



Welcome RGPU & HGPU leaders to the managing compensation call. Over the past several months we have received many questions about the compensation practices at Oracle. The goal of this call is to answer those questions and for us to align on Oracle's best practices around compensation. Additionally, this call will layout a compensation framework for which you can reference as you make pay decisions. This is a global call and while are aim is to deliver this content from a global perspective, there could be local nuances around compensation practices that are not covered in this call. If you have something that is unique to your location, we would encourage you to follow-up local HR Business Partners. A few housekeeping items to cover – all lines have been muted. Should you have questions, please use the chat feature on webex and submit your questions in the chat window. We will be answering all questions at the end.

Presenters



Jana Lathrop
Sr Compensation Consultant



Lisa Gordon
Director, Compensation

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Now, I'd like to introduce you to your facilitators for this call, Jana Lathrop, Sr. Compensation Consultant and Lisa Gordon, Director of Compensation. They will walk you through today's presentation.

Program Agenda

- 1 Compensation Systems Fundamentals
- 2 Pay Decisions
- 3 Q&A

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Thank you for the introduction. This is Jana Lathrop and on our Program Agenda today we have Compensation Systems Fundamentals that I will walk us through with Lisa Gordon providing details about Pay Decisions. We have set aside time to ensure we have an opportunity to answer your questions.



So, let's get started with our Compensation System Fundamentals....

Global Career Levels

- Global career levels are a set of broad, hierarchical categories related to the level at which a job is performed
- Responsibilities, contribution and job complexity increase from one job level to the next in the hierarchy
- The global career level structure has two paths: Management (M1-M10) and Individual Contributor (IC0 – IC6).
There is **no correlation** between M and IC level



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As mentioned on the prior slide, global career levels are a set of broad categories related to the level a job is performed. These levels indicate where responsibilities, individual contributions and job complexity increase from one job level to the next.

The career level for a job in one organization with the same level of responsibilities and complexity as a job in another organization, will be the same level. This means that if a job in Finance does have the same level of responsibilities and complexity as a job say in Sales, the career level of the two jobs will be the same.

The career level structure has 2 paths. Management positions and Non-Management positions which are referred to as Individual Contributors. There is no direct mapping between M-levels and IC-levels. Each career path is considered separate from the other, and transfers or job changes across the paths should be evaluated on a case-by-case basis.

Global Job Table

Job Code	Job Title	Function	Specialty Area	Career Level
21820	Implementation Consultant II	CONS	Implementation Delivery	IC2

Every employee with same Job Code will have the same Global Job Title, Function, Specialty Area and Global Career Level

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Jobs at Oracle are classified using a consistent global framework. Each job is assigned 5 core elements.

These elements are:

- The Job Code which is the unique identifier for the job and is one of about 1300 Job Codes included in the global job table.
- The Job Title which is a brief description of the job – known as the “system title”. In general the global jobtitle is not the title the employee might use to describe his job to colleagues or clients or use it for a business card.
- The Function describes the general type of work the employee performs. This isn’t specific to the employee’s LOB.
- The Specialty Area is a subset of the function and is intended to further identify the work performed.
- Finally, the career level is a broad category that indicates increased skill, knowledge, and responsibilities and performance expectations. The higher the career level, the higher the complexity of the job duties.

As shown in our example, the job title, function, speciality and career level will be the same globally, as is for all jobs, such as shown here for the Implementation Consultant II, with the Function of ‘Consultant’ , a Speciality of ‘Implementation Delivery’ and an ‘IC2’ Global Career Level.

Choosing the Correct Job Code

- The Job code selected should be the job which most closely reflects the role in the organization
- If the job code is incorrect, there could be an impact to the employee's compensation including:
 - Salary range, bonus eligibility, overtime eligibility, and compensation program eligibility
- In some cases, an incorrect job code could impact an offer letter or employment terms for M&A employees or access to manager self service and compensation program tools

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When choosing a job code, you should select the job that most closely reflects the role. It is important to remember that the job code need not be in a specific function just because an employee is in a specific LOB. An example of this is Admin Assistants. Admins have a function of Admin but can be located across the organization.

