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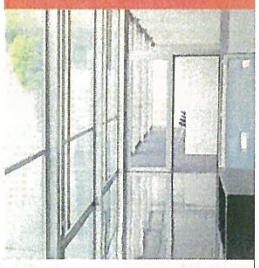
Global Compensation Training

Salary Ranges at Oracle

1

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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Summary of Comments on PowerPoint Presentation

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Number: 1 Author: Presenter Subject: Presentation Notes Date: 4/27/2019 8:18:08 PM

This is the Salary Ranges 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

- Salary Ranges
  - What are they?
  - Why do we have ranges?
  - How are they created?
  - How do we use them to make decisions?

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Number: 1 Author: Presenter Subject: Presentation Notes Date: 4/27/2019 8:18:08 PM

In this session, we are going to review all that an Oracle manager needs to know about our internal salary ranges. What are they? How are they created and who creates them? And how should managers use the ranges to make decisions?

1

What are Salary Ranges?

- A tool to assist managers/HR in making decisions about base salaries during the recruiting process, salary increase reviews and job changes or promotions
- A reflection of the local market for base salaries being paid by competitor companies.

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Number: 1 Author: Presenter Subject: Presentation Notes Date: 4/27/2019 8:18:08 PM

Salary ranges assign a minimum and maximum to the amount that we are willing to pay for a specific job. They reflect the market in the area and allow for much variation in knowledge, skills & abilities that each individual brings to the company.

Salary ranges are country specific. There may be more than one set of ranges per country – in the US, there is a set of ranges for HQ/Bay Area employees and another set of ranges for all other locations.

1

Why do we have Salary Ranges?

- 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.
  - Ranges help managers with employees in multiple countries to pay according to the local market.

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Number: 1 Author: Presenter Subject: Presentation Notes Date: 4/27/2019 8:18:08 PM

Salary ranges are a tool to assist managers in making decisions about pay. They provide managers with a range of pay that is 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.

Without such tools managers with employees in multiple countries may think of pay rates in terms of their own home country. This could result in paying too high or too low relative to the local markets.

Salary ranges may be found in the Manager Self Service tool, or in Compensation Workbench and Information Workbench.

1

How are Local Salary Ranges Developed?

- Local compensation teams participate in, and use data from, salary surveys conducted regularly by external consulting companies.
- Compensation surveys should only be purchased and participated in by the Global/Regional Compensation Team.
- Salary ranges are assigned to Oracle's global jobs based on local market salaries per country.
- Jobs that pay similarly in the local labour market are allocated to the same range

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As a mature, established company, Oracle recognizes the importance of paying competitively relative to the local market.

The global comp team regularly participates in comp surveys and maintains peer relationships with comp professionals at our competitor companies to have access to comp data. This is done at a local country level, as there are clearly 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 10% differential in the US for non-HQ jobs. There are also 2 sets of ranges for China, because of the market differences between Beijing and the other Chinese cities in which we operate.

It is IMPERATIVE that only the global compensation team submit compensation data for survey participation and purchase. No one outside of global compensation should be submitting Oracle employee data to 3rd parties.

1

Creating Salary Ranges

Preferred Competitor Companies

- Adobe
- Apple
- Applied Materials
- Cadence
- Cisco
- Ebay
- Google
- HP
- IBM
- Intel
- Microsoft
- Motorola
- Qualcomm
- SAP
- Texas Instruments
- Yahoo!

Software Industry
Local Companies
Consulting Separate List
Sales Separate List
Geographical Differences

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When participating in surveys, Oracle submits data on what we are paying for certain jobs while always ensuring anonymity of incumbents. Our primary sources of data come from highly reputable 3rd party consulting firms who gather data from participants, and compile it to produce reports that keep individual company data confidential. Oracle targets to be competitive against a select list of competitor companies chosen by our board of directors. These are the companies the board feels are our biggest competitors for talent – those that we hire from, and lose employees to. It is not an exhaustive list, rather the most prominent companies only, and those that are felt to be the "premier" high tech market sector.

