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Managing Compensation at Oracle

Presenter's Name

Presenter's Title

Agenda

- Oracle's Performance Drives Compensation Decisions
- Introduction to Compensation Concepts
- Global Job Table & Job Classification
- Salary Ranges
- Managing Pay Decisions
- Annual Compensation Processes

Summary of Comments on PowerPoint Presentation

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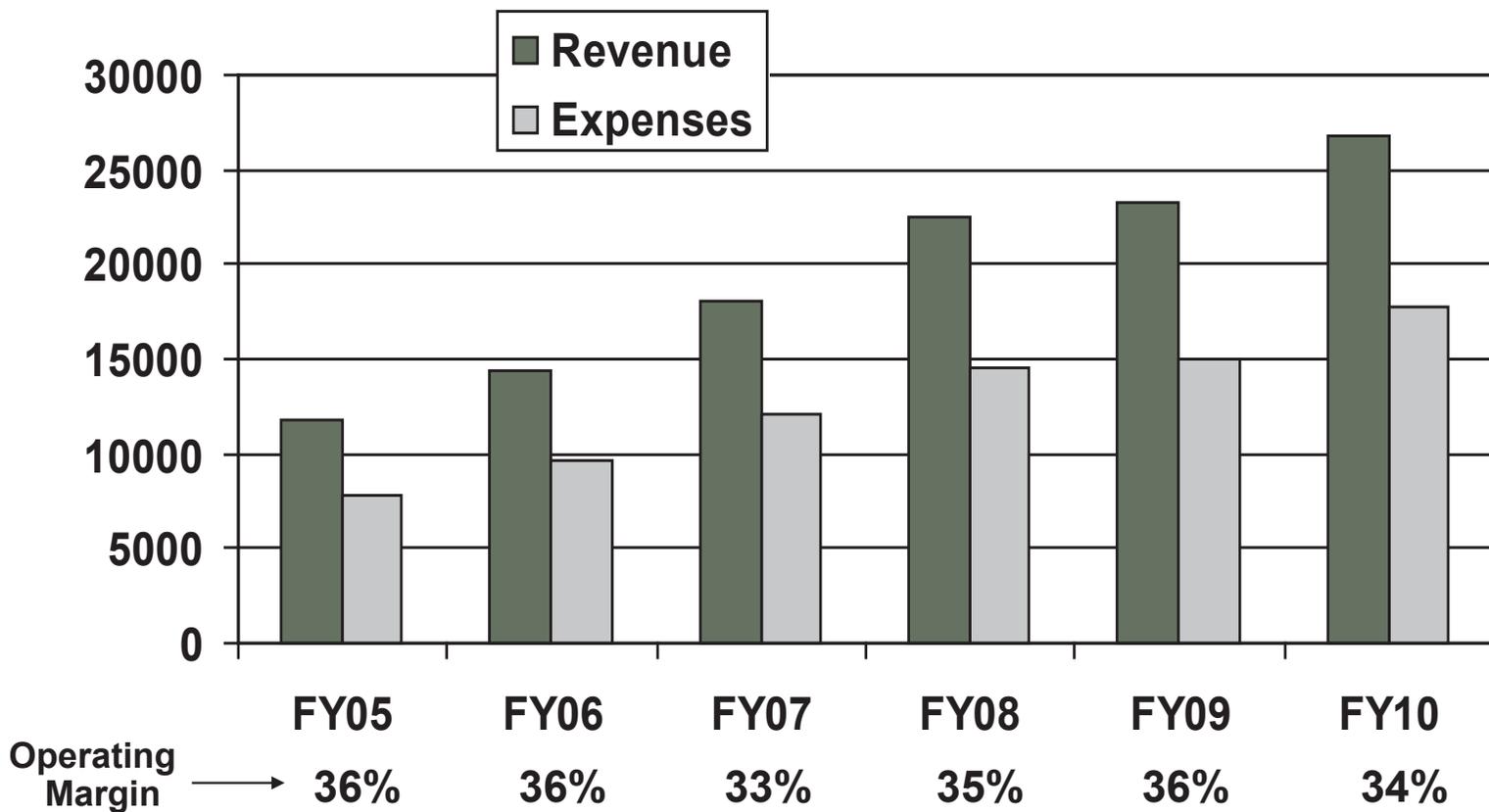
Today I am going to present a general overview of how compensation decisions are made and how compensation is managed at the global level at Oracle. We will discuss the factors at play when the senior management team makes decisions that impact employee compensation, and we will talk about general compensation concepts and tools that are available to assist managers in making comp decisions.

Now, it is important to note that 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.

