NAVIGANT CONSULTING INC
Form DEF 14A
April 03, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.________)

Filed by the Registrant þ Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

þ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Navigant Consulting, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

April 3, 2012

Dear Shareholder:

You are cordially invited to attend the 2012 Annual Meeting of Shareholders of Navigant Consulting, Inc., which will be held at The Chicago Club, 81 East Van Buren Street, Chicago, Illinois, 60605 on Tuesday, May 22, 2012, at 10:00 a.m., Central time. I look forward to greeting as many of our shareholders as possible.

Details of the business to be conducted at the meeting are given in the attached Notice of Annual Meeting and Proxy Statement.

Whether or not you plan to attend the meeting, it is important that your shares be represented and voted at the meeting. Therefore, I urge you to sign and date the enclosed proxy card and promptly return it in the enclosed envelope so that your shares will be represented at the meeting. You may also vote your shares by telephone or over the Internet. If you so desire, you may withdraw your proxy and vote in person at the meeting.

We look forward to meeting those of you who will be able to attend the meeting.

Sincerely,

William M. Goodyear

Executive Chairman

Table of Contents

NAVIGANT CONSULTING, INC.

30 S. Wacker Drive, Suite 3550

Chicago, Illinois 60606

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders of Navigant Consulting, Inc.:

We will hold the Annual Meeting of Shareholders of Navigant Consulting, Inc. (the Company) at The Chicago Club, 81 East Van Buren Street, Chicago, Illinois 60605 on Tuesday, May 22, 2012 at 10:00 a.m., Central time. The purposes of the meeting are to:

1. Elect the three nominees identified in the Proxy Statement to our Board of Directors to serve for terms of three years;
2. Adopt the restatement of our Certificate of Incorporation to declassify our Board of Directors;
3. Approve the Navigant Consulting, Inc. 2012 Long-Term Incentive Plan;
4. Approve the Navigant Consulting, Inc. Annual Incentive Plan;
5. Approve, on an advisory basis, the compensation paid to the Company s named executive officers, as disclosed in the Proxy Statement;
6. Ratify the appointment of KPMG LLP as the Company s independent registered public accounting firm for the year 2012; and
7. Transact any other business properly brought before the meeting, or any adjournments or postponements of the meeting.

If you were a shareholder of record at the close of business on March 26, 2012, you are entitled to notice of, and to vote at, the annual meeting.

IMPORTANT

Whether or not you expect to attend the annual meeting, we urge you to vote your shares as soon as possible. You may sign, date and otherwise complete the enclosed proxy card and return it promptly in the envelope provided. No postage is required if mailed in the United States. You may also vote by telephone or over the Internet by following the instructions on the enclosed proxy card. Sending in your proxy will not prevent you from attending and personally voting your shares at the annual meeting because you have the right to revoke your proxy at any time before it is voted.

We have also enclosed the Proxy Statement and 2011 Annual Report to Shareholders, which includes our Form 10-K for the year ended December 31, 2011, with this Notice of Annual Meeting.

By Order of the Board of Directors,

Monica M. Weed

Secretary

Chicago, Illinois

April 3, 2012

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR

THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 22, 2012

The Notice of Annual Meeting and Proxy Statement are available on our website at *www.navigant.com/2012proxy.* The 2011 Annual Report to Shareholders is available on our website at *www.navigant.com/2011annualreport.*

Table of Contents

YOUR VOTE IS IMPORTANT.

PLEASE VOTE YOUR PROXY BY TELEPHONE (800-690-6903)

OR OVER THE INTERNET BY VISITING www.proxyvote.com

OR

MARK, SIGN, DATE AND RETURN YOUR PROXY CARD BY MAIL

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING

NAVIGANT CONSULTING, INC.

30 S. Wacker Drive, Suite 3550

Chicago, Illinois 60606

PROXY STATEMENT

This Proxy Statement is being mailed or otherwise furnished to our shareholders on or about April 3, 2012 in connection with the solicitation of proxies by our Board of Directors for the 2012 Annual Meeting of Shareholders of Navigant Consulting, Inc. being held on May 22, 2012. The words we, us, our and the Company used throughout this Proxy Statement refer to Navigant Consulting, Inc.

TABLE OF CONTENTS

QUESTIONS AND ANSWERS

Q: What is a proxy?

A: A proxy is a document, also referred to as a proxy card, on which you authorize someone else to vote for you in the way that you want to vote. You may also choose to abstain from voting. **The proxies for our 2012 Annual Meeting of Shareholders are being solicited by our Board of Directors.**

Q: What is a proxy statement?

A: A proxy statement is a document, such as this one, required by the Securities and Exchange Commission (SEC) that, among other things, explains the items on which you are asked to vote on the proxy card.

Q: What am I voting on at the annual meeting?

A: At the annual meeting, our shareholders are asked to:

- elect the three nominees identified in this Proxy Statement to our Board of Directors for three-year terms (see page 4);
- adopt the restatement of our Certificate of Incorporation to declassify our Board of Directors (see page 46);
- approve the Navigant Consulting, Inc. 2012 Long-Term Incentive Plan (see page 47);
- approve the Navigant Consulting, Inc. Annual Incentive Plan (see page 55);
- approve, on an advisory basis, the compensation paid to the Company s named executive officers, as disclosed in this Proxy Statement (see page 57);
- ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year 2012 (see page 59); and
- transact any other business properly brought before the meeting or any adjournments or postponements of the meeting.

Q: Who is entitled to vote?

A:

Only holders of our common stock as of the close of business on the record date, March 26, 2012, are entitled to vote at the annual meeting. Each outstanding share of our common stock has one vote. There were 51,858,801 shares of our common stock outstanding as of the close of business on March 26, 2012.

Q: How do I cast my vote?

A: If you hold your shares directly in your own name, you are a ***registered shareholder*** and may vote in person at the annual meeting or may complete and submit a proxy by mail or telephone or over the Internet. If your shares are registered in the name of a broker or other nominee, you are a ***street-name shareholder*** and will receive instructions from your broker or other nominee describing how to vote your shares.

Q: How do I vote by telephone or through the Internet?

A: If you are a registered shareholder, you may vote by telephone or over the Internet by following the instructions on your proxy card. If you are a street-name shareholder, your broker or other nominee will provide a voting instruction card for you to use in directing your broker or other nominee how to vote your shares.

Q: Who will count the votes?

A: A representative of Broadridge Financial Solutions, Inc., an independent tabulator, will count the votes and act as the inspector of election for the annual meeting.

Table of Contents

Q: Can I change my vote after I have voted?

A: A subsequent vote by any means will change your prior vote. For example, if you voted by telephone, a subsequent Internet vote will change your vote. If you wish to change your vote by mail, you may do so by requesting, in writing, a new proxy card from our corporate secretary at Navigant Consulting, Inc., 30 S. Wacker Drive, Suite 3550, Chicago, Illinois 60606, Attention: Corporate Secretary. The last vote received prior to the annual meeting will be the one counted. If you are a registered shareholder, you may also change your vote by voting in person at the annual meeting. Street-name shareholders wishing to change their votes after returning voting instructions to their broker or other nominee should contact their broker or other nominee directly.

Q: Can I revoke a proxy?

A: Yes, registered shareholders may revoke a properly executed proxy at any time before the polls close for the annual meeting by submitting a letter addressed to and received by the corporate secretary at the address listed in the answer to the previous question. Street-name shareholders cannot revoke their proxies in person at the annual meeting if the actual registered shareholders, the brokers or other nominees, are not present.

Q: What does it mean if I get more than one proxy card?