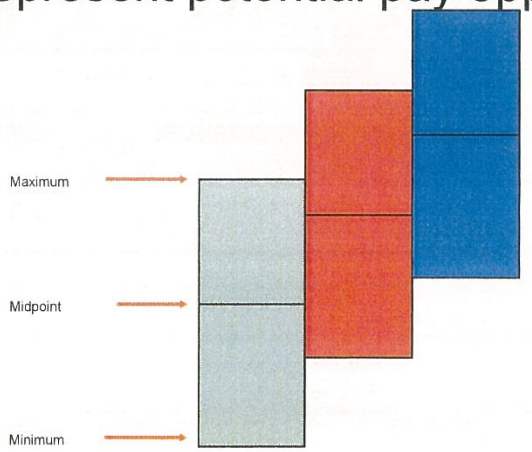
There may be differences in the list by country, depending on the key competitors in that country. The market maturity in a specific country plays a huge role in determining how much market data we are able to gather. In relatively new geographies, we use whatever data we can get, because we don't always have direct competitors in those markets. The list may also change for some LOBs, since they may compete for talent elsewhere, for example, we may benchmark against consulting firms for the consulting function.

In addition to survey market data, the compensation teams also get data from more informal sources, such as through recruiters or peers in other companies.

1

Base Salary - Salary Ranges

Represent potential pay opportunity for a job



Salary Ranges are driven by market conditions and are reviewed annually to test for market competitiveness

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Salary range is the link between internal and external equity. All jobs that are considered equal in value to Oracle are grouped into the same local grade level, and have the same salary range. The salary range numbers are set based on what the local market is paying for the jobs in that range. Salary ranges are reviewed annually, and the range for a job could change from year-to-year (up or down) based on the review of market data.

There are multiple jobs in the grade, often across different lobs.

The Minimum is the entry level salary for a job. Some countries have legal requirements that employees cannot be paid below the range minimum for their job. In these countries, a salary may be green circled, meaning that the employee must be given a salary increase to bring his or her salary from below the salary range minimum for the job into the salary range for the job

The Midpoint or Job Rate is how much a fully competent employee should earn for the job. It reflects Oracle's desired market position relative to the external market, provided they are fully experienced, fully competent and performing at a completely satisfactory level. The midpoint or job rate is determined based on the desired target market position for all jobs in that grade level. Desired market position around which the midpoint is built may vary from one country to the next, based on the level of maturity of Oracle within that country.

The Maximum is the upper end of the salary range. This is the maximum salary level that is set for the highest level of performance in a job. Regardless of how fantastic an individual employee may be, there is an upper limit on what makes sense for Oracle to pay for a particular job being performed. This is represented by the range maximum. Some countries have legal requirements that employees cannot be paid above the range maximum for their job. In these countries, the salary may be red circled, meaning that the employee is not eligible for a salary increase until his or her salary falls under the range max, either due to being promoted to a job in a higher range, or due to the salary range moving up based on market movement.

As mentioned previously, there are separate ranges for each country, because ranges are based on the local labor market.

1

Example of moving from salary survey to salary ranges

Support	
Global Job	Mkt Data
Techn. Analyst 1	[redacted]
Techn. Analyst 2	
Techn. Analyst 3	
Techn. Analyst 4	
Techn. Analyst 5	

2

Salary Grade	Min	Midpoint	Max
1	[redacted]		
2			
3			
4			
5			
6			
7			
8			
9			
10			

3

Salary Range Structure			
	Min	Midpoint	Max
Techn. Analyst 1	[redacted]		
Techn. Analyst 2			
Techn. Analyst 3			
Techn. Analyst 4			
Techn. Analyst 5			
IT Manager			
IT Sr. Manager			
IT Director			

- Local market data is analyzed to create a pay structure that is competitive for all Oracle jobs in the local market; lowest to highest-paid.
- Each Job is assigned to the salary range that is most closely aligned to the market pay. This ensures salary ranges are based on external local market data, not on Oracle's internal structure.
- Where individual jobs are paid similarly, jobs are assigned to the same salary range.