If the job code is incorrect there could be an impact to the employee's compensation, including their salary range, bonus eligibility, overtime eligibility and compensation plan eligibility.

In some cases an incorrect job code could impact an offer letter or employment terms especially for M&A employees and hamper access to manager self service and compensation program tools.

Please contact your assigned HR business partner, if you have questions about the job classification of any of your employees. You may be asked to provide information on the duties of the job to determine and ensure the appropriate job code assignment is provided.

Salary Ranges

Job Code ➡ Salary Grade ➡ Salary Range

- Salary ranges are a tool to assist managers in making decisions about pay
 - Broad ranges allow managers to account for differences in experience, skills, competencies and performance of candidates and incumbents
 - Salary ranges are developed at the country level
 - Some countries may have multiple ranges because of within country pay differences
 - US – HQ and Non-HQ
 - Salary ranges are developed locally using 3rd party salary survey information
 - Market data is reviewed relative to the particular job and it is typical to find a variance between functions. For instance, market data for the sales function differs when compared to market data for the support function.

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Each job code in the global table is assigned to a salary grade that refers to a salary range.

Salary ranges are a tool designed to assist in making decisions about pay by providing ranges that are considered fair and competitive in the local labor market for a specific job. Oracle's ranges are intentionally broad to allow managers to differentiate between employees who are new to their roles and still learning, and those who are fully qualified, very experienced and top performers.

Salary ranges are developed at the local country level, since there are market differences from one country to the next, as well as even within-country differences in some cases. For example, jobs in Silicon Valley are paid higher than those in Orlando, FL, so we have a differential in the US for non-HQ jobs.

Salary survey information from 3rd party consulting companies is used to develop our salary ranges. Market data is reviewed relative to the particular job and it's typical to vary between functions. For instance, market data for the sales function differs when compared to market data for the support function.

Understanding Salary Ranges

Several factors should be considered to position pay:

Performance

Experience
Knowledge
Skill

Market (External Equity)

Peers (Internal Equity)

In relation to

Employees who are still learning their role, or whose contribution is below the required standard

Employees who are fully experienced, competent and solid performers

Employees whose contribution is exceptionally high or ready for a promotion

1st Quartile	2nd Quartile	3rd Quartile	4th Quartile
\$36,159	\$42,938	\$49,718	\$56,498
Minimum		Midpoint	Maximum

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Salary ranges are the link between internal and external equity and assists us in making pay decisions during processes such as recruitment, employee job changes, employee promotions or for the salary increase process which we sometimes referred to as a ‘focal review’. Jobs that have the same local market value are grouped into the same local grade level, and have the same salary range. There are multiple jobs in each grade, often across different LOBs.

Salary ranges are reviewed annually and based on the review of this market data, the salary range structure can be moved as a whole or individual jobs may change grades from year-to-year (up or down).

So, how do we determine the correct placement of an employee in their salary range? The business climate and salary increase budgets play a key role in how managers are able to position employees within their range.

Other factors to consider when determining an appropriate position in the salary range are:

1. The employee’s skills, knowledge, and experience and perhaps education (if a requirement for the job).
2. Position in the range of others in the organization who have similar skill sets for the same role.
3. Sustained performance by the employee.

So, specifically, let’s review the ideal usage of a salary range.

Employees who are still learning their role, or employees whose contribution is below the standard should generally be positioned somewhere between the minimum and the 1st quartile. We find that with some teams, and in particular with Mergers and Acquisitions, we might have employees perhaps with limited skills, experience or education that truly are shy of meeting particular job requirements **and therefore, might be under the minimum of the assigned salary range.**

Hopefully over time these employees will have opportunities to increase their skills and knowledge and gain experience and, as budgets allow, their pay can be re-aligned.

