercompany dividends or a reduction in share capital approved by the High Court of Ireland. Distributable profits are not linked to a U.S. GAAP reported amount (e.g., retained earnings). Following the Ireland Reorganization, we must reestablish distributable profits of the parent entity and will regularly create distributable profits as required to meet our capital needs. As of September 30, 2020 and December 31, 2019 (associated with Aon Global Limited), we had distributable profits in excess of \$0.4 billion and \$32.4 billion, respectively. We believe that we have the ability to create sufficient distributable profits for the foreseeable future.

### Credit Facilities

We expect cash generated by operations for 2020 to be sufficient to service our debt and contractual obligations, finance capital expenditures, and continue to pay dividends to our shareholders. Although cash from operations is expected to be sufficient to service these activities, we have the ability to access the commercial paper markets or borrow under our credit facilities to accommodate any timing differences in cash flows. Additionally, under current market conditions, we believe that we could access capital markets to obtain debt financing for longer-term funding, if needed.

As of September 30, 2020, we had two primary committed credit facilities outstanding: our \$900 million multi-currency U.S. credit facility expiring in February 2022 and our \$750 million multi-currency U.S. credit facility expiring in October 2023. Effective February 27, 2020, the \$750 million multi-currency U.S. credit facility was increased by \$350 million from the original \$400 million. In aggregate, these two facilities provide \$1.65 billion in available credit.

Each of these primary committed credit facilities includes customary representations, warranties, and covenants, including financial covenants that require us to maintain specified ratios of adjusted consolidated EBITDA to consolidated interest expense and consolidated debt to consolidated adjusted EBITDA, tested quarterly. At September 30, 2020, we did not have

borrowings under either facility, and we were in compliance with the financial covenants and all other covenants contained therein during the rolling 12 months ended September 30, 2020.

#### *Commercial Paper*

On April 1, 2020 we entered into an agreement increasing the aggregate outstanding borrowings under our U.S. commercial paper program by \$300 million, to an aggregate amount equal to \$900 million. On August 5, 2020 Aon Global Holdings plc established the European Program with aggregate amount equal to €625 million. Subsequently on September 30, 2020, the European commercial paper program established by Aon Global Limited, which had an aggregate amount equal to €525 million, was withdrawn. The Commercial Paper Programs remain fully backed by the committed credit facilities.

#### *Shelf Registration Statement*

On May 12, 2020, 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. Our ability to access the market as a source of liquidity is dependent on investor demand, market conditions, and other factors.

#### *Rating Agency Ratings*

The major rating agencies' ratings of our debt at October 29, 2020 appear in the table below.

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

On March 11, 2020, Fitch Inc. ("Fitch") placed our 'BBB+' rating on Rating Watch Negative (versus a prior Stable Outlook) following the announcement of the Combination. Negative Watch indicates that our Fitch rating could stay at its present level or potentially be downgraded. In its rating action commentary published March 11, Fitch states "rating expectations will unfold after further transaction details emerge and after Fitch evaluates both companies ongoing financial results prior to the projected first half 2021 closing". We are committed to managing our current investment grade ratings. Any downgrade in the credit ratings of our senior debt or commercial paper could increase our borrowing costs, reduce or eliminate our access to capital, reduce our financial flexibility, restrict our access to the commercial paper market altogether, or impact future pension contribution requirements.

#### *Guarantees in Connection with the Sale of the Divested Business*

In connection with the 2017 sale of the Divested Business, we guaranteed future operating lease commitments related to certain facilities assumed by the Buyer. We are obligated to perform under the guarantees if the Divested Business defaults on the leases at any time during the remainder of the lease agreements, which expire on various dates through 2025. As of September 30, 2020, the undiscounted maximum potential future payments under the lease guarantee were \$58 million, with an estimated fair value of \$9 million. No cash payments were made in connection to the lease commitments during the three and nine months and ended September 30, 2020.

Additionally, we are subject to performance guarantee requirements under certain client arrangements that were assumed by the Buyer. Should the Divested Business fail to perform as required by the terms of the arrangements, we would be required to fulfill the remaining contract terms, which expire on various dates through 2023. As of September 30, 2020, the undiscounted maximum potential future payments under the performance guarantees were \$116 million, with an estimated fair value of \$1 million. No cash payments were made in connection to the performance guarantees during the three and nine months ended September 30, 2020.