A: It indicates that your shares are registered differently and are in more than one account. Sign and return all proxy cards, or vote each account by telephone or through the Internet, to ensure that all your shares are voted. We encourage you to register all your accounts in the same name and address. To do so, registered shareholders may contact our transfer agent, Computershare, 480 Washington Boulevard, Jersey City, New Jersey 07310-1900. Street-name shareholders holding their shares through a broker or other nominee should contact their broker or other nominee and request consolidation of their accounts.

Q: What shares are included on my proxy card?

A: Your proxy card represents all shares of our common stock registered in the same social security number and address, including any full and fractional shares you own under the Navigant Consulting, Inc. 401(k) Savings Plan. We refer to this plan as the 401(k) Plan. If you hold shares of our common stock through the 401(k) Plan, your proxy card will instruct the 401(k) Plan trustee how to vote the shares held in your 401(k) Plan account.

Q: What happens if I submit a proxy card without giving specific voting instructions?

A: If you are a registered shareholder and you submit your proxy card with an unclear voting designation or with no voting designation at all, the proxies will vote your shares in accordance with the Board of Directors recommendations. If you hold shares of our common stock through the 401(k) Plan and do not vote those shares by 11:59 p.m., Eastern time, on Thursday, May 17, 2012 (or if you submit your proxy card with an unclear voting designation or with no voting designation at all), then the 401(k) Plan trustee will not vote the shares held in your 401(k) Plan account.

Q: What makes a quorum?

A:

A majority of the outstanding shares entitled to vote, present in person or represented by proxy at the annual meeting, constitutes a quorum. A quorum is necessary to conduct business at the annual meeting. Abstentions from voting on a particular matter, and shares held in street name by brokers or other nominees that are not voted (so-called broker non-votes), including because the broker or other nominee does not have discretionary authority to vote those shares as to a particular matter, are counted as shares present and entitled to vote for purposes of determining whether a quorum is present but will not otherwise be included in vote totals.

Q: How does the voting work?

A: For each proposal, voting works as follows:

Proposal 1: A nominee for director will be elected if the total votes cast for the nominee s election exceed the total votes cast against the nominee s election.

Table of Contents

Proposal 2: The proposed restatement of our Certificate of Incorporation to declassify our Board of Directors will be adopted by our shareholders if the holders of at least two-thirds of the outstanding shares of our common stock vote for the proposal.

Proposal 3: The Navigant Consulting, Inc. 2012 Long-Term Incentive Plan will be approved by our shareholders if a majority of the outstanding shares entitled to vote, present in person or represented by proxy at the annual meeting, vote for the proposal.

Proposal 4: The Navigant Consulting, Inc. Annual Incentive Plan will be approved by our shareholders if a majority of the outstanding shares entitled to vote, present in person or represented by proxy at the annual meeting, vote for the proposal.

Proposal 5: The compensation paid to our named executive officers, as disclosed in this Proxy Statement, will be approved, on an advisory basis, by our shareholders if a majority of the outstanding shares entitled to vote, present in person or represented by proxy at the annual meeting, vote for the proposal.

Proposal 6: The appointment of our independent registered public accounting firm for the year 2012 will be ratified if a majority of the outstanding shares entitled to vote, present in person or represented by proxy at the annual meeting, vote for the proposal.

Abstentions and broker non-votes will have no effect on the election of directors, as they will not be counted as votes either for or against a nominee s election. Abstentions and broker non-votes will have the effect of a vote against the remaining proposals.

If you are a street-name shareholder and you do not instruct your broker or other nominee how to vote your shares, your broker or other nominee may, in its discretion, leave your shares unvoted or vote your shares on routine matters. The proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2012 is the only routine matter being voted on at the annual meeting and, therefore, may be voted by your broker or other nominee in its discretion.

Q: Who may attend the annual meeting?

A: Any shareholder as of the close of business on March 26, 2012 may attend the annual meeting. Seating and parking are limited and admission is on a first-come basis. Each shareholder may be asked to present valid picture identification (for example, a driver s license or passport). Street-name shareholders will need to bring a copy of a brokerage statement, proxy or letter from their broker or other nominee confirming ownership of our common stock as of the close of business on March 26, 2012.

Q: Who bears the expense of this Proxy Statement?

A: We will bear all expenses of the solicitation of proxies, including expenses of preparing and mailing or otherwise furnishing this Proxy Statement. We have retained MacKenzie Partners, Inc. to act as a proxy solicitor in connection with the annual meeting and have agreed to pay that firm a fee not to exceed $25,000, plus expenses, for its services. In addition, our officers, directors and employees may solicit proxies in person or by telephone, facsimile or other means of communication. They will not receive any additional compensation for, but they may be reimbursed for out-of-pocket expenses incurred in connection with, that solicitation. We will furnish copies of our proxy materials to brokerage firms, nominees, fiduciaries and custodians to forward to our street-name shareholders and will reimburse those brokerage firms and other nominees for their reasonable expenses in forwarding our solicitation materials to our street-name shareholders.

YOUR VOTE IS IMPORTANT. PLEASE RETURN YOUR MARKED, SIGNED AND DATED PROXY CARD PROMPTLY BY MAIL, OR VOTE BY TELEPHONE OR THROUGH THE INTERNET, SO YOUR SHARES ARE REPRESENTED AT THE ANNUAL MEETING, EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON.

3

Table of Contents

PROPOSAL 1

ELECTION OF DIRECTORS

Our Board of Directors (the Board) is currently divided into three classes, with a class of directors elected each year for a three-year term. Thomas A. Gildehaus, Cynthia A. Glassman and Peter B. Pond have been nominated for election to the Board at the annual meeting. If elected at the annual meeting, they will serve for three-year terms and until their successors are elected and qualified. Their terms will expire at our annual meeting of shareholders to be held in 2015.

We have no reason to believe that any of the nominees for director would be unable or unwilling to serve if elected. However, if any nominee becomes unable or unwilling to serve, proxies will be voted for the election of another person designated by the Board.

The Board unanimously recommends that shareholders vote **FOR** the election of each of Ms. Glassman and Messrs. Gildehaus and Pond. The persons named as proxies will vote for each of Ms. Glassman and Messrs. Gildehaus and Pond for election to the Board unless your proxy card is marked otherwise.

Under our by-laws, each director must be elected to the Board by a majority of the votes cast with respect to such director s election (in other words, the number of votes cast for a director s election must exceed the number of votes cast against that director s election, with abstentions an broker non-votes not counted as a vote either for or against the director s election) in uncontested elections, where the number of nominees for director does not exceed the number of directors to be elected. If an incumbent director is not elected, the director is required to promptly tender his or her resignation to the Board. The nominating and governance committee (or another committee designated by the Board) will then make a recommendation to the Board as to whether to accept or reject the resignation of the director, or whether other action should be taken. The Board will act on the resignation and publicly disclose (in the manner provided in our by-laws) its decision regarding the tendered resignation and the rationale behind the decision within 90 days following certification of the election results. The Board may extend that 90-day period by an additional period of up to 90 days if it determines that the extension is in the best interests of the Company and our shareholders. The director who has tendered his or her resignation may not participate in the recommendation of the nominating and governance committee or the decision of the Board with respect to his or her resignation. If the incumbent director s resignation is not accepted by the Board, the director will continue to serve until his or her successor is elected and qualified.

Certain biographical information for each of our nominees for director and our other directors whose terms will continue after the annual meeting is set forth below. Also set forth below is a description of the specific experience, qualifications, attributes and skills of each nominee for director and continuing director that were considered by the Board, in light of the Company s current business needs and long-term operating strategy, in concluding that these individuals should serve on the Board.