Oracle's Performance Drives Comp Decisions

Oracle Financial Performance History



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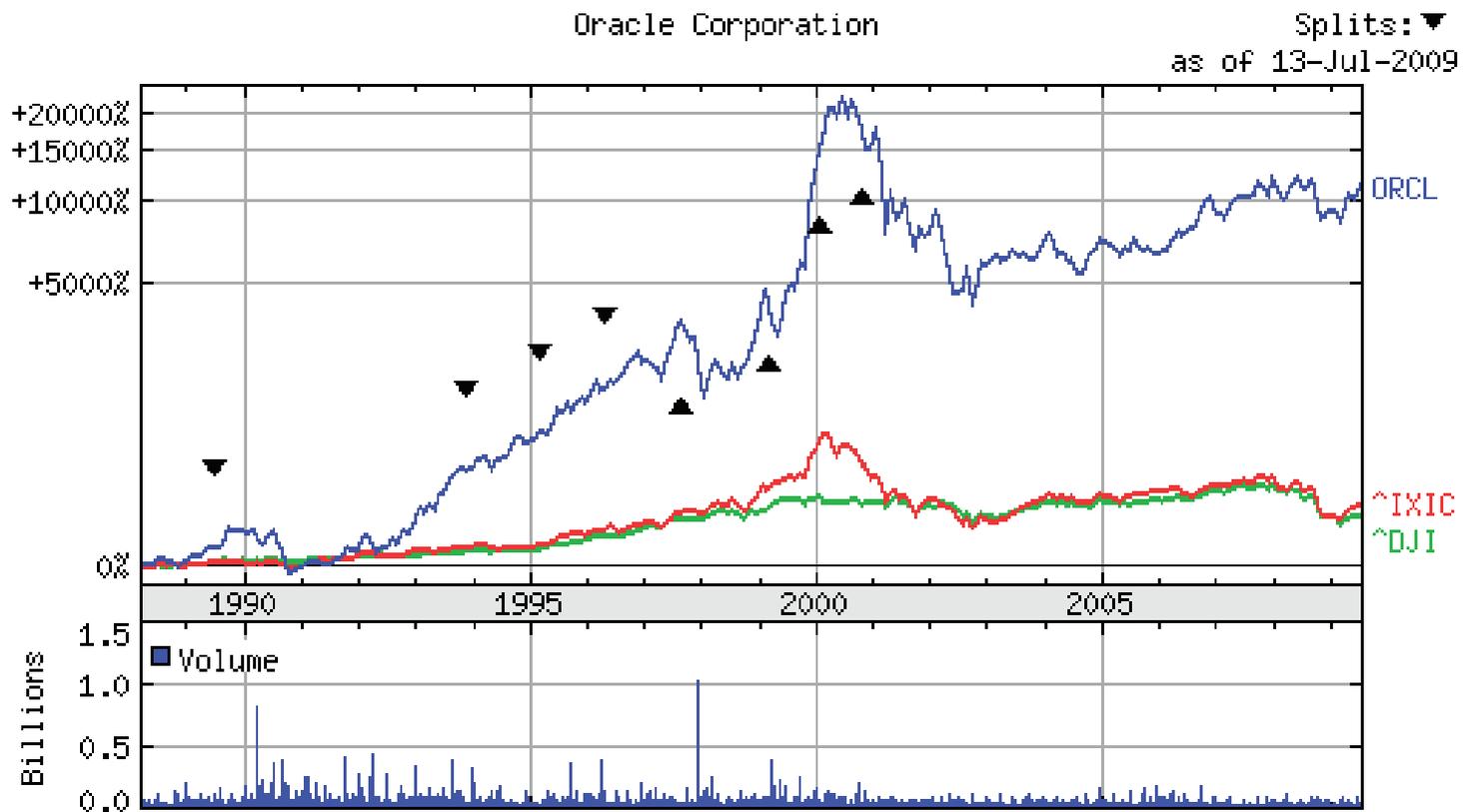
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This chart is intended to emphasize the importance of looking at the business situation, because the performance of the business drives all compensation-related decisions at Oracle.

As you can see on this graph, as revenue and expenses have climbed, the operating margin, which shows expenses as a percentage of revenue, has remained fairly constant in the last 6 yrs. Total compensation – salary, commissions, bonus & benefits make up [REDACTED] of the operating expenses at Oracle. This means that any decisions about focal and bonus budgets have a major impact on our expenses, and therefore, our operating margin. Operating margin is important to us and very important to our shareholders – who, after all, when one gets right down to it really are the driving factor in any decision that any company makes. Thus, compensation-related decisions are always made with expenses and operating margin in mind.

Oracle and the Stock Market – the last 20 years



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As you can see from this chart, Oracle has out performed Dow Jones and the NASDAQ in the last 20 years, and this hasn't been by chance. We started to focus on margins in the late 90's, and while we have had a few ups and downs in the recent past in line with the overall economy, the stock price has held up well compared with other indices because of the focus on margin and globalization.

Larry Ellison has proven himself to be a very smart business man, and while decisions that he has made regarding compensation programs at Oracle haven't always made sense to employees at the time, hindsight often reveals that his decisions were appropriate for the business.

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



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 a little more detail in the next few slides.

Please note that ESPP is not available in EMEA.

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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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 13th 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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Short Term Incentives

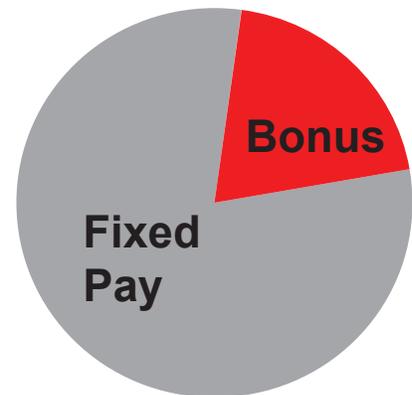
Different jobs have different pay at risk component (fixed vs. variable/bonus mix) – Short term incentive

3



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 incent 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.

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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.

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.*

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:

- Health Benefits
- Disability Income Benefits
- Retirement Benefits
- 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:

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

It Isn't Always About the Money

	Employee Ranking	Manager Ranking
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.

Job Classification & the Global Job Table

- Job Classification is a consistent global framework for job related information that supports a number of key HR and non-HR processes as well as management reporting
- The Global Job Table is a key component of the Job Classification system, but other data also forms part of the overall system
- Managers are responsible for ensuring that employees in their teams are in the right job in HRMS
- Attaching employee records to the incorrect job in HRMS can have a variety of adverse impacts on HR and other processes

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We have now come to the part in which we start talking about Global Job Classification at Oracle, a process that is all about ensuring that we assign the correct job code to each employee.

Job classification is a consistent global framework for job-related information that supports a number of key HR and non-HR processes. The global job table is a key component of the job classification system. There are many system elements that are tied to employees based on the job code to which they are assigned, and managers are responsible for ensuring that employees are in the correct job code.

Assigning an incorrect job code to an employee could cause problems for various processes down the line, and we will discuss the potential issues that incorrect job codes may cause throughout this presentation.