#### *Letters of Credit and Other Guarantees*

We have entered into a number of arrangements whereby our performance on certain obligations is guaranteed by a third party through the issuance of a letter of credit. We had total LOCs outstanding of approximately \$74 million at September 30, 2020, compared to \$73 million at December 31, 2019. These LOCs cover the beneficiaries related to certain of our U.S. and Canadian non-qualified pension plan schemes and secure deductible retentions for our own workers compensation program. We also have obtained LOCs to cover contingent payments for taxes and other business obligations to third parties, and other guarantees for miscellaneous purposes at our international subsidiaries.



We have certain contractual contingent guarantees for premium payments owed by clients to certain insurance companies. The maximum exposure with respect to such contractual contingent guarantees was approximately \$88 million at September 30, 2020, compared to \$110 million at December 31, 2019.

#### *Off-Balance Sheet Arrangements*

Apart from commitments, guarantees, and contingencies, as disclosed herein and Note 16 “Claims, Lawsuits, and Other Contingencies” to our Financial Statements contained in Part I, Item 1 of this report, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, results of operations, or liquidity. Our cash flows from operations, borrowing availability, and overall liquidity are subject to risks and uncertainties. See “Information Concerning Forward-Looking Statements.”

#### *Guarantee of Registered Securities*

In connection with the 2012 Redomestication, the Company on April 2, 2012 entered into 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 April 2, 2012, among Aon Corporation, Aon Global Limited, and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) (amending and restating the Indenture, dated September 10, 2010, between Aon Corporation and the Trustee); (2) Amended and Restated Indenture, dated April 2, 2012, among Aon Corporation, Aon Global Limited and the Trustee (amending and restating the Indenture, dated December 16, 2002, between Aon Corporation and the Trustee); and (3) Amended and Restated Indenture, dated April 2, 2012, among Aon Corporation, Aon Global Limited and the Trustee (amending and restating the Indenture, dated January 13, 1997, between Aon Corporation and the Trustee, as supplemented by the First Supplemental Indenture, dated January 13, 1997).

In connection with the Ireland Reorganization, on April 1, 2020 Aon plc and Aon Global Holdings plc, a company incorporated under the laws of England and Wales, entered into various agreements pursuant to which they agreed to guarantee the obligations of Aon Corporation arising under issued and outstanding debt securities, which were previously guaranteed solely by Aon Global Limited and the obligations of Aon Global Limited arising under issued and outstanding debt securities, which were previously guaranteed solely by Aon Corporation. Those agreements include: (1) Second Amended and Restated Indenture, dated April 1, 2020, among Aon Corporation, Aon Global Limited, Aon plc, and Aon Global Holdings plc and the Trustee (amending and restating the Amended and Restated Indenture, dated April 2, 2012, among Aon Corporation, Aon Global Limited and the Trustee); (2) Amended and Restated Indenture, dated April 1, 2020, among Aon Corporation, Aon Global Limited, Aon plc, Aon Global Holdings plc and the Trustee (amending and restating the Indenture, dated December 12, 2012, among Aon Corporation, Aon Global Limited plc and the Trustee); (3) Second Amended and Restated Indenture, dated April 1, 2020, among Aon Corporation, Aon Global Limited, Aon plc, Aon Global Holdings plc and the Trustee (amending and restating the Amended and Restated Indenture, dated May 20, 2015, among Aon Corporation, Aon Global Limited and the Trustee); (4) Amended and Restated Indenture, dated April 1, 2020, among Aon Corporation, Aon Global Limited, Aon plc, Aon Global Holdings plc and the Trustee (amending and restating the Indenture, dated November 13, 2015, among Aon Corporation, Aon Global Limited and the Trustee); and (5) Amended and Restated Indenture, dated April 1, 2020, among Aon Corporation, Aon Global Limited, Aon plc, Aon Global Holdings plc and the Trustee (amending and restating the Indenture, dated December 3, 2018, among Aon Corporation, Aon Global Limited and the Trustee).