Table of Contents

Nominees for Election at This Annual Meeting for Terms Expiring at the 2015 Annual Meeting of Shareholders

Thomas A. Gildehaus

Age 71

Director since October 2000

Prior to retirement, Mr. Gildehaus served as Chairman and Chief Executive Officer of Northwestern Steel and Wire Company of Sterling, Illinois from April 1997 to November 1998, and President and Chief Executive Officer of UNR Industries, Inc. of Chicago, Illinois from July 1992 to April 1997. From 1982 to 1992, Mr. Gildehaus served as Executive Vice President of Deere & Company in Moline, Illinois. In the 1970s, Mr. Gildehaus was Vice President of Temple, Barker & Sloane, a consulting firm in Lexington, Massachusetts. He is a director of Genesis Health Systems Inc. and a trustee of the Figge Art Museum. Mr. Gildehaus is a graduate of Yale University and received a Master s degree in Business Administration, with Distinction, from Harvard University.

Key experience, qualifications, attributes and skills:

Mr. Gildehaus spent ten years building a significant consulting company, Temple, Barker & Sloane (now Oliver Wyman), and has served in leadership positions in several industrial companies. He has significant accounting expertise and knowledge relevant to the evolving dynamics of the consulting industry. As audit committee chairman during the Company s implementation of the requirements of the Sarbanes-Oxley Act and thereafter, Mr. Gildehaus possesses extensive public company audit committee experience. Mr. Gildehaus provides substantial input into the growth and acquisition strategies which are an inherent part of our business model.

Cynthia A. Glassman, Ph.D.

Age 64

Director since October 2009

Dr. Glassman was appointed by President Bush as Under Secretary for Economic Affairs at the U.S. Department of Commerce from 2006 to 2009 and as Commissioner of the U.S. Securities and Exchange Commission from 2002 to 2006 including Acting Chairman during the summer of 2005. Dr. Glassman has spent over 35 years in the public and private sectors focusing on financial services regulatory and public policy issues, including 12 years at the Federal Reserve and 15 years in financial services consulting. Dr. Glassman is a director of Discover Financial Services and a member of its audit committee, a trustee of the SEC Historical Society, a Senior Research Scholar at the Institute for Corporate Responsibility at the George Washington University Business School and an Honorary Fellow of Lucy Cavendish College, University of Cambridge, England. Dr. Glassman received a Master of Arts degree and a Ph.D. in Economics from the University of Pennsylvania and a Bachelor of Arts degree in Economics from Wellesley College.

Key experience, qualifications, attributes and skills:

Dr. Glassman holds a Ph.D. in economics and served as the Under Secretary for Economic Affairs at the U.S. Department of Commerce which enable her to provide insights that are specifically beneficial to our economics business segment. In addition, Dr. Glassman served as a Commissioner at the U.S. Securities and Exchange Commission and brings a thorough and unique perspective to regulatory and corporate governance issues. She has also served as a consultant practitioner for over 15 years, with particular focus on issues facing the financial services industry and risk management, and brings a keen understanding of the Company s business model and retention strategies. In addition, she has deep experience in strategic issues and possesses the ability to identify market trends and specific business development opportunities and contacts of importance to us.

Peter B. Pond

Age 67

Director since November 1996

Mr. Pond is the founder and General Partner of Alta Equity Partners, a venture capital firm, where for the last 12 years, he has been involved in venture capital investing in numerous areas, including the specialty consulting field. He served as the Midwest Head of Investment Banking for Donaldson, Lufkin & Jenrette Securities Corporation from June 1991 to March 2000, and in that capacity ran the firm s Information Technology Advisory Practice and participated in numerous mergers and acquisitions, initial public offerings and capital raising efforts. Mr. Pond is the Chairman of the Board of Maximus, Inc., a business process outsourcing firm in the state and local health and human services areas. He is also Chairman of the Maximus audit committee and sits on the boards of several charities. Mr. Pond received a Bachelor s of Science degree in Economics, with honors, from Williams College and a Master s degree in Business Administration in Finance from the University of Chicago.

Key experience, qualifications, attributes and skills:

Mr. Pond has spent over 40 years in investment banking, specializing in capital market strategies and mergers and acquisitions. He brings a deep understanding of the consulting business model as well as significant experience in and perspectives with respect to the capital markets. Mr. Pond has a strong financial acumen and is a successful business and civic leader on a national level. Throughout his tenure on the Board, Mr. Pond has provided thought leadership in our strategic positioning efforts.

Directors Whose Terms Continue Until the 2013 Annual Meeting of Shareholders

Samuel K. Skinner

Age 73

Director since December 1999

Mr. Skinner is currently Of Counsel to the law firm of Greenberg & Traurig, LLP. From 2000 to 2003, Mr. Skinner was Chairman, President and Chief Executive Officer of U.S. Freightways Corporation. He formerly served as Co-Chairman of Hopkins & Sutter, a Chicago law firm, and as President of Commonwealth Edison Company and its holding company, Unicom Corporation (now Exelon Corporation). Prior to joining Commonwealth Edison, he served as Chief of Staff to former President George H.W. Bush. Prior to his White House service, Mr. Skinner served in the President s cabinet for nearly three years as U.S. Secretary of Transportation. From 1977 to 1989, Mr. Skinner practiced law as a senior partner in the Chicago law firm of Sidley & Austin (now Sidley Austin LLP). From 1984 to 1988, while practicing law full time, he was appointed by President Reagan as Vice Chairman of the President s Commission on Organized Crime. From 1968 to 1975, Mr. Skinner served in the office of the United States Attorney for the Northern District of Illinois and in 1977, President Ford appointed him United States Attorney, one of the few career prosecutors ever to hold such position. He is currently a member of the boards of directors of APAC Customer Services, Inc., CBOE Holdings, Inc., Echo Global Logistics, Inc., Express Scripts, Inc. and MedAssets, Inc. During the past five years, Mr. Skinner also served as a director at Diamond Management &

Technology Consultants, Inc. and Dade Behring Inc. Mr. Skinner received a Bachelor of Science degree in Accounting from the University of Illinois and a J.D. from DePaul University Law School.

Key experience, qualifications, attributes and skills:

Mr. Skinner has served in key leadership positions in industry and in government. Mr. Skinner also has significant experience in the law-firm channel and is a former prosecutor. Mr. Skinner brings a deep understanding of the legal and regulatory environment in which the Company provides services. Further, Mr. Skinner has served on the boards of several public companies over the last 20 years and brings a wealth of experience regarding board processes and the need for independent assessment of the Company and management.

Governor James R. Thompson

Age 75

Director since August 1998

Governor Thompson served as Chairman of the Chicago law firm of Winston & Strawn LLP from January 1993 to September 2006. He now serves as Senior Chairman. He joined the law firm in January 1991 as Chairman of its Executive Committee after serving four terms as Governor of the State of Illinois from 1977 until 1991. Prior to his terms as Governor, he served as U.S. Attorney for the Northern District of Illinois from 1971 to 1975. Governor Thompson served as the Chief of the Department of Law Enforcement and Public Protection in the Office of the Attorney General of Illinois, as an Associate Professor at Northwestern University School of Law, and as an Assistant State s Attorney of Cook County, Illinois. He is a former Chairman of the President s Intelligence Oversight Board and was a member of the National Commission on Terrorist Attacks upon the United States. Governor Thompson is currently a member of the boards of directors of Maximus, Inc. and John Bean Technologies Corp. He also serves as Chairman for the Public Review Board UNITE HERE and as Chairman for the Illinois Sports Facilities Authority. During the past five years, Governor Thompson also served as a director at FMC Technologies, Inc. and FMC Corporation. Governor Thompson attended the University of Illinois and Washington University and received a J.D. from Northwestern University.

Key experience, qualifications, attributes and skills:

Governor Thompson has over 50 years of legal, political and management experience. He served as Governor of the State of Illinois for 14 years and has practiced law in various capacities, from the U.S. Attorney s office to leading a major law firm. Governor Thompson has significant experience navigating the complex regulatory and legal landscape that exists today and provides critical business and strategic advice to the Company.

