

**ORACLE®**

**Global Compensation Training**  
**Managing Compensation at Oracle – an Introduction**

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Exhibit P-161

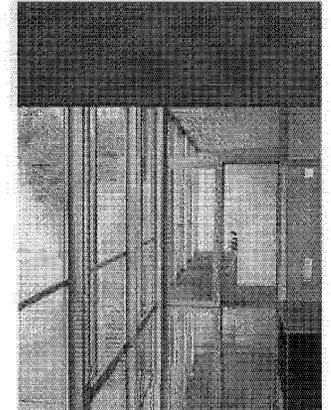
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# Compensation Training Overview

- The Oracle Compensation Training for managers includes the following modules:
  - Introduction
  - Job Classification and Global Job Table
  - Salary Ranges
  - Managing Pay
  - Compensation Processes
  - Region specific modules
    - Americas
    - Asia Pacific
    - Europe, Middle East and Africa
    - Latin America



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This is the Introduction to Compensation module for compensation training. There are 8 other modules that have been developed to provide you a basic overview of many topics you should be aware of when managing employees at Oracle. Most compensation information applies globally; however, there are some topics that vary by country and/or region, so the global compensation team developed region-specific modules to cover topics that aren't relevant worldwide. Please review the modules for each region in which you have employees.

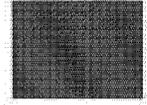
Keep in mind that this is simply an overview and it is not designed to teach you everything there is to know about compensation. It is important to work with your local compensation team representative and HR manager on employee compensation issues.

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# Topics

- General Compensation Principles
- Components of Total Compensation

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The topics we will review in this module are:

- The general principles of compensation and the components of total compensation at Oracle.



# Oracle's Comp Principles and Objectives

*Oracle must attract, retain and motivate highly skilled, high performing employees to be successful*

- Provide compensation programs that:
  - Attract and Retain by being Market Competitive
  - Motivate employees to maximize their productivity, but also consider shareholder interests
  - Focus energy on the right things to achieve corporate objectives
  - Are legally compliant
- Pay for Performance
  - Company Performance
  - Individual Performance

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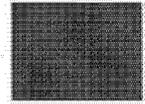
Remembering that the business drives compensation, it is helpful to think about Oracle's key principles regarding compensation.

First, Oracle is a knowledge company, so attracting, retaining and motivating the right talent is key to Oracle's success. If you think of the employee relationship as a business relationship, Oracle has to offer a value proposition to the employee. Part of that is the money side of the equation, but there are other parts too. Therefore, we don't have to overpay relative to the market to get talented folks to work here, but we do have to pay enough.

Second, Oracle must be tax efficient and legally compliant wherever we do business. Sometimes this means that parts of compensation are offered through benefits, rather than cash. Sometimes tax implications impact Oracle's decisions about what kinds of vehicles to use when compensating employees. We will talk more about this with respect to stock option and the ESPP later on. In all cases, we need to follow the laws of the countries in which we are doing business.

Finally, Comp tools and programs are designed to support corporate objectives and help you execute on your business objectives. They are designed to help you motivate your employees through pay, and to help you link pay to specific work objectives to motivate the right kinds of behaviors.

Oracle generally compensates employees based upon their contributions to the Company and Oracle's financial performance. The goal is to attract, retain, and motivate the very best qualified employees. Central to Oracle's total compensation philosophy are: recognition, reward and market competitiveness.



# Focus on Total Compensation

- Cash
  - Base Salary
  - Allowances
  - Short term incentives (commission/bonus)
- Stock
  - Long term incentive – stock options
  - ESPP
- Benefits
  - Country specific programs

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Different components help achieve different management and corporate objectives.

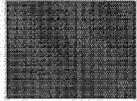
Having a mix of components increases flexibility to meet business and employee needs.

We will go through each component in more detail for the rest of this session.

Please note that ESPP is not available in EMEA.

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## Base Salary

- Represents potential pay opportunity for a job.
- Linked to employee's skills and competencies in current role, as well as the performance of the employee and the situation in the local market.
- In some countries, base includes fixed allowances.