After the Ireland Reorganization, newly issued and outstanding debt securities by Aon Corporation are guaranteed by Aon Global Limited, Aon plc, and Aon Global Holdings plc, and include the following (collectively, the “Aon Corporation Notes”):

#### **Aon Corporation Notes**

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2.20% Senior Notes due November 2022

8.205% Junior Subordinated Notes due January 2027

4.50% Senior Notes due December 2028

3.75% Senior Notes due May 2029

2.80% Senior Notes due 2030

6.25% Senior Notes due September 2040

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All guarantees of Aon plc, Aon Global Limited, and Aon Global Holdings plc of the Aon Corporation Notes are joint and several as well as full and unconditional. Senior Notes rank pari passu in right of payment with all other present and future unsecured debt which is not expressed to be subordinate or junior in rank to any other unsecured debt of the company. There are no subsidiaries other than those listed above that guarantee the Aon Corporation Notes.

After the Ireland Reorganization, newly issued and outstanding debt securities by Aon Global Limited are guaranteed by Aon plc, Aon Global Holdings plc, and Aon Corporation, and include the following (collectively, the “Aon Global Limited Notes”):

**Aon Global Limited Notes**

2.80% Senior Notes due March 2021

4.00% Senior Notes due November 2023

3.50% Senior Notes due June 2024

3.875% Senior Notes due December 2025

2.875% Senior Notes due May 2026

4.25% Senior Notes due December 2042

4.45% Senior Notes due May 2043

4.60% Senior Notes due June 2044

4.75% Senior Notes due May 2045

All guarantees of Aon plc, Aon Global Holdings plc, and Aon Corporation of the Aon Global Limited Notes are joint and several as well as full and unconditional. Senior Notes rank pari passu in right of payment with all other present and future unsecured debt which is not expressed to be subordinate or junior in rank to any other unsecured debt of the company. There are no subsidiaries other than those listed above that guarantee the Aon Global Limited Notes.

Aon Corporation, Aon Global Limited, and Aon Global Holdings plc are indirect wholly owned subsidiaries of Aon plc and together comprise the ‘Obligor group’. The following tables set forth summarized financial information for the Obligor group.

Aon plc, Aon Global Limited, Aon Global Holdings plc, and Aon Corporation together comprise the ‘Obligor group’. The following tables set forth summarized financial information for the Obligor group.

Adjustments are made to the tables to eliminate intercompany balances and transactions between the Obligor group. Intercompany balances and transactions between the Obligor group and non-guarantor subsidiaries are presented as separate line items within the summarized financial information. All intercompany balances and transactions between the Obligor group and non-guarantor subsidiaries have been presented in the summarized financial information below on a net presentation basis, rather than a gross basis, as this better reflects the nature of the intercompany positions and presents the funding or funded position that is to be received or owed. No balances or transactions of non-guarantor subsidiaries are presented in the summarized financial information, including investments of the Obligor group in non-guarantor subsidiaries.

**Obligor Group**  
**Summarized Statement of Income Information**

<i>(millions)</i>	Nine Months Ended September 30, 2020	
Revenue	\$	—
Operating income	\$	(126)
Income (expense) from non-guarantor subsidiaries before income taxes	\$	(402)
Net income (loss) from continuing operations	\$	(657)
Net income (loss) attributable to Aon shareholders	\$	(657)



**Obligor Group**  
**Summarized Statement of Financial Position Information**

<i>(millions)</i>	As of September 30, 2020	As of December 31, 2019
Receivables due from non-guarantor subsidiaries	\$ 4,638	\$ 1,459
Other current assets	292	36
<b>Total current assets</b>	<b>\$ 4,930</b>	<b>\$ 1,495</b>
Non-current receivables due from non-guarantor subsidiaries	\$ 505	\$ 963
Other non-current assets	870	821
<b>Total non-current assets</b>	<b>\$ 1,375</b>	<b>\$ 1,784</b>
Payables to non-guarantor subsidiaries	\$ 21,005	\$ 13,183
Other current liabilities	1,879	2,730
<b>Total current liabilities</b>	<b>\$ 22,884</b>	<b>\$ 15,913</b>
Non-current payables to non-guarantor subsidiaries	\$ 5,290	\$ 7,046
Other non-current liabilities	8,732	8,232
<b>Total non-current liabilities</b>	<b>\$ 14,022</b>	<b>\$ 15,278</b>

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no changes in our critical accounting policies, which include revenue recognition, pensions, goodwill and other intangible assets, contingencies, share-based payments, and income taxes, as discussed in our Annual Report on Form 10-K for the year ended December 31, 2019, including amendments and additions disclosed on Form 8-K issued April 1, 2020 (our “2019 Annual Report on Form 10-K”) other than those described below.