Global Job Table

- To facilitate the global job classification process, Oracle uses a Global Job Table in which each job is assigned a unique combination of globally defined attributes.
 - Job code: Unique identifier/reference number
 - Job Title: Commonly known as the “system job title”
 - Function: Describes the type of work the person performs. It is not specific to the employee’s LOB
 - Speciality: The specialist work within the Function
 - Career Level: Broad hierarchical category related to the level at which a job is performed.

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As mentioned previously, Global Job Classification at Oracle is a process that is all about ensuring that we assign the correct job code to each employee.

As the slide indicates, there are 5 key elements to the global job table: The job code is the unique identifier for the job. The job title is just a brief description of the job, referring to the official internal title of the job. The function describes the general type of work the employee performs. The specialty area is more specific, and it describes the work the employee performs within the defined function. Finally, the career level represents Oracle's requirements for increased skill, knowledge, and responsibilities. The higher the career level, the higher the complexity of the job duties.

It is very important to mention here that once a job code is selected, all the other elements have been defined for that job code. This means there will not be a jobcode that has more than one official job title or function or career level, etc.

One of the most important topics to remember right now is that the process is a global process, with no country specific job classification elements included. So if an employee moves from the US to the UK to perform the same job, e.g. Senior Consultant, then there will be no changes in terms of job classification and, therefore, no changes in the elements you have seen on this slide.

Impact on HR Processes

- The classification of a job has direct impact on:
 - Compensation
 - Salary range
 - Compensation type
 - iRecruit/Offer Letter
 - Employment terms for acquired employees
 - Benefits (eligibility/level of benefits coverage)
 - Appraisal (individual profile/job competencies)
- Eligibility for Compensation Workbench Processes
 - Sales Focal/Salary Review
 - Non-Sales Focal/Salary Review
 - Global Bonus
 - Consulting Bonus (managed outside CWB outside US)
 - Approval authority levels for HR processes

The classification of a job has a direct impact on many processes.

First, if the employee is in the wrong job, it could have a direct impact on the variable compensation of the employee. If you have, for example, a Consulting Sales Representative on your team, that is mapped to a consulting delivery job, you will have problems in issuing a comp plan, because the consulting job is eligible for a consulting bonus plan. In addition, we have 2 focal processes at Oracle. One is for the Sales function and the other is for all other functions. If someone is misclassified, he or she may not be eligible at the appropriate focal time for his or her role. This again illustrates how each job code has pre-defined elements that can not be changed.

Second, in some countries certain benefits are linked directly to the job of the employee, for example the eligibility for a company car or car allowance. Correctly assigning a job code impacts the benefits for which the employee is eligible.

Third, access to Manager Self Service and Compensation Workbench is limited – only employees with a global career level of M1 through M10 are granted access to these tools.

And finally, by incorrectly classifying an employee, we are misrepresenting survey data being reported, and we could be violating local laws putting the company at risk for litigation.

These topics clearly illustrate the importance of having your employees in the correct job.

Impact on non-HR Processes

- Compensation plan issuance
 - The type of sales compensation plan is linked to the employee's job
 - Employees with jobs with Function of Sales or Pre-Sales must have an Annual Target Variable
- General Ledger
 - The employee's job is one of the parameters that generates the Headcount Account for Headcount Reporting by Finance
- Projects
 - Billing rates - linked to Consulting Job Level
 - Only employees with a job with Function of Consulting and Billable Flag set to Y can be charged out with the standard cost rate for the job
- Sales Applications
 - Basic details of Sales applications, such as CRM, are synchronized with employee details of the HR database. Yet, this is true only for employees having a Job Function of Sales or Pre-Sales as access to these applications is restricted to these functions

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In addition to impacting HR processes, the job code selected will impact various non-HR processes.

Some of these processes include: compensation plan issuance, headcount reporting for the general ledger and sales applications. Project billing rates for consultants are also linked to the job classification of each employee. If an employee is mapped too low, this could have a direct impact on the margin of the business.

What are Salary Ranges?

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

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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.

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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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.

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.

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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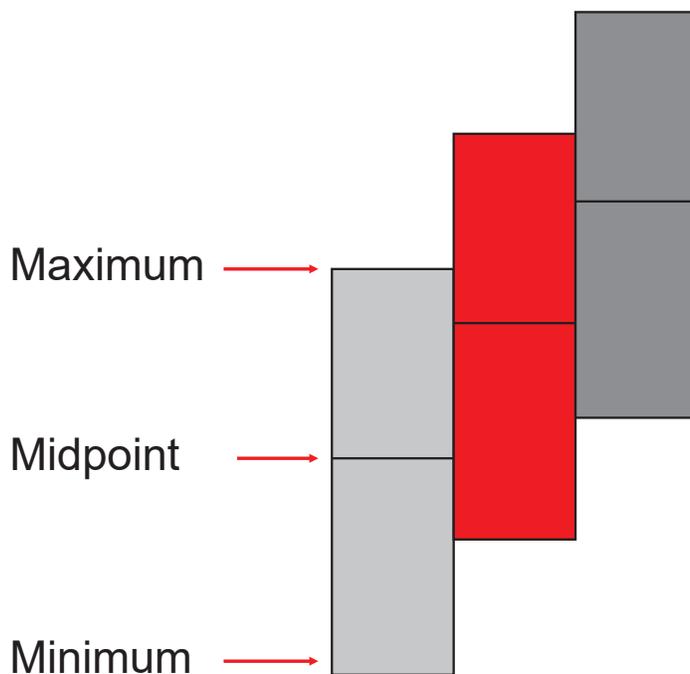
When participating in surveys, Oracle submits data on what we are paying for certain jobs while always ensuring anonymity of incumbents. Our primary sources of data come from highly reputable 3rd party consulting firms who gather data from participants, and compile it to produce reports that keep individual 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.