Michael L. Tipsord

Age 52

Director since July 2009

Mr. Tipsord is Vice Chairman and Chief Operating Officer of the State Farm Insurance Companies. Mr. Tipsord has served in various capacities with State Farm since 1988, and has been an officer or trustee of various affiliates since 2001. Prior to assuming his current position in 2011, Mr. Tipsord served as Vice Chairman and Chief Financial Officer of State Farm from 2005 to 2010. Currently, Mr. Tipsord is trustee of the State Farm Associates Funds Trust, the State Farm Mutual Fund Trust and the State Farm Variable Product Trust and serves on the Board of Trustees of Illinois Wesleyan University and Brookings Institution. He also is a member of the Dean s Advisory Board for the University of Illinois College of Law. Mr. Tipsord received a Bachelor s degree from Illinois Wesleyan University and a law degree from the University of Illinois at Urbana-Champaign.

Key experience, qualifications, attributes and skills:

As the Chief Operating Officer (and formerly, the Chief Financial Officer) of State Farm, a major insurance company, Mr. Tipsord brings deep financial and regulatory expertise as well as a critical understanding of the financial services industry, which is one of the key industries to which we provide our services. He also provides management and the Board with real time capital markets perspectives. In addition, Mr. Tipsord has broad experience in accounting and financial risk controls and management.

Directors Whose Terms Continue Until the 2014 Annual Meeting of Shareholders

William M. Goodyear

Age 63

Director since December 1999

Mr. Goodyear has served as Chairman of the Board since May 2000 and was our Chief Executive Officer from May 2000 through February 2012. Prior to December 1999, he served as Chairman and Chief Executive Officer of Bank of America Illinois and was President of Bank of America s Global Private Bank. From 1972 to 1999, Mr. Goodyear held a variety of assignments with Continental Bank, subsequently Bank of America, including corporate finance, corporate lending, trading and distribution. During this 28-year period, Mr. Goodyear was stationed in London for five years (1986 to 1991) to manage Continental Bank s European and Asian Operations. He was Vice Chairman and a member of the Board of Directors of Continental Bank prior to the 1994 merger between Continental Bank and BankAmerica Corporation.
Mr. Goodyear is a trustee and member of the Executive Committee of the Board of Trustees for the Museum of Science and Industry and a member of the Board of Trustees of the University of Notre Dame and serves on the Rush University Medical Center Board, where he is Vice Chairman and a member of the Executive Committee and Chair of the Finance Committee. During the past five years, Mr. Goodyear was a trustee of Equity Office Properties Trust, where he chaired the Audit Committee, prior to the sale of the company in 2007. Mr. Goodyear received a Master s degree in Business Administration, with Honors, from the Amos Tuck School of Business at Dartmouth College, and a Bachelor s degree in Business Administration, with Honors, from the University of Notre Dame.

Key experience, qualifications, attributes and skills:

Mr. Goodyear has 30 years of commercial banking experience, both domestic and international. Within the context of that experience, he also has had significant exposure to litigation and regulatory matters. Mr. Goodyear brings significant experience in management and financial controls to the Company, along with business acumen related to multiple industries with strategic importance to the Company. He provides a deep understanding of the strategies necessary to run and grow our business.

Table of Contents

Julie M. Howard

Age 49

Director since March 2012

Ms. Howard was appointed Chief Executive Officer of the Company in March 2012 and has served as the Company s President since 2006 and the Company s Chief Operating Officer since 2003. From 2001 to 2003, Ms. Howard was the Company s Vice President and Human Capital Officer. Prior to 2001, Ms. Howard held a variety of consulting and operational positions with several professional services firms. Ms. Howard is currently a member of the Board of Directors of Kemper Corporation (formerly Unitrin, Inc.) and a member of the Foundation Board for Children s Memorial Hospital. Ms. Howard is a founding member of the Women s Leadership and Mentoring Alliance (WLMA). Ms. Howard is a graduate of the University of Wisconsin, with a Bachelor of Science degree in Finance. She has also completed several post-graduate courses within the Harvard Business School Executive Education program, focusing in Finance and Management.

Key experience, qualifications, attributes and skills:

Ms. Howard has 25 years of professional services experience and has held a broad array of senior management roles overseeing Navigant s consulting businesses as well as key administrative functions. She was also a critical architect of the Company s strategic plans announced in 2009. Ms. Howard brings significant experience and insights to the Board in the areas of strategic market analysis and planning, targeted business and client development, operating model and profitability enhancements, consultant compensation and retention, client channel alignment and integrated brand management. Additionally, Ms. Howard brings outside management and governance perspectives based on her business and civic board memberships.

Stephan A. James

Age 65

Director since January 2009

Mr. James is the former Chief Operating Officer of Accenture Ltd., and served as Vice Chairman and a member of the Board of Directors of Accenture Ltd. from 2001 to 2004. He also served in the advisory position of International Chairman of Accenture from August 2004 until August 2006. During his more than 35 years at Accenture, Mr. James held several senior management roles, including Managing Partner for the Central U.S., Managing Partner for the North American Financial Services Practice and Managing Partner for the Global Financial Services Operating Group. He is currently a member of the boards of directors of BMC Software Inc. and Fidelity National Information Services, Inc. and serves as a member of the University of Texas McCombs School of Business Advisory Board. During the past five years, Mr. James also served as a director at CDW Corporation and Metavante Technologies, Inc. Mr. James received a Bachelor of Arts degree in Business Administration, concentrating in Industrial Management and Labor Relations, from the University of Texas.

Key experience, qualifications, attributes and skills:

Mr. James has had multiple leadership roles related to global business and technology consulting, including as Chief Operating Officer of Accenture Ltd. Mr. James provides key insights into managing professional services workforces, both domestic and international. He has a deep understanding of corporate governance needs, and understands successful strategies for running global consulting firms.

Table of Contents

Committees of the Board of Directors

The following table sets forth the current members of each of the committees of the Board.

	Audit Committee	Compensation Committee	Executive Committee	Nominating and Governance Committee
Thomas A. Gildehaus*	Chair	X		
Hon. Cynthia A. Glassman*		X		X
William M. Goodyear			X	
Julie M. Howard				
Stephan A. James*	X	Chair		
Peter B. Pond*	X			Chair
Samuel K. Skinner*			X	
Governor James R. Thompson*			Chair	X
Michael L. Tipsord*	X	X		

* Independent director (see Corporate Governance Independence Determinations)

Lead Director (see Board Leadership Structure and Risk Oversight)

Charters for the audit committee, compensation committee and nominating and governance committee are available on our website at *www.navigant.com/about_nci/corporate_governance*.

Audit Committee. The audit committee monitors the integrity of our financial statements, financial reporting process and systems of internal controls regarding finance and accounting; monitors our compliance with legal and regulatory requirements; monitors the qualifications, independence and performance of our independent public accountants; monitors the performance of our internal audit function; provides an avenue of communication among the independent public accountants, internal audit function, management and the Board; and monitors significant litigation and financial risk exposure. Each of the members of the audit committee is independent as defined by the listing standards of the New York Stock Exchange (NYSE) and applicable SEC rules. The Board has determined that each of the members of the audit committee meets the financial literacy requirements of the NYSE and that each of Mr. Gildehaus and Mr. Tipsord qualifies as an audit committee financial expert as defined by applicable SEC rules. None of the members of the audit committee serves on more than three public company audit committees. The audit committee met five times during 2011.