#### 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 tradenames, customer-related and contract-based, or technology and other.

Goodwill is not amortized, but rather tested for impairment at least annually in the fourth quarter. We test more frequently if there are indicators of impairment or whenever business circumstances suggest that the carrying value of goodwill 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 factors or in the business climate, among others.

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 are a reporting unit, or if the segment comprises only a single component.

When evaluating these assets for impairment, we may first perform a qualitative assessment to determine whether it is more likely than not that a reporting unit is impaired. If we do not perform a qualitative assessment, or if we determine that it is not more likely than not that the fair value of the reporting unit exceeds its carrying amount, then the goodwill impairment test becomes a quantitative analysis. If the fair value of a reporting unit is determined to be greater than the carrying value of the reporting unit, goodwill is 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, a goodwill impairment loss is recognized for the amount that the carrying amount of a reporting unit, including goodwill, exceeds its fair value limited to the total amount of the goodwill allocated to the reporting unit.

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.

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. If we are required to record impairment charges in the future, they could materially impact our results of operations.

## **NEW ACCOUNTING PRONOUNCEMENTS**

Note 2 “Accounting Principles and Practices” to our Financial Statements contained in Part I, Item 1 of this report contains a discussion of recently issued accounting pronouncements and their impact or future potential impact on our financial results, if determinable.

### **Item 3. 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. There have been no changes in our critical accounting policies for financial instruments and derivatives as discussed in our 2019 Annual Report on Form 10-K, including amendments and additions disclosed on Form 8-K issued April 1, 2020.

#### ***Foreign Exchange Risk***

We are subject to foreign exchange rate risk. Our primary exposures include exchange rates between the U.S. dollar and the euro, the British pound, the Canadian dollar, the Australian dollar, the Indian rupee, and the Japanese yen. We use over-the-counter 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 revenue in currencies that differ from their functional currencies. Our U.K. subsidiaries earn a portion of their revenue in U.S. dollars, euro, and Japanese yen, but most of their expenses are incurred in British pounds. At September 30, 2020, we have hedged approximately 45% of our U.K. subsidiaries’ expected exposures to U.S. dollar, euro, and Japanese yen transactions for the years ending December 31, 2020 and 2021, respectively. We generally do not hedge exposures beyond three years.

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

The translated value of revenues and expenses from our international brokerage operations are subject to fluctuations in foreign exchange rates. If we were to translate prior year results at current quarter exchange rates, diluted earnings per share would have an unfavorable \$0.01 impact and an unfavorable \$0.04 impact during the three and nine months ended September 30, 2020. Further, adjusted diluted earnings per share, a non-GAAP measure as defined and reconciled under the caption “Review of Consolidated Results — Adjusted Diluted Earnings Per Share,” would have an unfavorable \$0.01 impact and an unfavorable \$0.06 impact during the three and nine months ended September 30, 2020 if we were to translate prior year results at current quarter exchange rates.

#### ***Interest Rate Risk***

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 in continental Europe. A decrease in global short-term interest rates adversely affects our fiduciary investment income.

### **Item 4. Controls and Procedures**

**Evaluation of disclosure controls and procedures.** We have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this quarterly report of September 30, 2020. Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective such that the information relating to Aon, including our consolidated subsidiaries, required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in appropriate statute, SEC rules and forms, and is accumulated and communicated to Aon’s management,

including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

**Changes in internal control over financial reporting.** No changes in Aon's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the quarter ended September 30, 2020 that have materially affected, or that are reasonably likely to materially affect, Aon's internal control over financial reporting.

## Part II Other Information

### Item 1. Legal Proceedings

See Note 16 “Claims, Lawsuits, and Other Contingencies” to our Financial Statements contained in Part I, Item 1 of this report, which is incorporated by reference herein.