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This slide demonstrates the process that the regional compensation teams go through to determine the salary range that applies to each job at Oracle. The comp team in each region goes through a similar process for every country.

A pay structure is built based on the local market data – starting with the lowest paid job and going through the highest paid job. Once the structure is built, the market data is reviewed for each individual position, and the salary grade chosen is the one with the midpoint that is closest to the market data. Each salary grade will have jobs across various functions, and will also include jobs of varying levels. It all depends on the local market data for the position.

The following slide provides a visual of how the salary grade assignments may be structured.

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Number: 3 Author: Date: Indeterminate

1

Example of Pay Structure

2

Grade	Function A, Function B		Function C, Function D, Function E		Function F, Funtion G		Function H, Function I, Function J	
	IC	Mgr	IC	Mgr	IC	Mgr	IC	Mgr
1								
2			IC1					
3	IC1						IC1	
4	IC2		IC2		IC1			
5	IC3	M1			IC2		IC2	
6		M2	IC3	M1	IC3	M1	IC3	
7	IC4		IC4	M2				M1
8	IC5	M3			IC4	M2		M2
9		M4	IC5	M3	IC5	M3	IC4	
10				M4		M4	IC5	M3
11								M4
12								
13								
14								
15								
16								
17								

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This graphic shows an example of how the pay structure in a specific country may look. As you can see, there could be various levels or jobs across various functions assigned to the same salary grade. For example, you will notice that grade 5 includes Function A&B's IC3 and M1, as well as Function F&G's and H, I & J's IC2.

You will also notice that Grade 8 has an IC4, IC5, M2 and M3. This graphic clearly demonstrates that there is no intentional correlation between the IC career levels and the MG career levels. Some families may appear to cross over at a certain IC level, but it is purely coincidental and based on market data and is not consistent across job families or functions.

It is important to note that depending on local market pay trends which can go up or down, the salary grade assignments and the ranges themselves may fluctuate from year-to-year.

Number: 2 Author: Date: Indeterminate

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Effectively Utilizing Salary Ranges

Quartile 4 = Max

Quartile 3 = (Q2+Q4)/2

Quartile 2 = Mid

Quartile 1 = (Min+Q2)/2

Managing Base Pay

The 3rd and 4th quartiles generally include employees whose contribution is high, or those who are ready for promotion.

The salary of a competent performer should be close to the midpoint of a salary range.

Employees who are still learning their role, or employees whose contribution is below the required standard should be positioned somewhere between the minimum and the 1st Quartile.

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The business climate and focal budgets play the biggest role in how managers are able to position employees within their range.

Besides the business climate, a number of factors need to be considered when determining where to position an employee within the salary range. These factors include:

The employees skills, knowledge, and experience.

Internal equity to others in the organization who have similar skill sets for the same role

Performance

Previous compa-ratio

Tenure in current position – in general, employees who have remained in their current role tend to be paid higher in the salary range

1

Things to Consider as a Manager

- Employees at the very top of their range:
  - Are often highly effective contributors whose promotional prospects are, for various reasons, limited.
  - May have been in the same role for a significant period of time, without the possibility for promotion.
  - May have legacy compensation issues due to joining as a result of an acquisition
- Employees in different countries will be paid differently for doing the same job, even if the currency is the same.
- Employees in the same job do not necessarily earn the same amount

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To reiterate, salary 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. The ranges are based entirely on the local market and any attempt to do currency conversions to determine appropriate pay levels will not work.

In general, a majority of the population will fall somewhere between the 1st and 3rd quartile of their range. However, there are individual cases where it is completely justified to use the 4th quartile up to the maximum of the range. If you have employees in Canada, it is important to remember that there are legal requirements that employees cannot be paid over the maximum of the range. The only exception to this law are for acquired employees. In this case, the employee will be red circled & will not be eligible for a base salary increase until the range shifts up, or the employee moves to a job in a new range with a higher maximum salary.