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 jobs.

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 Pay Structure

Grade	Function A, Function B		Function C, Function D, Function E		Function F, Function 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								
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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.

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Effectively Utilizing Salary Ranges

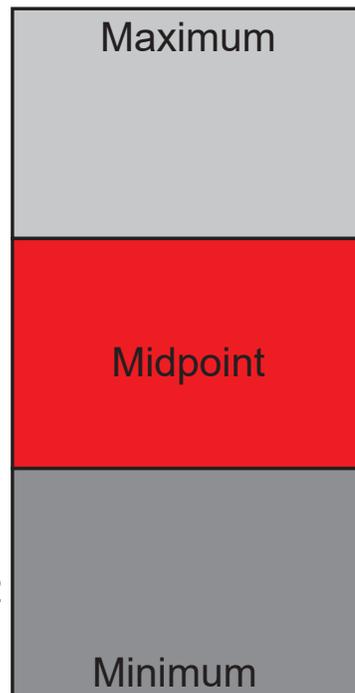
Managing Base Pay

Quartile 4 = Max

Quartile 3 = $(Q2+Q4)/2$

Quartile 2 = Mid

Quartile 1 = $(Min+Q2)/2$



- 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.

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

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.

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.

General Principles of Managing Pay

- Compensation and benefits must be in line with the standard for the job
- Employee's salary should take into account:
 - Comparisons with others in group (peers) - equity
 - Relevant knowledge, skills, abilities and experience
- A promotion does not necessarily require a simultaneous salary increase. This would normally be taken care of during focal.
- Employees must not undertake a new role until the compensation has been fully approved and the appropriate terms and conditions have been accepted.

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Managing pay at Oracle is an art, not a science, and there are various factors at play. Compensation and benefits offered to employees should be in line with the Oracle local standard for the job, but managers should also take into account internal equity, as well as the relevant knowledge, skills, abilities and experience of the employee.

A promotion does not necessarily require a salary increase at the same time, although you should take into consideration the compa-ratio of the employee in the new role if you do promote without an increase. While it is perfectly appropriate for a newly promoted employee to fall in the first quartile of the new range, the compensation team discourages dry promotions where the employee would fall below the range, because eventually getting the employee appropriately positioned in the range following a promotion without an increase can be quite difficult.

It is important to note that employees must not undertake a new role until the compensation elements have been approved and the appropriate terms and conditions have been accepted.

General Principles (2)

- Balance external and internal equity considerations
- Differentiate rewards by performance
- Manage your budget – you will never have enough!
 - Base salaries should be reviewed in a business context, taking account of what the business can afford
- Be honest and open with communications on rewards and performance
- These principles apply globally, but pay rates differ by country

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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.

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 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 focal merit 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.

Recruitment

- Each job is assigned a salary range that is unique to the country
 - The midpoint of the salary range represents the base salary a fully competent employee performing as expected
- When recruiting you should consider the value of the “total reward” rather than salary alone, both tangible and intangible:
 - Value of base salary, annual target variable (ATV)/bonus, Benefits (retirement plan, medical, life and disability insurance, car/car allowance, etc)
 - Oracle experience, training, career development, long term opportunities, location etc

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If you seek to recruit externally a person already in a similar role, who is fully competent, you may have to pay a salary higher than average to attract him or her. If you consider offering a higher base salary, don't forget to account for the other elements that Oracle has to offer, including great benefits, employee training, career development and long term opportunities. If the candidate would have potential gains in variable pay or in the value of the benefits package, this should not be overlooked when setting the base salary for a new recruit.

Selecting the correct global career level for the individual's skill level is key, and please beware of recruiting at an artificially low salary, particularly where a candidate comes from a lower paid sector, as this may give rise to equity issues in the future.

Recruitment

- Example Scenario:
 - Range (from CWB or IWB) 49,000 - 68,000 - 86,000
 - Average salary on team: 65,000
 - Candidates doing the job are earning 63,000 – 75,000
- Recruitment dilemma:
 - Qualified candidates are earning as much or more than existing team members
 - A premium will be required to attract these candidates:
 - say 68,000 (midpoint) x ([REDACTED]), higher than midpoint and Oracle average)
 - Would increase costs and pay pressures within the group
 - But could still recruit as pay requirement is still within range

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In this scenario, we are looking to recruit someone to fill a role with a range of 49,000 to 86,000, and a range midpoint of 68,000. The average salary of the peers on the team is 65,000, but the qualified candidates doing the same job are earning 63,000 to 75,000.

Oftentimes, a premium of [REDACTED] will be required to lure a candidate away from his or her current job. In this case, we would probably have to pay above the midpoint, and above the peer average just to get the candidate to join Oracle.

While it is possible to make an offer that is above the midpoint, please keep in mind the following when making a premium offer:

The high offer may cause pay pressure within the team, and longer tenured employees may be disgruntled because the new hire has a higher salary.

The performance of the candidate has not been tested – you may be employing an average performing employee at an above average salary. There may be some potential for equal pay claims, employee relations issues and attrition among the peers.

Recruitment – Alternative Strategy

- External applicant has minimum qualifications for the position, may be from non tech company
 - Applicants at this level currently earning 54,000
 - Ready for promotion/stretch
 - Oracle average 65,000
 - An attractive offer can be made at a salary lower than 65,000
 - Below grade midpoint of 68,000
- Advantages:
 - Hiring salary, say, between 56,500 – 60,000 depending upon assessed performance potential, background etc
 - Keeps costs down
 - No equity issues
 - Recruit motivated – career progression, Industry experience
 - Scope to progress salary as employee progresses

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If we take a different approach to hiring into the same job mentioned in the previous slide, with a midpoint of 68,00 and Oracle average of 65,000, we could hire a qualified applicant who may be from a non-technical company and we may be able to offer a lower salary. In this situation, we could offer a salary between 56,500 and 60,000, and this would still be within the range, which is 49,000 to 86,000, but it wouldn't cause equity issues among the team. The recruit may be motivated by the opportunity for career progression and the industry experience, and we do not have to pay a premium to get him or her to join the team.