### Item 1A. Risk Factors

The risk factors set forth in the “Risk Factors” section in Part I, Item 1A of our 2019 Annual Report on Form 10-K, including amendments and additions disclosed on Form 8-K issued April 1, 2020, and Part II, Item 1A of our Quarterly Report on Form 10-Q for the period ended March 31, 2020 reflect certain risks associated with existing and potential lines of business and contain “forward-looking statements” as discussed in “Information Concerning Forward-Looking Statements” elsewhere 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.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

#### *Issuer Purchases of Equity Securities.*

The following information relates to the purchase of equity securities by Aon or any affiliated purchaser during each month within the third quarter of 2020:

Period	Total Number of Shares Purchased	Average Price Paid per Share <sup>(1)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(1)(2)</sup>
7/1/20 - 7/31/20	—	\$ —	—	\$ 1,562,623,364
8/1/20 - 8/31/20	124,382	\$ 200.98	124,382	\$ 1,537,624,684
9/1/20 - 9/30/20	2,350,594	\$ 202.01	2,350,594	\$ 1,062,785,058
	<u>2,474,976</u>	\$ 201.96	<u>2,474,976</u>	\$ 1,062,785,058

(1) Does not include commissions or other costs paid to repurchase shares.

(2) The Repurchase Program was established in April 2012 with \$5.0 billion in authorized repurchases, and was increased by \$5.0 billion in authorized repurchases in each of November 2014 and June 2017 for a total of \$15.0 billion in repurchase authorizations.

We did not make any unregistered sales of equity in the third quarter of 2020.

In connection with the Ireland Reorganization, the Class A ordinary shares of Aon Global Limited were cancelled and the holders thereof were issued an aggregate of approximately 231 million Class A ordinary shares of Aon plc. The terms and conditions of the issuance were sanctioned by the High Court of Justice in England and Wales after a hearing upon the fairness thereof at which all shareholders of Aon Global Limited had a right to appear and of which adequate notice had been given. The issuance was exempt from the registration requirements of the Securities Act of 1933, as amended, by virtue of Section 3(a)(10) thereof.

### Item 3. Defaults Upon Senior Securities

Not Applicable.

### Item 4. Mine Safety Disclosures

Not Applicable.

### Item 5. Other Information

On, October 27, 2020, the Company determined to end the previously announced temporary 50% reduction in base salary for the Company’s named executive officers, Gregory Case, Chief Executive Officer, Christa Davies, Chief Financial Officer, Eric Andersen, President, and John Bruno, Chief Operating Officer (the “NEOs”), as well as for Tony Goland, the Company’s Chief Innovation Officer, effective November 1, 2020. The Company also determined to end the temporary 50% reduction in cash compensation for each of the Company’s non-executive directors, effective November 1, 2020. The Company also determined to repay the NEOs, Tony Goland, and the non-executive directors the withheld amounts in full.

### Item 6. Exhibits

Exhibits — The exhibits filed with this report are listed on the attached Exhibit Index.

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Aon plc  
(Registrant)

October 30, 2020

By: /s/ Michael Neller  
Michael Neller  
SENIOR VICE PRESIDENT AND  
GLOBAL CONTROLLER  
(Principal Accounting Officer and duly authorized officer of  
Registrant)

## Exhibit Index

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
22.1	<a href="#"><u>Subsidiary Guarantors and Issuers of Guaranteed Securities</u></a>
31.1*	<a href="#"><u>Certification of CEO.</u></a>
31.2*	<a href="#"><u>Certification of CFO.</u></a>
32.1*	<a href="#"><u>Certification of CEO Pursuant to section 1350 of Title 18 of the United States Code.</u></a>
32.2*	<a href="#"><u>Certification of CFO Pursuant to section 1350 of Title 18 of the United States Code.</u></a>
101*	Interactive Data Files. The following materials are filed electronically with this Quarterly Report on Form 10-Q: 101.SCH XBRL Taxonomy Extension Schema Document 101.CAL XBRL Taxonomy Calculation Linkbase Document 101.DEF XBRL Taxonomy Definition Linkbase Document 101.PRE XBRL Taxonomy Presentation Linkbase Document 101.LAB XBRL Taxonomy Calculation Linkbase Document

\* Filed herewith  
# Indicates a management contract or compensatory plan or arrangement