As we see in this example,

- The midpoint typically reflects the external market rate for an experienced, fully competent and solid performing employee performing this job.
- The 3rd and 4th quartiles should generally include employees who are our top performers, who are ready for promotion or for those who possess a “hot skill”.
- The maximum is typically the highest salary that should be paid for a job.

As a manager, you may not always have the budget to perfectly place all your employees, but we wanted to give you an overview and understanding of the intended usage of the salary range.

Base Salary – Compa-Ratio

- Compa-Ratio is the ratio of the employee's salary to the midpoint of their job's salary range.

- Example:

Annual salary - \$52,000

Local salary range midpoint - \$49,718

Compa-ratio = Employee salary ÷ Range Midpoint x 100

= \$52,000 ÷ \$49,718 x 100

= 104.5

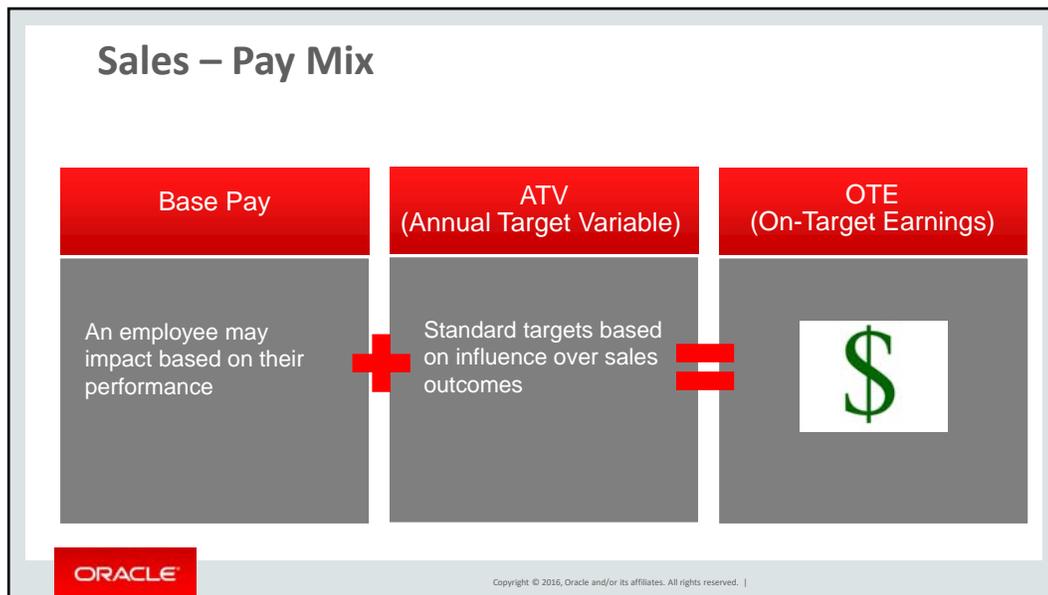


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An employee's compa-ratio is the ratio of their full time equivalent base salary to the midpoint of their assigned job's salary range. With this calculation, you have an opportunity to look at employees in different jobs and to gain a sense of their pay relative to each other. This is helpful when you are managing employees doing different kinds of work, at different levels and in different countries or regions within a country. Of course, it is important to remember that not everyone has, nor should they have, the same compa-ratio. The right compa-ratio for each employee depends on their individual experience, skills, contributions and performance.

To calculate a compa-ratio, we will divide the annual salary of \$52,000 by the midpoint of \$49,718 with a resulting compa-ratio of 104.5. This means that the employee is paid at 104.5% of the midpoint, or almost 5% over the midpoint of the range. This data point would indicate that the employee is fully experienced and competent to successfully perform the duties of the job and is being paid slightly over the current market of the job.