Compensation Committee. The compensation committee reviews and monitors matters related to management development and succession; reviews and approves executive compensation policies and pay for performance criteria, including corporate goals and objectives relevant to the compensation of our Chief Executive Officer; reviews and approves base salary, annual incentive bonus and long-term incentive awards for all of our executive officers; makes recommendations to the Board regarding new or amended incentive compensation and equity-based compensation plans and administers and exercises all powers of the Board under such plans (other than the power to amend those plans); reviews and provides input on such other matters concerning our employee compensation and benefit plans as the committee deems appropriate; reviews and assesses the risks arising from our compensation policies and practices; evaluates and recommends to the Board the form and amount of director compensation; and otherwise carries out the responsibilities that have been delegated to the compensation committee under the Company s various compensation and benefit plans. The compensation committee also reviews and discusses with management the compensation discussion and analysis and prepares the compensation committee report included in our annual proxy statement. Each of the members of the compensation committee is independent as defined by the listing standards of the NYSE, a non-employee director as defined by applicable SEC rules and an outside director for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). The compensation committee met 12 times during 2011.

Table of Contents

Nominating and Governance Committee. The nominating and governance committee identifies and evaluates individuals qualified to become members of the Board and recommends that the Board appoint those individuals as directors or nominate them for election at our next annual meeting of shareholders. The nominating and governance committee also develops and make recommendations to the Board regarding our corporate governance guidelines and reviews and approves our Code of Business Standards and Ethics (each of which is posted on our website at *www.navigant.com/about_nci/corporate_governance*). Each of the members of the nominating and governance committee is independent as defined by the listing standards of the NYSE. The nominating and governance committee met five times during 2011.

Executive Committee. The executive committee can act in lieu of the Board when necessary between meetings as permitted by Delaware law. The executive committee met once during 2011.

Board Meetings; Annual Meetings of Shareholders

The Board met 16 times during 2011. Each of our directors attended over 90 percent of the meetings of the Board and the Board committees on which he or she served that were held during 2011. Our non-management directors meet in regularly scheduled executive sessions and have selected Governor Thompson to serve as our Lead Director. While we have no formal policy regarding attendance by our directors at our annual meetings of shareholders, we encourage all of our directors to attend. All of our directors attended our 2011 annual meeting of shareholders.

Board Leadership Structure and Risk Oversight

Effective March 1, 2012, the Board appointed Ms. Howard as our Chief Executive Officer, succeeding Mr. Goodyear who remains with the Company as Executive Chairman of the Board. Mr. Goodyear has served as our Chairman since 2000. The Board believes the recent separation of these roles is optimal for the Company at the present time because it provides the Board with consistent leadership and allows our new Chief Executive Officer to focus on the Company s business operations. Although the Board believes that this leadership structure is appropriate at this time, the Board has no policy with respect to the separation of the roles of Chief Executive Officer and Chairman. The Board believes that the leadership structure of the Board is a matter that should be evaluated and determined by the Board from time to time, based on all of the then-relevant facts and circumstances.

The Board is responsible for overseeing our risk management process. The Board receives regular reports from our Chief Executive Officer regarding strategic and operating risks facing the Company. In addition, the Company has an enterprise risk management committee (which reports directly to the audit committee) to evaluate risks affecting our business. The company s internal audit function conducts an annual risk assessment and also reports directly to the audit committee.

Our corporate governance guidelines require that the Board appoint an independent lead or presiding director. Governor Thompson serves as our Lead Director. Management, as well as the internal audit function and the enterprise risk management committee, have unfettered access to his counsel. Our corporate governance guidelines also provide that the Board meet in regularly scheduled executive sessions without management, and in the performance of his role as Lead Director, Governor Thompson leads all executive sessions of the Board. He also serves as the Chairman of the executive committee. Further, he offers an independent view of the Company and serves as the conduit for our non-management directors to relay any issues or concerns or agenda items for upcoming meetings of the Board.

Table of Contents

CORPORATE GOVERNANCE

The nominating and governance committee monitors and reviews new SEC rules and NYSE corporate governance standards as they are proposed, adopted and revised. The nominating and governance committee has developed corporate governance guidelines that are intended to ensure compliance with the SEC rules and NYSE listing standards.

In February 2012, in connection with its annual corporate governance review and based on feedback received from our shareholders, the nominating and governance committee recommended that the Board amend and restate our Certificate of Incorporation to provide for a phased-in elimination of the classification of our Board of Directors and the annual election of all of the members of the Board. Based upon this recommendation, the Board has approved and declared advisable, and is recommending that at the annual meeting our shareholders adopt, an amendment and restatement of our Certificate of Incorporation to declassify the Board (see Proposal 2 Adoption of Restated Certificate of Incorporation to Declassify Our Board of Directors).

Independence Determinations

On an annual basis, the nominating and governance committee reviews and makes recommendations to the Board as to whether individual directors are independent for purposes of the applicable SEC rules and NYSE listing standards relating to corporate governance. The nominating and governance committee s review is based on all relevant facts and circumstances, as well as criteria set forth in the applicable SEC rules and NYSE listing standards. In addition, the nominating and governance committee considers certain categorical standards approved by the Board to assist it in making independence recommendations. These categorical standards describe certain relationships that are considered immaterial and do not preclude a finding of independence.

Under our Standards for Director Independence, the following relationships are considered immaterial and therefore do not preclude a finding of independence:

1. The director is affiliated with or employed by a company, partnership or other entity that receives payments from us for services in an amount which, in the current fiscal year, does not exceed the greater of (a) $1 million or (b) two percent of such other company s consolidated gross revenues, provided, however, that solely for purposes of determining audit committee independence, a director may not accept, directly or indirectly, a consulting, advisory or other compensatory fee from us in any amount (other than director and committee fees).

2. The director is an employee, officer or director of a foundation, university or other non-profit organization to which we give directly, or indirectly through the provision of services, less than $250,000 during the year in question.

3. In any cases where payments are made by us indirectly to an immediate family member, as for example fees paid to a law firm in which such immediate family member is a partner, if such immediate family member disclaims and does not accept any share of payments, the Board will not consider that such payments preclude the director from being considered independent for all purposes, including service on the audit committee.

A copy of these categorical standards is posted on our website at *www.navigant.com/about_nci/corporate_governance*.

Based on the review and recommendation of the nominating and governance committee, the Board affirmed that all of our current directors, except for Mr. Goodyear and Ms. Howard, are independent within the meaning of the NYSE listing standards and our Standards for Director Independence, and that all of the members of the audit committee meet the SEC s more stringent standards for audit committee independence.

Table of Contents

Shareholder Rights Plan Policy

The Board has adopted a policy stating that we will submit the adoption or extension of any shareholder rights plan to a shareholder vote, unless the Board, in an exercise of its fiduciary responsibilities, believes that it is in the best interests of the Company and our shareholders to adopt or extend (for one year) a shareholder rights plan without the delay that would come from the time required to seek a shareholder vote. A copy of our shareholder rights plan policy is posted on our website at *www.navigant.com/about_nci/corporate_governance*.

Director Nomination Procedures

Due to the fact that two of the three members of the nominating and governance committee (Ms. Glassman and Mr. Pond) were standing for reelection at the 2012 annual meeting, the evaluation and determination of the nominees for director at the 2012 annual meeting were made by the independent directors of the Board. Ms. Glassman and Mr. Pond recused themselves from voting on these matters. In making this evaluation and determination, the independent directors of the Board followed the same director nomination procedures (which are described in detailed below) that otherwise would have been followed by the nominating and governance committee. After considering the evaluation criteria outlined below, the independent directors of the Board determined that Ms. Glassman and Messrs. Gildehaus and Pond be nominated for election to the Board, each to serve a term of three years.