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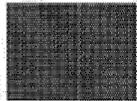
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Base salary is more stable over time than most of the other components of total compensation and it should be linked to the individual's skills and competencies in his or her current role.

It is important to note that there is a different definition of base salary in some countries. For example, in India base will include other fixed allowances provided for tax reasons. In other countries like the Philippines & Brazil, there may be a 13<sup>th</sup> month of pay included in the base salary for a contractual bonus.



## Short Term Incentive (Bonus or Commission)

- Provides management with a mechanism to reward short term performance
- Payments vary according to performance and allow companies to lower cost when results are not achieved
- Commission
  - Tied to individual/team performance against quota
- Bonus
  - Tied to company or LOB results
    - Eg Global Bonus, Consulting Bonus, ACS Bonus

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Variable Pay is short term incentive meant to reward recent individual results and performance.

The short range of sight creates higher motivational value and payments will be linked to the company's ability to pay and business results.

Some examples of variable pay are bonus, which is tied to company or LOB results; and commission, which is tied to individual and/or team performance against quota.

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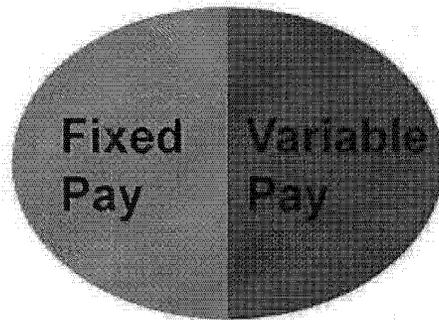
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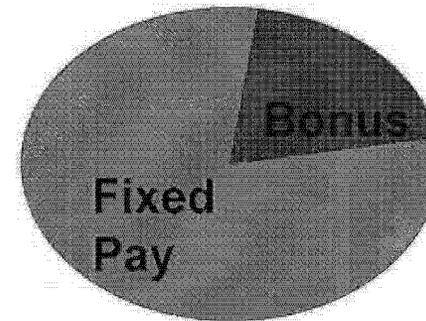
# Short Term Incentives

Different jobs have different pay at risk component (fixed vs. variable/bonus mix) – Short term incentive



Sales job-high pay at risk

*Keep them motivated - can be big payoff.*



Non-sales job-lower pay at risk

*Opportunity to reward based on performance*

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Different jobs will have a different pay at risk component.

A salesperson knows where to focus his or her efforts because sales objectives are specified by the sales compensation plan. A salesperson's performance is rewarded for achieving or exceeding specific results.

The Salary/Incentive Mix is the relationship between base salary and the planned (or target) incentive amount. One of the primary factors affecting the pay mix is the degree of influence the salesperson has on the purchase decision. The more influence the salesperson has, the higher the incentive opportunity.

The mix indicates the proportion of pay at risk, a job with an aggressive mix; for example 50/50, has a less predictable cash flow. Mix will always total 100%, with the first number representing the percentage of target pay in base salary and the second number representing the percentage of target pay at risk for achieving "TARGET PERFORMANCE".

For a non-sales employee, the ability to influence the purchase decision of customers is virtually non-existent. Therefore, non-sales employees are rewarded based on overall company and individual performance. The pay mix of these employees is less aggressive, for example 90/10, so they have a more predictable cash flow, but lower upside potential earnings.

Why are there differences in pay at risk for different jobs?? Typically because the variable pay component motivates certain types of behaviors. Eg. Sales employees are paid a competitive base salary and, they have an even higher earning potential.

based on their performance against specific metrics. Variable pay plans can be modelled to incentivise specific behaviors.

Change in role can impact in the following ways:

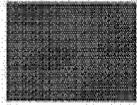
- Total pay may increase or decrease depending on the market value and salary range for the new role

- May be a change in the fixed and variable pay mix

- May be an increase or decrease in career level

- May be a change in car or car allowance eligibility (this is tied to job)

May want to consider whether a job change is employee or company-initiated and intended duration when modifying the ee comp.