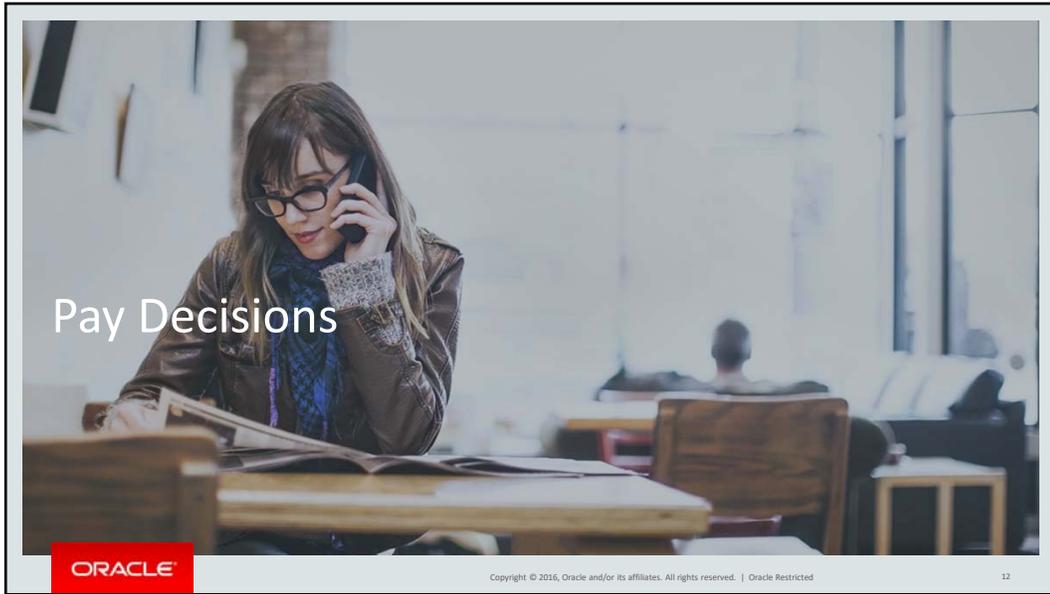
At Oracle, we have variable pay components such as those found within our consulting or corporate plans however, this slide is just speaking specifically about sales plans.

Base pay, as you know, is what an employee is given for a job which may be impacted by the employee with various factors such as their performance. The Annual Target Variable (ATV) is an earning opportunity for the employee based on achievement of their sales goals. It is this equation of base salary and the target variable that provides the 'Pay Mix' ratio of the job. The overall purpose of the pay mix is to help establish a motivating risk/reward proposition for those employees with influence over sales outcomes. Of course, the higher the jobs influence the higher the pay mix should be. Adding an employees base pay and their ATV provides their OTE (On-Target Earnings).

So, for instance, an Applications Sales Rep I and II (in the U.S.) is provided a standard [REDACTED] pay mix which indicates the employee is given [REDACTED] of their earnings in their base pay and a [REDACTED] ATV opportunity. This highly leveraged [REDACTED] pay mix indicates a significant influence over a sale. An example of a lower leveraged job is the pre-sales consultant with a standard pay mix of [REDACTED]. This pay mix indicates their influence for the sale is not as great and therefore most of their dollars (or [REDACTED] is found in their base pay with [REDACTED] leveraged in the ATV.

Of course, for some employees based on attainment of their specific sales goals, they will find that their base pay when combined with their variable pay can be very rewarding.

Lisa, I would like to turn this presentation over to you as you walk us through Pay Decisions....



Thanks Jana

In the next section of our presentation, I will review several types of pay decisions you may make as a manager.

General Principles of Managing Pay

- Compensation and benefits must be in line with the standard for the job
- Balance external and internal equity
- Consider the relevant knowledge, skills, abilities and experience of the employee
- Differentiate rewards by performance but manage within your budget
- Be honest and open with communications on rewards and performance
- These principles apply globally



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Managing pay is an art, not a science, and there are various factors to consider.