Changing roles

- Example Scenario: Move from low paid to higher paid role
 - Current mid point: 49,400
 - New mid point: 49,400
 - Individual's base salary 57,000
 - Current split 70/30: OTE 81,000
 - New split 50/50: OTE 114,000 (if moved with no change to base)
 - New role average base salary 61,500 (from dept data)
- Recommendation
 - Base 53,000 + ATV 53,000 = OTE 106,000
 - Overall increase on current package – 30%
 - OTE 15% less than existing job holders
 - 8% reduction in base:
- In addition it may also be necessary to move to lower career level if employee does not have the skills for the level in the new role.

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Internal transfers are a daily occurrence at Oracle, and while a pay adjustment isn't always necessary, it should be standard practice to review the compensation of an employee transferring from one role to another.

In this scenario, the employee is transferring from one role to another with the same career level, salary grade, and benefits. At first glance, it would seem acceptable to just move the employee to the new role without changing base salary. However, the new role has a different pay mix, so the annual target variable (ATV) is increased by 237% and the on target earnings (OTE) are increased by over 40% if salary is not reduced.

In this situation, the compensation recommendation would be to reduce the base slightly in order to position the employee more appropriately on the team in terms of experience and role within the team. Even though we have suggested to reduce the base salary, the employee's total earnings potential still increases by over 30%, and this recommendation ensures that we don't cause internal equity concerns because we have positioned the new employee a bit lower than existing incumbents.

Changing Roles (2)

- Example Scenario: current and new role in same salary band but new role has lower annual target variable:

• Salary range midpoint for both jobs:	57,900
• Employee's current salary	54,600
• Employee's current OTE (50:50 Split)	109,200
• Split for new role:	70/30
• Average salaries of both jobs	56,000

- Recommendation:

• Salary:	56,000
• OTE:	80,000

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There are also internal transfer situations where the on target earnings will be reduced dramatically upon transfer. This is a difficult sell but the new role has less risk and the employee has the choice not to take it. In this scenario, the new OTE has a standard 70:30 split and we've included a small increase in base salary, from 54,600 to 56,000, which is the average base of the incumbents already in the job. It is important to remember that the employee must be paid the appropriate rate for the new job, regardless of earning potential in his or her prior role. You should not be tempted to maintain the earnings of an employee who has a desire to change roles.

Alternatives to this scenario may include the following:

If the new peer group average salary was higher, say 63,000, the employee's base salary could have been enhanced by a small amount, assuming there is no material difference in skills and experience. This would put him or her closer to peers, and the employee would also be better positioned for future promotions.

On the other hand, if the new peer group average salary was lower, say 52,000, the employee's base salary may need to be reduced in order to maintain internal equity. While reducing base salary is very difficult, it is not impossible when done for the right reasons. In this situation, the employee's base salary could stay as it is but you would need to carefully consider internal equity and whether the salary level can be justified on the grounds of a genuine material difference.

Promotions

- A promotion is a move from a job in one career level to a job in a higher career level with greater responsibility and impact on the Company's business.
- Promotions are not always accompanied by a salary increase but:
 - Benefits may increase
 - Incentive earnings may be different, higher leverage, and lead to increased earnings potential
- Pay does and should vary between individuals, but variations must be due to a genuine material difference
 - Experience, knowledge, skills, performance, etc.

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As defined, a promotion is a move from a job in one career level to a job in a higher career level with greater responsibility and impact on the company's business. Promotions are not always accompanied by a base salary increase, but benefits and incentive earnings may increase for the employee.

If an employee is positioned very low in his or her 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.

Therefore, it is strongly recommended that promotions without salary increases do not take place unless the individual's pay is appropriately positioned in the new range and peer group. In Canada, employees are required to be paid within the range, so a promotion without an increase that would put the employee below the new range is strictly prohibited.

Promotions - More Difficult Issues

Situation 1:

- Employee's current salary is very high in the current salary range and without an increase would also be high in the range for the new position:
- Consider
 - Promotion without pay increase
 - Total pay – does the total compensation/incentive opportunity increase?

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In this first scenario, a promotion without an increase would probably not cause issues. While most employees would prefer an increase in salary to go along with the increased responsibility that comes with getting promoted, this employee would be positioned high in the new range, so there is little risk involved in terms of the new group of peers. If the promotion leads to an increase in annual target variable, or if the benefits increase with this promotion, these would be good selling points for the employee without having to increase his or her base salary.

Promotions - More Difficult Issues

Situation 2:

- Employee is to be promoted from IC to M level job
- Consider
 - No link between IC level and M level roles
 - Has the employee to be promoted had management experience?
- Total pay – does the overall package improve?
 - Base pay: how does the current base pay compare to the new peer group? What level of salary increase should be given in recognition of additional responsibilities
 - While it is good practice to increase salaries for significant promotions such as a promotion to management, it may not be necessary in all cases.

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The last scenario we will describe is the promotion from an individual contributor level to a management position.

The first decision to be made is to determine which M-level should be used. Remember, there is no direct link in our career paths between IC-levels and M-levels. In determining the level, you would factor in the size of the team, the scope and complexity of the position, and whether or not the employee has previous management experience.

Once you have determined the appropriate management level, and what specific job code will be applicable, you need to look at the overall package of the new position, including base salary, variable or bonus pay, and benefits eligibility. While it is good practice to increase base salary in recognition of a promotion to management, in some cases, the overall compensation package will improve, even without an increase in base salary.

As mentioned previously, it is recommended that promotions without salary increases do not take place unless the individual's pay is appropriately positioned in the new range or peer group.