1

Base Salary – Compa-Ratio

- Compa-Ratio is a way to ascertain the base salary competitiveness. It is the ratio of an employee's actual annualized pay rate (numerator) to the midpoint or some other control point for the job's pay range (denominator)
- An example:

  Employee in Job X has an annual salary of $30,000

  The local salary range midpoint for Job X = $28,000

  Compa-ratio = Employee salary ÷ Range Midpoint x 100

  = $30,000 ÷ $28,000 x 100

  = 107.1

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An employee's compa-ratio is the ratio of his or her FTE base salary to the midpoint of his or her assigned range. In this example, an employee with a base salary of $30,000 who is in a job with a range midpoint of $28,000 has a compa-ratio of 107.1 This means that the employee is paid at 107% of the midpoint, or 7% over the midpoint of the range.

Looking at the compa-ratio of employees in different jobs helps you get a sense of the fairness 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.
Once again, it is important to remember that not everyone has, nor should they have, the same compa-ratio. The right number for each employee depends on his or her individual skills, contributions, performance, etc.
Compa-ratio is a great indicator to compare the base salaries of employees across different levels of jobs or countries where you cannot compare dollar for dollar.
For example, HR uses compa-ratio as an indicator to help set salaries for employees on international transfer between different countries. Markets are so different, we cannot just convert the current salary into a new currency and expect it will be appropriate in the new country. We look to maintain compa-ratio, while also taking into account internal equity and experience of the employee.

1

Compensation Trends Observed at Oracle

- Base salaries should be reviewed in a business context. What can the business afford?
- There is no data to support a clear link between compensation alone and attrition.
- There are short term internal equity distortions, for example those caused by M&A activities, which cannot be rectified immediately.

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It is important to remember that base salaries must be reviewed in a business context, and as a manager, you must always consider what the business can afford at any point in time. The business performance and the economic situation and forecast are key factors in all compensation-related decisions that are made at Oracle. Therefore, while it is good to know the best practices for how to use salary ranges, you must keep in mind the current business climate.

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Key Considerations When Establishing Pay

- Balance external and internal equity considerations
- Differentiate rewards by performance
- Manage your budget – you will never have enough!
- Be honest and open with communications on rewards and performance

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Setting pay for an employee is not a simple exercise. To make the best decision, it is important that you consider all the relevant pieces of the puzzle; namely, balancing internal and external equity, individual performance levels of your employees, and your overall budget. In addition, there are external factors that weigh into recruitment & retention, and internal factors, such as morale issues & internal transfers.

Internal equity is considering how much you pay your employees relative to one another. In addition to salary, variable compensation and stock options are other tools you can use to differentiate pay to give more to your "stars". When you are making pay decisions consider internal equity, and be as fair as possible. Differences need to be based on fair, justifiable and non-discriminatory criteria. Focus on results, which is not always the same as effort. Some employees try really hard, but for whatever reason, do not come through with the desired results. It is important to coach these employees to turn effort into results, where possible, so that they will be rewarded in the future.

Once again, it is important that your employees know the factors that you consider when making pay decisions if you want these factors to shape individual behaviors. If an employee believes he or she will get the average salary increase regardless of his or her performance, there is no motivation from a monetary perspective for him or her to expend extra effort to improve performance. You SHOULD NOT MAKE SPECIFIC PROMISES HERE, rather it is important to communicate that if an employee achieves all of his or her objectives, he or she will be rewarded more than an employee who does not. As a manager, you can give examples of possible rewards, such as getting promoted faster, getting a larger share of the bonus pool relative to lower performers at the same level, or getting a better than average salary increase when salary increase budgets become available.

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 employees know that there are no guarantees.

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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 Review and on IWB you will find job and salary information and history for all employees within your organization.

1

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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