Here are some of the general principles of managing pay.

Compensation and benefits offered to employees should be in line with the Oracle local standard for the job.

Managers need to balance external and internal equity, as well as the relevant knowledge, skills, abilities and experience of the employee or candidate.

Rewards should be differentiated by performance which can be a challenge when managing within your budget.

It is important for managers to be open and honest with their employees when it comes to rewards and performance. However, it is equally important that you never make specific promises.

Remember these principles apply globally.

New Hires

- When posting a position
 - Choose the correct job family and career level
 - Most closely reflects the role and level of the work required
- When determining an offer
 - Make final determination of correct career level for the candidate – may differ from level of posting – one level up or down
 - Based on experience and skill set of candidate
 - Review salary range for proposed position and salary range position of existing incumbents in work group
 - Understand variable pay plan, if any eligibility

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When hiring a new employee you must first post a position. Choose the job family based on the family that most closely reflects the role. The Career level should be chosen based on the level of work the organization requires not the level that it would be nice to have or the level of the current members of the team.

When you're making an offer, make the final career level determination based on the candidate's experience and skill set. The career level may differ from the level of the posting – one level up or down is allowed with no additional posting requirements. Also review the current salary range and the position in the salary range of existing incumbents in the work group.

Be sure you understand if the position is eligible for any variable pay such as the Global Corporate Bonus or a sales incentive plan.

Scenario – New Hire – Choosing a Career Level and Salary

- Position posted as a M4
 - Will have 4 reports – 1 IC3, 2 IC4s and 1 IC5
- Candidate has 10 years experience including 2 years management experience

- Key factors in determining career level
 - Job Scope
 - Candidate’s experience
- Key factor in determining starting salary
 - Pay comparable to peers with similar experience and skills performing similar work

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Let’s review a scenario on choosing a career level and salary for a new hire.

Here are some of the facts.

The position is posted as a M4. The position will have 4 reports – 1 IC3, 2 IC4s and 1 IC5.

The candidate has 10 years experience including 2 years management experience.

The key factors in determining the career level are the job scope and the candidate’s experience.

The key factor in determining the starting salary is where the peers doing similar work are paid.

Based on the this information what would you recommend?

The candidates management experience and the size and makeup of the proposed team isn’t strong enough to qualify for the M4 level. When posting a job, you are free to hire one level up or down, so in this case, a potential recommendation would be M3 instead.

Determine the salary based on the pay of peers with similar experience and skills doing similar work in the organization.

Promotions

- A promotion is typically a move to a new job with greater responsibility and impact to the company.
 - Some promotions are within the same job family and career path and
 - Others can be to a new job family or career path
- Promotions are not always accompanied by a salary increase
 - Salary should, however, be appropriately positioned in new salary range



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A promotion is typically a move to a new job with greater responsibility and impact to the Company. Some promotions are within the same job family and career path and others can be to a new job family or career path.

Promotions aren't always accompanied by a salary increase. The salary should be appropriately positioned in the new salary range. If an employee is positioned very low in their current range, or has a salary that is not in line with the peer group in the new role, a promotion without a salary increase could cause internal equity issues, and may even cause the employee to fall below the minimum of the new range.

Promotions

- Key factors for IC promotions
 - Skills, experience, and performance of the employee
 - Scope of the job
- For promotions from IC to Manager
 - No direct mapping between paths
 - Consider scope of the job and previous management experience to determine level
- Key factors for Management promotions
 - Scope of job and business need for job at new level
 - Experience, performance, and results of the employee

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Key factors to consider for IC promotions are the skills, experience, and performance of the employee and the scope of the job.

For promotions from IC to Manager the new career level should be determined based on the scope of the new job and the previous management experience of the candidate. There is no direct mapping between the IC and M career paths.

Key factors for management promotions are the scope of the job and business need for a job at the new level. The employee's experience and results are also important factors.