Cross border transfers

- A cross border transfer is a permanent move from one country to another. It is NOT an assignment.
- Pay levels for the same job differ markedly from country to country even where currency is the same, eg. in Europe several countries use the Euro but have different salary ranges
- You should pay appropriately in the new country. Do NOT simply transfer at the same salary level converted to the new currency.
- The new salary should be in the same position in the new range as the current salary, but also take account of equity, peer group salaries, experience, knowledge, as previously described.
- If the move is a promotion you should consider adopting the principles outlined earlier in this module.
- The new country benefits apply.

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For cross border, or international transfers, you will need to use the ranges in both the current and future country in order to determine the appropriate base salary for the employee in the new country. The common methodology to determine salaries for international transfers is to use the employee's current compa-ratio, and keep it constant upon transfer.

It is important to note that even though many countries share a common currency - the Euro in Europe, for example - the ranges that are appropriate in each country are going to be based on the local labor market, so they will not be the same.

To further explain, an employee transferring from Germany to Slovakia will be paid in Euro in both locations. However, the midpoint for the job in Germany is 60,500 and the midpoint for the same job in Slovakia is 31,600. This is almost a 50% differential. If the employee is paid 58,000 in Germany, his or her compa-ratio is 95%. Therefore, we should adjust the employee's base salary so that he or she is paid 95% of the midpoint in Slovakia, which is 30,270. While this may seem like a huge pay cut, the employee will be in the exact same position within the Slovakia market as he or she was in the German market.

In the case of a cross border transfer, the move is generally a lateral one with no change in the job level or compa-ratio. However, occasionally, the move also involves a change in level. In this case, the salary is established in the same way as a new hire.

Focal Reviews

- Use the focal review for:
 - Promotions
 - Promotions that were not accompanied by a salary increase
 - Rewarding performance
 - Addressing equity issues where differentials are not justified on the grounds of
 - Knowledge
 - Skills
 - Experience
 - Some other measurable non-discriminatory factor

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The focal review is the most common time for promoting and giving base salary increases to employees. You should use your focal budget wisely and first recognize your top performers and those employees who were promoted without an increase at some other point during the year. You should also use the focal to address issues where differences in salary are not justified on the grounds of knowledge, skills, experience or some other measurable, non-discriminatory factor. A measurable non-discriminatory factor could include size of quota or target, size or complexity of a project, or span of control.

Off Cycle Reviews

- An off cycle review may be required for:
 - Promotion
 - Competitive counter offer
 - A change between commission and bonus based compensation
 - A change of job to a different on-target earnings (OTE) split

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Off-cycle reviews 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, or to fill a gap that may be left if an employee job change involves a change in variable earnings.

Business Justification

- Business justification should include, as appropriate:
 - Impact on the business if the employee leaves
 - quantify the impact, potential loss of revenue, impact on leadership (manager), unique skills
 - Flight Risk
 - assessment of the risk of the employee leaving company and impact
 - Internal equity concerns
 - Track record
 - performance record, talent review board recommendations (if appropriate), sales performance compared to peers, delivery against targets, variable earnings history etc
 - Pay details
 - comparison with peers, splits, OTE and historical variable/bonus earnings

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A business justification will need to accompany any request for an off-cycle increase. The justification should include the flight risk of the employee if we don't give an increase, the impact on the business if the employee leaves, any internal equity concerns, and the employee's performance record.

More Complex Issues

- Contact your Compensation Analyst any time you need assistance. For example, in the following instances:
 - No range(s) associated with a job(s)
 - A new job that has not existed in country before
 - Difficulty in deciding what to recommend when an employee transfers between roles with different compensation splits or types eg variable vs base
 - Cross border transfers

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Please work directly with the appropriate compensation contact if you have any questions regarding a compensation-related topic. These situations may involve:

- Needing assistance if there is not a range listed for a specific job in a certain location
- A job that has not existed in a country before, or
- Making a recommendation for an employee transfer.

The list of compensation and HR contacts can be found on the Global HR Website under the CONTACTS link. The contacts are listed by Region.

Remember....

- There are no absolute right or wrong or “one size fits all” answers
- Each situation should be reviewed on a case-by-case basis but the principles should be applied as consistently as possible
- Reasons for the decision should be recorded
- Look at the whole picture, not just the position in the salary grade.
 - Differentials between employees
 - Average salaries and ATV's and OTE's
 - Internal equity
 - Skills, Knowledge, Competencies etc
- The salary and benefits should be set correctly for the new position. Do not try and protect the earnings of the current job
- The increase/change in status should not be backdated
- Where the change is voluntary the employee has the choice not to accept.

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It is important to remember that compensation decisions are made on a case-by-case basis and the circumstances need to be reviewed 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, average salaries, ATVs and OTEs within the group, as well as the knowledge, skills and competencies of the employee.

Always keep in mind that the salary and benefits should be set appropriately for the new role, regardless of the employee's potential earnings in a previous role.

Managing the Focal Process & Budget

- Budgets are set at the very top exec level & each LOB head has his/her own method of allocating.
- Each LOB will have its own timeline for the focal process.
- The Allocation Wizard is available to assist in pushing down budgets based on specific criteria.
- In EMEA & LAD there are some countries with mandatory increases.
- When budget is lean, extra care and attention must be given to awarding the top performers with low compa-ratios.

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As most of you are probably aware, an annual focal process is not a guarantee. Each year, the global compensation team conducts internal and external research to determine how much of a focal budget we need to remain competitive. While senior management takes our recommendations into consideration, the budget decisions and whether we have a focal process at all is based entirely on the business climate.