Except in the case of the nominees for director at the 2012 annual meeting, the nominating and governance committee is generally tasked with evaluating and recommending to the Board nominees for election to the Board at each annual meeting. The nominating and governance committee works with the Board to determine the appropriate characteristics, skills, and experiences for individual directors and for the Board as a whole with the objective of having a board of directors with diverse backgrounds and experience. In considering the qualifications of incumbent directors as well as future candidates for election to the Board, the nominating and governance committee considers all relevant factors, including judgment, character, reputation, education and experience, in relation to the qualifications of any alternate candidates and the particular needs of the Board, its committees and the Company as they exist at the time of the candidate s consideration. Characteristics expected of all our directors include independence, integrity, high personal and professional ethics, sound business judgment and the ability and willingness to commit sufficient time to the Board. Although the Company does not have a formal policy on diversity, the Company seeks directors who represent a mix of backgrounds and experiences. The nominating and governance committee discusses each candidate s diversity of background and experience in the context of the Board as a whole, with the objective of recommending a candidate for nomination to the Board who can best perpetuate the success of our business and represent our shareholders interests through the exercise of sound judgment. The nominating and governance committee evaluates each incumbent director to determine whether he or she should be nominated to stand for reelection, based on the types of criteria outlined above as well as the director s contributions to the Board during their current term. The nominating and governance committee also considers each candidate s relationships, if any, with the Company and its directors, officers, employees and shareholders, as well as any applicable criteria set forth in SEC rules, NYSE listing standards and Delaware law.

The nominating and governance committee and/or the Board will consider nominees for director recommended by our shareholders, provided that the shareholder nominations are received by our corporate secretary within the time frame established by our by-laws (see the section entitled Shareholder Proposals for the 2013 Proxy Statement below). All candidates for director, including those who have been properly nominated by a shareholder, are evaluated using the same criteria as described above. The Company has received a notice from a holder of 100 shares of our common stock that he intends to nominate three directors for election at the annual meeting.

Table of Contents

AUDIT COMMITTEE REPORT

The audit committee has reviewed and discussed with management the audited financial statements of the Company as of and for the year ended December 31, 2011 (the Audited Financial Statements). In addition, the audit committee has discussed with KPMG LLP, the independent registered public accounting firm for the Company, the matters required to be discussed by Statement on Auditing Standards No. 61, *Communications with Audit Committees*, as amended (AICPA *Professional Standards*, Vol. 1. AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The audit committee also has received the written disclosures and the letter from KPMG LLP required by the applicable requirements of the Public Company Accounting Oversight Board regarding its communications with the audit committee concerning independence, and has discussed with KPMG LLP its independence from the Company and management. The audit committee also has discussed with management, the Company s internal audit function and KPMG LLP such other matters, and has received such assurances from them, as it deemed appropriate. Based on the foregoing review and discussions and relying thereon, the audit committee has recommended to the Board (and the Board has approved) the inclusion of the Audited Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

AUDIT COMMITTEE

Thomas A. Gildehaus, Chairman

Stephan A. James

Peter B. Pond

Michael L. Tipsord

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

This section contains a discussion and analysis of the compensation program in place for our named executive officers, or NEOs. The compensation committee determines and approves the compensation of our NEOs. For 2011, our NEOs were:

William M. Goodyear, our current Executive Chairman and former Chief Executive Officer (CEO);

Julie M. Howard, our current CEO and former President and Chief Operating Officer;

Thomas A. Nardi, our Executive Vice President and Chief Financial Officer (CFO); and

Monica M. Weed, our Vice President and General Counsel.

Leadership Transition

In February 2012, as part of the Company s succession plan, we announced the appointment of Ms. Howard to the position of CEO, effective March 1, 2012. Ms. Howard succeeds Mr. Goodyear, who remains with the Company on a full-time basis, serving as Executive Chairman of the Board. In connection with this transition, we amended each of the employment agreements with Ms. Howard and Mr. Goodyear (see Executive Compensation Employment Agreements), and the compensation committee also approved other changes to each executive s compensation, as described in the section entitled 2012 Compensation Decisions below.

Except where noted, throughout this Compensation Discussion and Analysis and in the compensation tables that follow, we refer to the title of each NEO as was in effect on the last day of fiscal year 2011.

Executive Summary

In 2011, the Company continued to focus on executing its long-term strategy and achieving the benefits of both the strategic investments and the re-alignment of its core practices that were made in 2010. The Company s operating objectives for 2011 included successfully integrating and leveraging the strategic businesses acquired in 2010, realizing greater revenue contributions from senior hires brought in during 2010, capturing the increased demand for unique expertise in its key practice areas, strengthening the firm s culture and capabilities through enhanced professional development opportunities and maintaining a tight fiscal approach to resource management. The financial performance measures that align with these objectives are summarized in the table below.

How did the Company perform relative to its 2011 operating and financial objectives?

In 2011, the Company accomplished its operating objectives and exceeded each of the financial performance targets established at the beginning of 2011 for the annual incentive plan, as shown in the following table:

(in millions, except per share data and percentages)	2011 Target	2011 Actual	2011 Actual as % of 2011 Target	2011 Actual vs. 2010 Actual (% Change)
Revenues Before Reimbursements	$ 691.0	$ 695.7	100.7%	11.6%
Adjusted EBITDA(1)	$ 101.0	$ 101.2	100.2%	13.6%
Adjusted Net Income(1)	$ 38.0	$ 43.0	113.2%	39.8%
Adjusted Earnings per Share(1)	$ 0.74	$ 0.84	113.5%	37.7%

15

Table of Contents

(1) Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), Adjusted Net Income and Adjusted Earnings per Share are non-GAAP financial measures, as defined by the SEC. These financial measures exclude the impact of other operating costs (benefit) (including office consolidation costs and intangible asset impairment), severance expense and other non-recurring costs (benefit) (including from a tax election related to certain of the Company s foreign entities). These financial measures and adjustments are the same as those presented in the Company s fourth quarter and full year 2011 earnings release dated February 2, 2012.

The marketplace responded positively to the Company s strong financial performance in 2011, with the Company delivering a total shareholder return (as defined below) of 24% during 2011 which placed the Company in the top quartile of its current peer group.

How did performance impact 2011 compensation decisions?

Annual Cash Bonus The largest portion (70%) of our NEOs annual cash bonus opportunity for 2011 was based on the Company s financial performance, as defined by the key performance measures summarized in the table above. The balance (30%) of their annual cash bonus opportunity for 2011 was based on the achievement of individual qualitative performance goals tied to strategic and operating initiatives at the Company. Based on the Company s actual financial performance (as shown in the preceding section) and the compensation committee s assessment of each NEO s individual performance for 2011, the 2011 cash bonuses payable to our NEOs under the 2011 annual incentive plan ranged between approximately 102% and 105% of each NEO s annual target bonus amount, as summarized in the following table.

		Bonus Payout %			
	2011 Target Bonus (A)	Based on Company Performance (B)	Based on Individual Performance (C)	2011 Bonus as % of Target (B + C = D)	2011 Actual Bonus (A x D)
William M. Goodyear	$ 850,000	75.2%	27.0%	102.2%	$ 868,700
Julie M. Howard	$ 600,000	75.2%	28.1%	103.3%	$ 619,800
Thomas A. Nardi	$ 292,500	75.2%	26.4%	101.6%	$ 297,200
Monica M. Weed	$ 200,000	75.2%	29.1%	104.3%	$ 208,600

A detailed discussion of our 2011 annual incentive plan, including how the Company s financial performance and our NEOs individual performance specifically impacted actual bonuses paid for 2011, is set forth below in the section entitled 2011 Executive Compensation Program Annual Performance-Based Cash Bonus.