Polling Question

Under which situation would you feel a promotion is appropriate?

- A. An employee has been in the same grade for quite awhile and is due a promotion
- B. I'm concerned the employee may leave the organization
- C. The salary of my employee appears to be low and by giving them a promotion I get a chance to increase it
- D. An employee mentions to you that a colleague next to them is doing the same job but has a higher career level. They've asked to be promoted.
- E. None of the above

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Read the slide and do poll.

Best answer is E.

- A. Promoting someone simply because they have been around for a while and seem “due” for a promotion, doesn’t mean it is appropriate to promote the employee. If the person’s role isn’t changing and you have no need for higher level work to be performed, then a promotion isn’t really a good idea.
- B. This situation is a little tougher. We shouldn’t promote someone just to retain them but we should be sure that we provide development and growth opportunities for employees. If this employee is a top performer or critical to your organization but there is no business need for the next higher level, discuss other opportunities with your manager and HR manager. If you promote but there is no change to the job duties, this may be a short-term answer.
- C. Promoting someone already low in their range will potentially lead to bigger problems.
- D. In this situation, you should discuss with your HR manager.

When considering whether a promotion is appropriate it is important that you objectively look at the experience, skills and performance of the employee.

Internal Transfers

- The starting point for transfers should be lateral – salary and career level
 - Internal transfers should not be used as means to increase salaries
 - However, if the new role has a change in pay mix or there is a change to job family, some adjustment may be appropriate



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The starting point for internal transfers should typically be lateral for both salary and career level. Transfers should not be used as a means to increase salaries or give promotions.

However, if the new role has a change in the mix of base and variable pay, an adjustment may be appropriate.

Typically we don't adjust the career level for a transfer. However, if the transfer involves a change in job family, sometimes an adjustment is appropriate.

Scenario - Internal Transfer

- I have an internal candidate I would like to hire but he will only transfer if I promote him.
- He has the exact skill set I need for my group and we desperately need the help.
- I'm going to tell him that I'll promote him and give him a salary bump to ensure he accepts my offer.

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Let's review a Scenario on an internal transfer

READ SLIDE ALOUD

What's wrong with these statements based on what we just discussed on the previous slide.

Internal transfers are typically lateral – salary and career level. Focus on the business need & the level of contribution they will make in the new role. If the employee's background (their experience and skill set) is such that a promotion is reasonable at the time of the transfer, a strong justification will be needed to get it approved.

Don't ever make promises prior to getting final approval from BOD. You may review the package that you intend to request, but make it clear that it is pending final approval. This situation is a good example of when it is a good idea to engage the help of your HR manager.

International Transfers

- A cross border transfer is a permanent move from one country to another
- Only employees who have unique or highly specialized skills are considered for this type of transfer
- You should pay appropriately in the new country. Don't simply transfer at the current salary converted to the new currency
- Pay levels for the same job differ from country to country even where currency is the same
 - In Europe several countries use the Euro but have different salary ranges
- Generally, lateral move with no change in career level

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An international transfer is a cross border permanent move from one country to another. It isn't an assignment.

Only employees who have unique or highly specialized skills are considered for this type of transfer.

You should pay appropriately in the new country. Don't transfer at the current salary converted to the new currency.

Pay levels for the same job differ markedly from country to country even where currency is the same. In Europe several countries use the Euro but have different salary ranges which are based on the local labor market.

Generally international transfers are lateral moves with no change in career level.

International Transfers (cont.)

- To determine appropriate salary for international transfer transferring to the same position in a new country use the employee's current compa-ratio and keep it constant in the salary range of the new country.
 - This methodology places the salary at the same position in range in the new country as in the old country
 - If employee's current compa-ratio is extremely high or extremely low it may be appropriate to use the new peer group to place the salary appropriately
 - Don't convert the current salary to the new currency
 - If transfer is into a completely different job family, then determine salary as if a new hire
- $\text{Compa-ratio} = \text{current salary} / \text{midpoint of salary range}$

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To determine an appropriate salary for an international transfer where the employee is transferring to the same position in a new country, use the employee's current compa-ratio and keep it constant in the salary range of the new country.