If we have a budget, it is determined by country and function, and allocated at the very top executive level. Each LOB head uses the budget in the way that he or she believes is appropriate for the LOB. The budgets are pushed from the top down, and some LOBs may stop at a specific level of management when allocating. For example, some organizations don't push the budgets any further than the M4 level. Even if a budget is not pushed all the way down to you in CWB, you may still allocate money to your employees. Your budget summary shown in CWB will just be negative, but your management hierarchy will be able to see your recommendations. This isn't to say that your recommendations won't be changed by someone further up in your hierarchy, but it is a way to inform your manager of how you would like to allocate increases to your team.

Corporate compensation will establish the key deadlines necessary to hit various payroll dates, and the LOB heads generally work within those guidelines. However, the exact timeline that is set for you will depend on your LOB head and the process that he or she lays out for the line of business.

The Allocation Wizard will help you to allocate based on specific criteria, such as career level, quartile, country, performance rating, etc. CWB allows you to model various scenarios and save each model so that you are able to compare how each distributes the budget. It is a wonderful tool when used correctly, and it is very useful, particularly for larger organizations.

There are some countries with mandatory increases that are processed outside of CWB. While these increases aren't technically part of the focal process, the money spent for these increases will be taken out of the overall budget for the appropriate LOB.

As noted on the slide, be sure to pay special attention to your top performers with low compa-ratios. You most likely will not be able to address all problem areas in your organization, so you'll have to prioritize.

DO NOT COMMUNICATE anything regarding salary increases until we have final LJE approval. Your LOB head will be notified when we have approval and the word will spread quickly when it's okay to communicate.

Managing your focal worksheet in CWB

- You are responsible for the accuracy of the information in your worksheet.
- Part-time employees will appear with the full-time equivalent base salary. Allocate the salary increase based on the FTE and the amount will be pro-rated at the time of processing.
- Eligibility guidelines & FAQs are posted in CWB
- If you are missing an employee, or if there is inaccurate information, please contact your HR Rep.
- International transfers may appear as new hires.

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The focal data is cut around the same time that budgets are approved, so the data is as updated as we can get it without letting too much time lapse between budget approval and process roll out. The database is static, so any changes to your employee population will have to be made manually.

If you are missing an employee from your worksheet, please check the eligibility guidelines first to be sure that the missing employee should be eligible. It is very rare that the script causes us to miss employees completely. They are usually ineligible for a valid reason, or they appear on another worksheet due to a recent manager change.

International transfers move to the new country with a new hire date and employee number. We try to catch these and fix their eligibility, but we don't always catch all of them. If you have an international transfer with incorrect eligibility, please contact your HR Rep.

Focal budgets are typically set as a percentage of total eligible salaries, so your budget will change as employees are added and removed from your worksheet. Please be sure that your worksheet is accurate before you begin working on allocations, because any change to the population will throw off your numbers. If an employee has recently transferred out of your group, but still appears on your worksheet, please be honest and assign the employee to the new manager. It is extremely unfair to the employee to keep him or her on your worksheet just to hold on to the budget with no intention of giving him or her an increase, or giving a very low increase, because he or she is no longer on your team. Please do the right thing and let the new manager take care of the employee.

Managing the Global Corporate Bonus Process

- Budgets are generally approved and allocated after the June earnings announcement. Each LOB head has their own method/strategy for allocation.
- Managers should look for specific LOB communication, which will include timelines.
- Eligibility for recent Mergers & Acquisitions are evaluated on a case by case basis.

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The Global Performance Bonus Plan is an annual plan for the performance period of June 1 to May 31st.

The bonus pool is funded according to performance criteria determined by the Company. Individual bonus awards are at the discretion of management.

Allocation of the bonus pool budget is at the discretion of upper management.

M&A eligibility is dependent upon the agreement between the two companies. Refer to the eligibility guidelines posted in CWB for acquisitions.

Managing your bonus worksheet in CWB

- CWB worksheet is populated with eligible employees and eligible salaries.
- Eligibility guidelines and FAQs posted in CWB.
- It is your responsibility to check the accuracy of the data.
- Closely review international transfers.
- Do not communicate bonus awards until final approval has been received.

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Managers are responsible for ensuring that all of their eligible employees are accounted for with the correct eligible salary. Not all job codes or all countries are eligible for the Global Corporate Bonus Plan. Some employees are not eligible due to contractual agreements. Other employees may be not be fully eligible depending upon date of hire, being in an ineligible job code for part of the year, working in an ineligible country, etc.

CWB worksheet has been pre-populated with eligible employees and eligible salaries based upon the eligibility guidelines posted in CWB. It is your responsibility to check the data for accuracy.

If you are missing any employees who you believe should be eligible, please first review the eligibility requirements posted on the home page of CWB. If you determine that the employee meets the eligibility requirements, please contact your HR Representative or HR Manager to assist you. If a data change is required, HR will ask that you submit the change via Manager Self Service in order to correct the HR database. Once the change has been committed in the HR system; we can then make the change within the module.

Alternatively, if you have an employee on your worksheet who no longer works for your organization; please move this employee using 'reassign an employee". If an employee is reassigned and he or she is a manager, all the direct reports will be reassigned as well. To prevent this from happening you'll need to reassign all the direct reports to the appropriate manager prior to reassigning the manager to another organization.

An international transfer is termed in one country and hired in another. As such, the employee's eligible salary may be incorrect because the system treats the employee as a new hire in the new country, not knowing the employee is actually an international transfer. When this occurs you must contact Corporate Compensation to correct the CWB employee record.

Bonuses should not be communicated until LJE approval has been received. You can track the approval status in CWB.

Managing your bonus budget

- Allocation Wizard can assist you in distributing your budget - in USD or local currency.
- Focus on your key contributors; reward the completion of a critical project or initiative.
- When deciding on the bonus recommendation, review the employee's total cash compensation
- Employees should understand the link between the reward and the performance.

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Let's face it, the bonus pool is never big enough!. So, it is important to spend wisely. The allocation wizard is a tool that allows you to model different ways of distributing your budget - by location, career level, quartile, etc. You can then publish your budget based on these results.