Long-Term Equity Incentive Awards As discussed in last year s proxy statement, the long-term equity incentive awards granted to our NEOs in March 2011 were based, in large part, on the Company s performance for the prior year (i.e., 2010). The value of the equity awards granted to our NEOs in March 2011 (for 2010 performance) was less than half of the value of the equity awards granted to them in March 2010 (for 2009 performance), reflecting the fact that the Company s financial performance during 2010 only partially met the Board s expectations, as well as the Company s below-average stock price performance.

Table of Contents

	2011 Equity Award Value	2010 Equity Award Value	% Change vs. 2010
William M. Goodyear	$ 300,000	$ 750,000	(60.0%)
Julie M. Howard	$ 225,000	$ 500,000	(55.0%)
Thomas A. Nardi	$ 135,000	$ 300,000	(55.0%)
Monica M. Weed	$ 115,000	$ 250,000	(54.0%)

What changes have been made to enhance our executive compensation program?

The compensation committee engages in an ongoing review of the Company s executive compensation program. This review ensures that our program remains consistent with the Company s executive compensation philosophy and, as a whole, reflects best practices among the Company s peer group and the broader market. Within the past 12 months, the compensation committee has taken the following actions to further enhance our executive compensation program:

- Added performance-based vesting conditions linked to the Company s relative annual total shareholder return (defined as the change in the Company s stock price, plus the reinvestment of any dividend payments by the Company) to a portion of the restricted stock awards granted to our NEOs in March 2011;

- Approved supplemental terms for our 2011 annual incentive plan to enhance the formulaic nature of the plan;

- Established a cap of 200% of an NEO s annual target bonus opportunity as the maximum award payable under our annual incentive plan;

- Reviewed and modified our peer group;

- Recalibrated our compensation philosophy to target our NEOs total direct compensation opportunity to a median market range, which, as further explained below, is defined as within 10% of the median for base salaries, within 15% of the median for annual performance-based cash bonus targets, and within 20% of the median for long-term equity incentive targets and total targeted direct compensation;

- Implemented a holding period requirement for equity awards granted to our NEOs and non-employee directors, requiring that at least 75% (in the case of our CEO and non-employee directors) or 50% (in the case of the other NEOs) of the net shares received from the vesting of equity awards or stock option exercises must be held for at least one year from the vesting or exercise date;

- Adopted a clawback policy;

- Granted only performance-based equity incentive awards in the form of stock options and performance-based restricted stock units in connection with the annual equity grants made to our newly-appointed CEO, as well as our CFO and our General Counsel, in March 2012 in order to increase the proportion of their total direct compensation opportunity which is performance-based;

- Implemented a three-year performance period under which the attainment of both absolute and relative performance-based vesting criteria will be measured for the aforementioned performance-based restricted stock units;

Eliminated the right to receive tax gross-up payments relating to the occurrence of a change in control when amending Mr. Goodyear s and Ms. Howard s employment agreements in early 2012, and as a result, none of our NEOs have the right to receive such tax gross-up payments;

Table of Contents

- Modified the circumstances upon which our newly-appointed CEO (Ms. Howard) would be entitled to receive severance payments upon a change in control of the Company by replacing the modified single-trigger provision in her employment agreement with a double-trigger severance provision;

- Contracted for a finite term in each of the amended employment agreements we entered into with Mr. Goodyear and Ms. Howard and removed the automatic annual renewal feature previously contained in those agreements; and

- Included double-trigger change-in-control vesting in the new long-term incentive plan for which we are seeking shareholder approval (see Proposal 3 Approval of the Navigant Consulting, Inc. 2012 Long-Term Incentive Plan).

How did we respond to the 2011 advisory shareholder vote on executive compensation?

At our 2011 annual meeting of shareholders, less than a majority of our shareholders voted to approve the 2010 compensation paid to our NEOs (the SOP proposal). Although this vote was an advisory vote, and was not binding on either the Company or the Board (or any of its committees), the compensation committee deliberated extensively about the results of this vote and considered these results when engaging in the aforementioned review of our executive compensation program (including the actions that were taken as a result of that review).

The compensation committee also sought feedback and recommendations from, among others, our top 15 shareholders who collectively held approximately 70% of our outstanding shares as of March 1, 2012. In seeking feedback from our shareholders, our outreach efforts were not limited to those shareholders who voted against the SOP proposal. Even though many of our largest shareholders voted for the SOP proposal, the compensation committee was still interested in gaining broad-based insights on our executive compensation and corporate governance practices. Generally speaking, we received positive feedback on the program changes we made and announced during 2011, as outlined above. In addition, our shareholders advised that the alignment of pay and performance, and clear disclosure describing performance metrics and explaining the linkage between pay and performance, are important considerations for them. While no specific component of our executive compensation program was altered solely on the basis of the negative vote on the SOP proposal or shareholder feedback, the compensation committee believes the features of our 2011 and 2012 executive compensation program (including the program changes described above) are consistent with many of the views expressed by our largest shareholders.

Executive Compensation Philosophy

The overall objective of our executive compensation program is to attract, retain and motivate highly qualified and effective executive officers in order to positively impact the Company and ultimately create long-term value for our shareholders. We designed our executive compensation program to meet this objective by:

- aligning our NEOs incentive compensation opportunities with the Company s financial and strategic performance goals, as well as the relative performance of our stock price over time;

- providing our NEOs with target compensation opportunities that are competitive with other companies in our peer group; and

- discouraging excessive risk taking and promoting sound corporate governance.

This pay philosophy is present in the design of all of our compensation policies (including those applicable to our non-executive employees). Accordingly, the compensation committee has concluded that the risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

Table of Contents

How is pay aligned with performance?

Performance-based compensation represented a significant portion of our NEOs 2011 total direct compensation (TDC) opportunity (which includes annual base salary, target annual bonus opportunity and the annualized grant date fair value of long-term equity incentive awards). In particular, payouts under our annual cash incentive plan are tied to pre-established financial and individual performance goals that are aligned with the Company s long-term strategy. Stock options, which currently account for one-third of the equity awards granted to our NEOs on an annual basis, have value to an executive only if our stock price appreciates. The restricted stock and restricted stock unit awards granted as part of our annual long-term equity incentive program in March 2011 and March 2012 also contain performance-based vesting conditions. Specifically, the portion of the restricted stock awards we modified in August 2011 will vest only to the extent the Company s total shareholder return meets or exceeds specified targets, and the extent to which the restricted stock units granted in March 2012 will vest is dependent on the Company s relative total shareholder return and the Company meeting cumulative adjusted EBITDA goals over a three-year performance period.

For 2011, 54% of our CEO s target TDC was tied to Company and individual performance or relative total shareholder return (including 100% of his annual cash bonus and approximately 78% of his 2011 long-term equity incentive awards). For 2012, with respect to the position of CEO, we have increased the proportion of target TDC which is performance-based, with 74% of Ms. Howard s target TDC being performance-based (including 100% of her annual cash bonus and 100% of her 2012 long-term equity incentive awards).

How do we establish the market competitiveness of our executive compensation program?

To retain and strengthen the focus of our executive management team, we have designed our executive compensation program to provide our NEOs with target compensation opportunities that are competitive with comparable positions at companies within our peer group and the broader market. The compensation committee assesses the market competitiveness of our executive compensation program based on peer group proxy data, as well as general industry compensation survey data. The compensation committee relies on its independent compensation consultant to compile and analyze peer group and survey data for purposes of this assessment.

On an annual basis, the compensation committee evaluates and, if appropriate, adjusts the composition of the peer group. In reviewing the composition of the peer group, the compensation committee considers the following general criteria:

- companies in the same or similar lines of business;

Table of Contents

companies with at least one of the following business traits: human capital intensive, business-to-business advisory services, project-based revenue model and international operations of a meaningful size; and

companies with revenues between 25% and 400% of the Company s revenues and within a reasonable range of the Company in terms of other financial metrics and operating data, such as operating income, total assets, total equity, total employees and market capitalization.

