

Acquisition Employment and Compensation Playbook

Oracle Internal Only

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NOTE: This document is for Oracle HR, LOB Integration Leads and Managers. Oracle Internal Only

Acquisition Employment and Compensation Playbook

Overview: Oracle will follow a standard process for transitioning acquired employees to Oracle employment and compensation. The goal of the standard process is threefold: 1) accelerate the employee transition to Oracle; 2) follow a consistent approach such that Oracle LOB's have a clear understanding of the process; and 3) allow adequate time for Oracle LOB's to determine optimal compensation for incoming employees. The following are general guidelines only; actual practice may vary depending on the facts and circumstances of the particular situation, and subject to obtaining applicable approvals as outlined below.

Acquisition-to-Oracle Job Code Mapping: Oracle HR will use existing job documentation to map the acquired employees to comparable Oracle job codes. If job documentation does not exist, Oracle will engage with the acquired company leadership team and/or HR to understand the job content and map to comparable Oracle job codes. This will most likely result in title changes for acquired employees and less frequently include functional reassignment. Timing of the job code mapping process typically begins after the signing of the acquisition and is completed either before or after the change-in-control (CIC). Timing may differ based on the nature of the transaction. Please note the following with respect to job code mapping:

- Oracle HR's ability to complete the job code mapping is contingent upon the acquired company (shortly after the LOI is executed) completing the Oracle HR acquisition employee template and providing the additional information (e.g. organization charts, job descriptions, and salary survey mappings, etc.) needed to map to the appropriate function and job codes
- Compensation M&A will evaluate the need to create new job families in the event that acquired employees are and will continue to perform unique jobs that don't currently exist at Oracle
- The mapping process is continuous throughout the deal cycle and an employees' mapping may be adjusted as Oracle HR and Oracle Managers receive new information regarding the employees and the LOB integration plans

Oracle LOB Hiring: For each acquisition, Oracle LOBs will be responsible for identifying employees that either will transition or will not transition to Oracle, subject to local country requirements. Oracle LOBs have two options for those transitioning to Oracle: 1) provide regular offer / notification letter (full time or part time); or 2) provide transitional offer / notification letter with identified end date. For employees that receive a regular or transitional offer / notification letter, they will be subject to the standard compensation process described below:

- HR M&A will be responsible for providing the Oracle LOBs a preliminary list of the employees mapped to the respective Oracle LOB. Timing will typically be after the signing and announcement of the deal, but may differ based on the nature of the transaction.
- Oracle FP&A will be responsible for providing the target number of employees per Oracle LOB, based on the approved acquisition budget. Timing should be in-line with the delivery of the acquisition employee lists to the Oracle LOBs. Note that Oracle FP&A's ability to

provide this information to the Oracle LOBs is contingent on the acquisition company providing the relevant and complete financial information pre-CIC.

Standard Compensation Process: A holistic compensation and benefits review will be completed prior to Compensation M&A defining the overall total compensation alignment strategy with the objective of maintaining compensation parity. In general, acquired employees will transition to Oracle – whether through a job offer or notification process, depending on country location – in the following manner:

- **Base Salary** - Transition to Oracle at current base salary or with an increase to base salary. Base salary increases may be proposed for the following reasons:
 - Address differences in compensation pay mix
 - Address differences in total compensation philosophies (i.e., under-market base in lieu of equity or higher incentive opportunity)
 - Align to similarly situated* Oracle peers to maintain internal equity
 - Aligning to acquired company's focal/anniversary merit increases as a bridge to Oracle focal
 - Adherence to local legal requirements

- **Corporate Bonus** - Acquired employees mapped into a corporate bonus eligible job code generally will begin their eligibility for Oracle's plan at local legal entity combination (*alternative options may be proposed to comply with local legal requirements and will take precedence*). Examples of alignment of corporate bonus programs include:
 - If the acquired company's' bonus period extends beyond the local legal entity combination (LEC) date, Oracle will prorate payout and transition employee to Oracle corporate bonus plan as of LEC date with prorated bonus amount for time in plan.
 - If the acquired company's' period ends prior to the LEC date, Oracle will credit for the time between the end of the company's' performance period and the LEC date.

- **Individual Variable Compensation** - Acquired employees that are mapped to jobs with individual or team based variable pay plans will continue in their current pay plans until Oracle GTM establishes a transition plan for aligning incentive targets, performance metrics and payout formulas.

- **Short-Term Incentive Pay Parity** – in acquisitions where employees' total compensation, (base + bonus) package includes a defined target percentage for a company-wide incentive plan that is higher than Oracle peer group, a variety of options may be considered in alignment with the deal integration strategy. Some options that have been used in prior deals are outlined below:
 - **Option A:** Replace actual incentive earnings averaged over 2-3 years with equity (RSUs) equivalent to four times the annual value as a bridge to Oracle discretionary bonus scheme

*Similarly Situated - Comparable with respect to skills, knowledge, years of experience and performance