- This methodology places the salary at the same position in range in the new country as in the old country
- If employee's current compa-ratio is extremely high or extremely low it may be appropriate to use the new peer group to place the salary appropriately
- As we've mentioned earlier, don't just convert the current salary to the new currency
- If the transfer is into a completely different job family, then determine the salary as if the employee is a new hire.

The Compa-ratio is calculated by dividing the current salary of the employee by the midpoint of the salary range.

Because the international transfer process can be complex, please reach out to your HR manager for assistance in determining an appropriate salary.

Off-Cycle Salary Increases

- An off cycle increase may be needed for:
 - Promotion
 - Competitive counter offer (Dive and Save)
 - Job change with change to the variable pay plan
- Off Cycle increases in FY17 – limited



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Off-cycle increases are not very common at Oracle, but they do occur. An off-cycle increase may be necessary to accompany a promotion with a significant increase in responsibility, to counter an offer from a competitor – known as a dive and save or when there is a change to the variable pay.

To qualify as a dive and save, a written offer is required.

When there is a decrease in variable, typically when an employee is moving from a Sales or Pre-sales position to a Non-sales position or from a Sales or Pre-sales role with more leverage, the new base salary should be determined based on the employee's experience and pay of the peers in the new workgroup and a base increase may be appropriate.

For any proposed pay action, please proactively work with your respective HR manager. They can assist you in determining if an increase is appropriate and if so what the appropriate amount is and timing should be depending on the country and situation.

We expect that off-cycle increases will continue to be very limited in FY17 company wide.

Workflow Justifications

- An effective justification should include:
 - New Hires
 - Description of the job and the business need for it
 - Skills and experience of the candidate and how they meet the requirements of the job
 - Data used to determine salary offer
 - Off-Cycle Promotions
 - Attach relevant information on the scope of the new job
 - If an increase is proposed, position in new salary range and comparison to peers
 - Dive and Saves
 - Performance and results
 - Impact to business if employee leaves organization
- Justifications should be thorough yet concise and be based on facts not feelings

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An effective justification is important to a smooth approval process for any job or pay change. It is important that relevant information is provided for all the subsequent approvers.

For new hires you should include a description of the job and the business need for it. You should also include the skills and experience of the candidate and how they meet the requirements of the job. You should also describe how you determined the salary offer.

For off-cycle promotions or any base pay increases, you should include relevant information about the scope of new position or why an employee needs the proposed pay increase. Included in the details will also be the position in the new salary range and comparison to the peers in the same position. The approvers also like to see a sentence that speaks to the urgency of the proposed pay increase to gain a full picture of the request.

For dive and saves, you should include performance and results of the employee and the impact to the business if the employee leaves.

Justifications should be thorough yet concise and be based on facts not feelings.

Again, please work with your Hr Manager when writing justifications.

Recap

- Each situation should be reviewed on a case-by-case basis but the principles should be applied as consistently as possible
- There are no absolute right or wrong or “one size fits all” answers
- Look at the whole picture, not just the position in the salary grade
 - Internal equity
 - Skills, Knowledge, Competencies, etc.
- Reasons for the decision should be documented
- The salary and benefits should be set correctly for the new position
- The increase/change in status should not be backdated

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It is important to remember that compensation decisions are made on a case-by-case basis and many pieces of information need to be considered in each instance. There is not a “one size fits all” solution for managing pay. As we have reviewed, you should look at the whole picture when making a pay decision, including internal equity, as well as the knowledge, skills and competencies of the employee.

You should document the information you used to make your decision. The salary and benefits should be set correctly for the position.

The increase or job change should not be backdated.



Thank you for your time....

Siona and Shelley – closing comments.....