Based on these criteria, as well as input from Frederic W. Cook & Co., the compensation committee s independent compensation consultant (FWC), the compensation committee approved the following new peer group in June 2011:

	Most Recent Fiscal Year (as of May 31, 2011) (in millions, except employee data)(1)		
Peer Company	**Net Revenue**	**Market Cap**	**Employees**
The Advisory Board Company*	$ 290	$ 833	1,100
CBIZ, Inc.	$ 733	$ 388	5,700
The Corporate Executive Board Company*	$ 439	$ 1,451	1,742
CRA International, Inc.*	$ 287	$ 304	777
Duff & Phelps Corporation*	$ 375	$ 625	1,131
Exponent, Inc.*	$ 249	$ 602	883
FTI Consulting, Inc.*	$ 1,401	$ 1,605	3,472
Gartner, Inc.*	$ 1,288	$ 3,796	4,305
Heidrick & Struggles International, Inc.	$ 513	$ 373	1,400
Hill International, Inc.	$ 452	$ 176	2,152
Huron Consulting Group Inc.*	$ 605	$ 673	1,945
ICF International, Inc.*	$ 765	$ 506	3,500
IHS Inc.	$ 1,075	$ 5,688	4,100
Korn/Ferry International	$ 776	$ 1,004	2,200
MAXIMUS, Inc.*	$ 832	$ 1,454	6,594
Resources Connection, Inc.*	$ 499	$ 654	787
Sapient Corporation	$ 864	$ 2,026	7,052
Tetra Tech, Inc.*	$ 1,460	$ 1,517	10,000
TRC Companies, Inc.	$ 230	$ 188	2,400
VSE Corporation	$ 866	$ 138	2,534
75th Percentile	$ 864	$ 1,470	4,151
Median	$ 669	$ 664	2,300
25th Percentile	$ 423	$ 384	1,333
Navigant Consulting, Inc.	$ 704	$ 521	2,307
Navigant Consulting, Inc. (percentile rank)	51%	32%	50%

* Indicates prior peer group member. LECG Corporation was also included in the prior peer group but was removed due to the liquidation and wind-down of its business in early 2011.

(1) All peer group data was compiled by FWC from Standard & Poor s Compustat Service. Net revenue excludes non-operating income, gain on sale of securities or fixed assets, discontinued operations, excise taxes and royalty income. Operating income excludes special items such as restructuring charges and may reflect measures that are not in conformity with GAAP.

Table of Contents

This new peer group, which consists of 20 companies (as compared to 13 companies in the prior peer group), reflects the addition of CBIZ, Heidrick & Struggles, Hill International, IHS, Korn/Ferry International, Sapient, TRC Companies and VSE Corporation.

The prior peer group was used by the compensation committee in evaluating base salaries for 2011, and was also considered by the compensation committee in determining the equity-based incentive awards granted to the NEOs in March 2011 (though the size of those awards was, for the most part, based on relative Company and individual performance for the 2010 performance year, as discussed in further detail below).

The new peer group was used by the compensation committee for those executive compensation decisions which were made on or after June 2011. Midway through 2011, the compensation committee also recalibrated our general executive pay philosophy, applicable to future decision-making, to target the compensation of our NEOs at a median market range, which we define as within 10% of the median for base salaries, within 15% of the median for annual performance-based cash bonus targets, and within 20% of the median for long-term equity incentive targets and total targeted direct compensation, although individual targets may vary depending on the relative level of experience and tenure of the executive or clearly differentiated performance results. The median market range is determined by FWC by taking the simple average of the peer group median data and the size-adjusted median data from three general industry surveys conducted by Aon Hewitt, Mercer and Towers Watson, which cover 150 to 400 different positions at approximately 250 to 2,000 organizations. The median market range for each NEO consists of both pay rank and functional match data for the peer group and functional match data for the general industry surveys. The general industry survey data was regressed against the entire database of companies participating in the respective surveys based on the Company s estimated annual total revenues of $750 million, and all cash compensation data was aged at a 3% annual rate to January 1, 2012.

How do we discourage excessive risk-taking and promote sound corporate governance?

We have designed our executive compensation program and adopted certain compensation policies to discourage excessive risk-taking. The design features of our program that mitigate risk include the following:

- We have adopted a policy on the recoupment of incentive payment (a clawback policy) requiring the reimbursement of excess incentive compensation provided to the Company s executive officers in the event of certain restatements of the Company s financial statements;

- Our long-term equity incentive awards contain multi-year vesting or performance periods that overlap which diminishes the incentive to maximize performance in any one fiscal year at the expense of another;

- We utilize multiple performance goals, with balanced weighting, to determine our NEOs annual cash bonus awards, which decreases the NEOs incentive to focus on a single performance goal to the detriment of others;

- Annual cash bonus awards and the vesting of performance-based restricted stock or restricted stock unit awards are limited to formulaic maximums based on the achievement of pre-established performance goals over the relevant performance period;

- Our stock ownership guidelines, which also include holding period requirements, continue to align our NEOs interests with those of our shareholders beyond the end of a specific performance period or following a vesting or option exercise date; and

- Our insider trading policy prohibits all of our employees, including our NEOs, from selling short our common stock or engaging in hedging or offsetting transactions regarding our common stock.

Table of Contents

Role of Independent Compensation Consultant and Management

Role of Independent Compensation Consultant

In June 2011, the compensation committee engaged FWC to serve as its new independent compensation consultant. (Prior to June 2011, the compensation committee had retained Towers Watson as its independent compensation consultant.) The independent compensation consultant works directly for the compensation committee (and not on behalf of management) and assists the compensation committee in evaluating our executive compensation program, including peer group composition, competitive benchmarking, program design, and staying abreast of market practices and trends. Other than with respect to aforementioned survey data, which the Company purchased from Towers Watson, neither Towers Watson nor FWC performed any other work for the Company in 2011.

Role of Management in Compensation Decisions

As part of its annual compensation review, the compensation committee reviews the performance of each NEO. For the NEOs other than our CEO, the compensation committee receives performance assessments and compensation recommendations from our CEO. Except for our CEO, none of the other NEOs is present when these assessments and recommendations are made. Our CEO does not participate in his or her own performance review (other than completing an annual self-assessment of his or her individual performance goals) and does not recommend his or her own compensation. The other NEOs do not have a role in any compensation decisions, except for discussing their annual, individual performance goals (and their self-assessment of their respective achievement of those goals) with our CEO. Our CEO, in turn, makes recommendations to the compensation committee based on these discussions.

2011 Executive Compensation Program

Our executive compensation program for 2011 was comprised primarily of annual cash compensation (base salary and performance-based bonus) and long-term equity compensation (stock options and restricted stock, a portion of which is subject to performance-based vesting conditions). We offer limited perquisites and no other supplemental executive or retirement benefits to our NEOs.

Table of Contents

How does each of the components of our executive compensation program align with our overall philosophy and objectives?

The following table shows how each of the individual components of our 2011 executive compensation program fits into our overall compensation philosophy and program objectives:

Component	Overall Objective	Specific Purpose
Base Salary	Attract and retain Pay competitively	Provide a base level of fixed and predictable income
Performance-Based Bonus	Attract and retain Pay competitively Align pay with Company and individual performance	Motivate and reward financial and individual performance in line with the Company’s annual operating plan and short-term operating objectives
Stock Options	Attract and retain Pay competitively Align NEOs’ interests with shareholders’ interests on a long-term basis Create long-term shareholder value	Promote long-term retention Motivate and reward financial and individual performance in line with the Company’s long-term strategic objectives Encourage the creation of long-term shareholder value and achievement of long-term strategic objectives
Restricted Stock Awards	Attract and retain Pay competitively	