- Option B: Adjust base salary by amount equal to actual incentive earnings averaged over 2-3 years up to Oracle peer average – applicable only if skills, experience and performance are comparable
 - If current salary is equal to or above the peer average, use option A
- Option C: Adjust base salary by amount equal to actual incentive earnings averaged over 2-3 years up to Oracle peer average with remaining amount replaced with equity (RSUs) equivalent to four times the annual value as a bridge to Oracle discretionary bonus scheme – applicable only if transitioning from a highly leveraged pay mix to an Oracle Corporate Bonus eligible or “no bonus” role
- ❖ *Alternative options may be considered to comply with local country legal requirements*
- **Equity** - Unvested equity will be substituted with Oracle equity depending upon the structure of the deal, expense impacts and legal permissibility. Retention equity may be granted for business or skill critical employees needed for long-term.
 - Acquired employees will be eligible for an Oracle grant at the next regular award cycle, depending on the timing of the local LEC/employee integration/harmonization date and other compensation arrangements
 - If the acquired company has consistently provided annual equity grants and their awards cycle occurs between signing and LEC, Oracle may incorporate the awards into the offer proposal for those deemed critical
 - If the acquired company has consistently provided annual equity grants and the LEC date occurs after the cut-off date for eligibility into the Oracle equity process, equity may be provided as part of the offer for those deemed critical
- **Long-Term Incentive Pay Parity** - In acquisitions where employees' total direct compensation (base, bonus, equity) package is higher than Oracle peer group and equity is an expected and a consistent component, Compensation M&A may propose a one-time pool equivalent to their most recent equity pool as a bridge before transitioning into Oracle's equity granting philosophy.
- **Focal Salary Review** - Acquired employees will be eligible for a merit increase at the next regular Oracle focal salary review, depending on the timing of the legal entity combination date and other compensation arrangements.
 - If the timing is such that there is a gap of greater than 12 months in between acquired company and Oracles' focal salary process, increases may be incorporated into the offer process
 - If the acquired company's' focal cycle occurs between signing and LEC, Oracle will allow them to conduct their planning and incorporate the increases as part of mapping process
 - Depending on circumstances, a distinct focal review may be run for acquired employees prior to the next regularly scheduled Oracle focal salary review

process. This would occur only as a rare exception, and will be handled on a case-by-case basis

- **Scheduled Promotions** – Promotions should be reviewed within the context of the overall mapping process. The change in job scope and responsibility including any corresponding increase should be in alignment with the average base salary of similarly situated* Oracle peers.

Exception Process: For each acquisition, certain incoming employees may require an exception to the above standard compensation process. Exceptions will be managed by HR M&A and Corporate Development and will require the approval of the CEO Office. In general, exceptions should be identified and resolved as soon as possible, but no later than the legal combination for non-EU countries or the completion of the employee fair selection process in EU countries. Potential exceptions may include, for example:

- **Pre-Signing Key Talent** - Oracle may determine that certain acquisitions will have a small number of designated key employees. Special compensation arrangements may be structured for key employees that deviate from the standard compensation process. Corporate Development and HR M&A will manage the key employee list with input from relevant Oracle LOBs on the appropriate compensation and retention proposals.
- **Post-Signing Critical Talent** - Oracle may determine that certain acquisitions should include a retention proposal for designated critical employees. For retention programs designed as part of the deal, Corporate Development and HR M&A will manage the retention equity pool with input from relevant Oracle LOBs on the appropriate allocation. Retention programs designed post signing of the deal, may be recommended by relevant LOBs for those deemed to be either business (long-term) or integration (short-term) critical.

The retention considerations for the selection of critical talent needed for long-term business needs should be based on retention criticality and retention risk

- Retention criticality is defined as:
 - Those central to the Oracles' ability to execute its strategy and capable of generating value for the corporation. No internal talent available as a stop-gap intervention
 - Loss of talent impacts the success of the deal, creates a disruption
 - Those who have positions that require a rare combination of skills and experiences and are complex in nature
 - Scarce talent, not readily available or easily replaced
- Retention risk is defined as:
 - How competitive is the local market for this talent? Is the talent regularly targeted by external recruiters?
 - Beyond the change to Oracle employment, how much change will the employee experience: leadership, management, relocation, role, and culture?

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- How positively will the acquisition be viewed in the market and internally?
- What is the employee's liquidity? - Will the employee have a sizeable payout at closing that will impede retention (vested equity, stock etc.?)

It is important to take a total compensation approach when proposing the appropriate retention plan, taking into account previous special payouts (unvested equity, holdback, etc.). The guidelines are as follows:

- Retention plan may be cash or equity depending on the retention target group.
- The retention vehicle will depend upon the retention target group and country legal requirements
- Equity (RSUs) is the preferred retention vehicle for long-term employees critical to the success of the deal drivers and/or Oracle. RSUs are on a standard 4 year vesting schedule
- In all situations where the retention vehicle is equity, the equity approval guidelines must be adhered to ensure plan committee and compensation committee approvals are obtained
- "Welcome grants" and broad-based equity awards are not preferred
- Cash is preferred for those that are integration critical and needed for the short term. Staggering of payment should be structured in a way that encourages retention for the defined period
- **Change Of Job Responsibilities / Status** - After the job code mapping process is completed, certain acquired employees may assume different job responsibilities (e.g., quota-carrying rep to business development manager) or a change in job status (e.g., salaried vs. hourly). In these cases, the LOB may make recommendations to change certain compensation components (e.g., base salary, variable) to reflect change in role or status.
- **Exceptions To Avoid Triggering CIC Benefits** - In certain acquisitions, some or all employees may have CIC agreements or plans that limit Oracles' ability to reduce the earning potential and/or job responsibilities during a certain time period after the transaction without triggering the applicable CIC benefits. Corporate Development and HR M&A will manage these exceptions with input from relevant Oracle LOBs.
- **Other Exceptions** - Other exceptions may be allowed, but will require written justification from the Oracle LOB and will require CEO Office approval.



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