Some managers elect not to distribute a budget to their directs. Budgets typically are distributed at the higher levels of management. The lack of a budget does not prevent you from entering your bonus recommendations in the worksheet. If you choose to allocate bonuses to your team, but you weren't formally given a budget in CWB, your budget summary shown in CWB will be negative. However your management hierarchy will be able to see your recommendations. As mentioned in the focal section, this isn't to say that your recommendations won't be changed by someone further up in your hierarchy, but it is a way to inform your manager of how you would like to allocate bonuses to your team.

When working within your worksheet; please remember to SAVE often. You may also download your worksheet and work offline. Be sure to follow the system instructions carefully.

Bonuses are discretionary and designed to reward key contributors for assisting the company in meeting strategic goals and objectives. Allocate rewards in proportion to the employee's role and actual contribution to the business and his or her individual performance. Ensure that employees understand how they are being measured. This can be accomplished by setting stretch objectives prior to the beginning of the performance period. And, evaluating performance against these objectives periodically throughout the year.

Managing the Stock Option Process

- Once budget is approved by Comp Committee, email communication is sent to each LOB head and HR.
- Stock budgets are a fixed amount and will not vary if you add or delete employees from your stock worksheet.
- From year to year stock eligibility can change. Important for you to review stock guidelines posted within CWB.

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Budgets for the stock option process are small due to mandatory stock option expensing.

Stock options are a contractual agreement between Oracle and individual employees. They have a 10 year term, and they allow employees to purchase a specific number of Oracle shares at a set price. The employee earns the right over time to purchase shares, this is called "vesting".

Stock eligibility is reviewed on an annual basis. Eligibility may change due to country size or because of tax regulations. Countries with less than 100 employees are ineligible to participate. We encourage you to review the eligibility document at the beginning of every stock process. In addition, there are compensation training modules for each region posted on the Manager Resource Guide and in CWB. Please refer to those training modules for details on stock eligibility.

Managing the Stock Option Process

- Review CWB stock history for key members of your organization.
- Consider stock options as part of the Total Compensation package.
- Align grant size with the local market practice.
- The number of shares recommended should be based on total pool available and individual performance.
- Focus on high performing employees who you most want to retain.

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Stock options should be used as a retention tool and awarded to your key contributors. Stock options provide a sense of shareholder value, in other words, ownership.

Stock options are a form of long term incentive pay designed to focus on and reward performance over a period longer than one year. When the stock price increases after the grant date, shareholder value increases and the ability to retain the employee increases as the employee wishes to remain at Oracle to realize the stock gain.

Long term incentive levels in the United States are typically higher than those in other countries. When granting options, keep in mind that \$250 worth of stock in one country may be a huge incentive, while in other countries the grant would barely register with the employee.

The vesting in most countries is over a 4 year period, with the idea that unvested stock is an incentive for the employee to stay with Oracle.

Some countries are not eligible for stock. If you are unsure, please refer to the Stock Eligibility Guidelines, or US stock services can also provide you with a list of countries not eligible. Or, as previously mentioned, please review the compensation training modules for each region posted on the Manager Resource Guide and in CWB.

Managing the Stock Option Process

- Stock grants are approved by the Compensation Committee.
- Stock services is informed of the approval on the same day.
- Some employees must receive special written communication from Stock Services as their first communication per legal requirements.
- There may be country-specific differences – please refer to regional modules.
- Managers should review approved amounts in CWB prior to communicating to employees.

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The approval of stock grants goes through the Compensation Committee of the Board of Directors. In most countries, the manager may communicate the approved grant to the employee upon receiving confirmation of the approval. However, there are some locations that require special written communication from stock services as the first notice to the employee regarding the grant. Please refer to the regional compensation training modules for details on how stock communication is to be handled in certain countries.

Before you communicate anything, please review approved amounts in CWB in case there have been any changes to the original recommendation.

Summary for all processes

- Each LOB will have its own timeline for each process.
- Be sure to clean up your worksheet promptly!
- Do not communicate anything until final LJE approval is obtained.
- Always check CWB before you communicate to ensure that amounts haven't changed.

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Corporate Compensation kicks off each process by sending a note to the LOB heads, but after that, the specific timelines are determined by the LOB head and line HR. Corp Comp will provide the key deadlines to hit various payroll dates, and generally the LOB heads work within those guidelines. However, it is not unusual for increases to be effective and bonuses to hit pay checks on different dates across LOBs. The stock process is the only exception to this, as grant date is determined by country and all employees in the country will have the same grant date, regardless of LOB.

With each LOB on its own timeline, there is a limited window of time where we can make changes to employee manager assignments within the CWB modules. For example, if you discover that you are missing an employee 3 weeks into the process, but the employee is on the worksheet of a manager whose recommendations have already been approved, you have completely lost the opportunity to reward that employee. We cannot move employees once an LOB has submitted, so it is imperative that you catch these situations early in the process.

The recommendations entered into CWB may be changed at any time prior to LJE approval. We have had cases where an EVP has approved and submitted his entire org, but then something changes and Corp Comp is asked to change a recommendation. We can do this, as long as we haven't submitted for LJE approval.

Given that the time between a manager's recommendation and LJE approval could be many weeks, there is a lot of opportunity for the amounts to change. It is very important that you check CWB after you get word of final approval to ensure that none of your recommendations were changed.

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 & focal processes
 - IWB – shows salary information and history for all employees within your organization
 - HR Global Website, global HR policies

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

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.

Q&A

A 3D rendering of the letters 'Q&A' in a vibrant red color. The letters are thick and have a slight shadow cast beneath them on a light gray surface. The ampersand is white and positioned between the 'Q' and the 'A'. The 'Q' is on the left, the ampersand is in the middle, and the 'A' is on the right. The background is plain white.