## What are Stock Options

- Contractual agreement between Oracle and individual employee (10 year term)
- Allows employees to purchase a specific number of Oracle shares at a set price
- Employee earns right over time to purchase shares (vesting)

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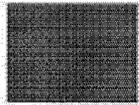
Stock Options are a long term incentive tool that allows employees to purchase a specific number of Oracle shares at a set price.

The vesting in most countries is over a 4 year period (25% of the grant is available for the employee to exercise per year for 4 years), with the idea that unvested stock is an incentive for the employee to stay with Oracle. The more the stock price rises after the grant date, the more valuable the stock grant is for the employee. So again there is a dual purpose of focus on shareholder value and staying with Oracle to realize the gains.

Some countries are not eligible for stock. If you are unsure, please refer to the stock eligibility document, which is available on CWB. OR, US stock services can also provide you with a list of countries not eligible

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## Stock Options – Long Term Incentive

- What is the purpose of granting stock options?
- Recognize and retain key talent
- Focus senior management on delivering for key stakeholders (i.e. shareholders) – ownership
- This is a changing competitive market
- Different vehicles offered
- Tough to compete with growth companies

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Stock is really a retention vehicle, as well as a good way to get senior people thinking about the stock price, and adding value for shareholders.

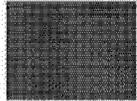
Stock option budgets are small, and there will not be enough to give to everyone, nor is that the best approach. When granting stock options, you want to focus on your top, key talent, or those you most want to retain.

Stock used to be an inexpensive way for companies to reward employees, and it was a reward that was highly valued by employees as something prestigious that told them the company really felt they are important to the business. It was also viewed as a wealth accumulation vehicle. Employees thought if they stayed with the company long enough, and the company did well, they could make a lot of money. And many employees did.

The increased attention to corporate governance issues over recent years has meant that companies are now reporting stock options as an expense item on company reports. As a result, stock options have an impact on the organization's bottom line which was not the case previously.

New start-up companies, and companies just entering the public sector often use stock as the main retention tool for their employees, so the stock pools for their grant processes may be much larger. As a more mature company, Oracle does not try to compete with these employers when it comes to granting options.

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## Benefits / Perks

- Company benefits differ by country depending on market practice and government/state provisions but may include some of the following:
  - Medical, Dental, Vision insurance
  - Income protection in case of sickness & disability
  - Term Life (Life Insurance) and Personal Accident Coverage
  - Retirement plans
  - Company Car/Car allowances
  - Vacation days
  - Employee Assistance Program (EAP)
  - Savings plans

*\*Local summary plan descriptions provide further information including eligibility criteria for Oracle benefits.*

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Benefits provide assistance to employees and their families in funding basic levels of healthcare and retirement planning.

Benefits can be as much as 30% of total compensation for lower level employees. The most important benefits at Oracle are mentioned in the slide, covering topics such as:

1. Health Benefits
2. Disability Income Benefits
3. Retirement Benefits
4. Death Benefits

In addition, the Employee Assistance Program enables employees and relatives to seek counseling for personal problems.

The list of benefits provided is not restricted to what is included in the slide. Additional benefits include the International SOS program that Oracle has put in place in order to provide medical assistance to employees while they are travelling outside their home country on company business.

The level of benefits can be different from one country to another, due to a number of reasons, such as:

1. Local market practice
2. Cultural and historical reasons
3. Legal situation - in some countries the state provides a lot of benefits.

# It Isn't Always About the Money

|                                       | Ranking by: |          |
|---------------------------------------|-------------|----------|
|                                       | Employees   | Managers |
| Appreciation for work done            | 1           | 8        |
| Feeling "in" on things                | 2           | 10       |
| Sympathetic help on personal problems | 3           | 9        |
| Job Security                          | 4           | 2        |
| Good wages                            | 5           | 1        |
| Interesting work                      | 6           | 5        |
| Promotion/growth opportunities        | 7           | 3        |
| Personal loyalty to workers           | 8           | 6        |
| Good working conditions               | 9           | 4        |
| Tactful disciplining                  | 10          | 7        |

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Managers and employees have very different perspectives on what is important to employees. An interesting study is the Korn/Ferry international Survey from 2001. This study was conducted by the Center for Effective Organizations at the Marshall School of Business at the University of Southern California. The survey looked at 10 large international technology-intensive corporations.

The study was called "What do employees really want? The perception versus the reality". One of the key findings was that what the employee reported as most desirable is often different from the manager's perception of what he or she feels is important to the employee. This chart shows the disconnect.

Other key findings were that there are some key similarities as well as some dramatic differences in what is important to different people, with some linkages to gender and age. For example "pay for organizational performance" was a key retention factor for all age groups, while "job security" was a much more important retention factor for the "over 50" age group than for any other age group. Career advancement was more important for the "under 30" and "31-50" age groups than for the "over 50" age group. With respect to gender, Career advancement was the strongest retention driver for men, while professional satisfaction was the strongest retention driver for women.

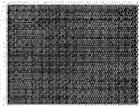
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# Tools and Resources

- Your manager
- The local Compensation/HR department
  - the HR Global Website lists compensation contacts & you will find your HR Rep & Manager by checking your ARIA page
- Internal Websites
  - MEE
  - DBI
  - CWB – used for bonus, stock & salary increase processes
  - IWB – shows salary information and history for all employees within your organization
  - HR Global Website, global HR policies

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In a self service organization like Oracle, there are many resources available to educate you on making compensation decisions.

Your manager should be your number 1 resource for compensation-related discussions. He or she can give you direction about compensation decisions made at the line-of-business level. For example, during the salary increase, bonus and stock processes, some LOBs may implement specific strategies on how they want to allocate their budget pools.

Another important resource for you is the local Compensation manager or HR manager for the country in which the employee works. He or she will be able to provide expertise on local practices, processes and requirements for that country. In addition to providing advice on day-to-day comp decisions, the compensation team and HR team can also provide advice for some of the more difficult compensation-related challenges that you may face. You can find your HR Contact and HR Manager by checking your ARIA page. The appropriate compensation contact can be found on the HR Global website.

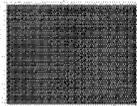
In addition to personal resources, Oracle has plenty of online resources available to you. There is a wealth of information available through the global HR website and through HRMS applications like Manager Self Service (often referred to as MEE), Compensation Workbench -or CWB- and Information Workbench (often referred to as IWB).

On the HR Global Website you will find the country HR sites, global compensation information, employee handbooks and global policies such as code of ethics and Business Conduct.

Compensation Workbench is used for comp processes such as the Global Corporate Bonus and the Salary Increase Processes and on IWB you will find job and salary information and history for all employees within your organization.

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# Information Workbench (IWB)

- Main View options:
  - Salary
  - Job Information
  - Sales Salary
  - Total Compensation (summarized - Rolling 12 months)
  - US hours worked - great tool to track overtime hours
- Filters:
  - All employees
  - Direct employees
  - By team
  - Per country
- There is also a training video available under: [Information and Links / Trainings](#).

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Information Workbench is accessed via your Compensation Workbench responsibility. IWB is a tool available to assist you in monitoring all compensation related information pertaining to your employees. In addition to base salary history, bonus history, job history and salary range data, IWB enables you to track overtime and exception pay history for US employees in your hierarchy. The data is refreshed every month.

The main view options that you will find on Information Workbench are salary, job information, and sales salary. But you will also be able to find a summarized total compensation overview of your employees. The overview will show what base and variable compensation your employees have received in the last 12 months.

If you want to view specific sections of your organization, there are filters available in Information Workbench. You may filter by country or direct report team, or you may choose to view just your direct employees or all employees who report up to you.

If you have little experience with Information Workbench, you can use the training video that is available in Compensation Workbench under Information and Links and then Training.

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