Global Compensation Training
Managing Pay Module
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
Topics

- Introduction
- General Principles
- Setting pay for:
  - Recruitment
  - Promotions
  - In-country transfers to a new role
  - Voluntary employee transfers from one country to another (not international assignments)
- Off cycle reviews
In this meeting, we will discuss the general principles of increasing pay for your employees. We will go through examples of how to cut out non-value-adding, printing and transporting equipment, and we will also discuss the topic of off-site work.
Introduction

- In this module we consider pay management issues when:
  - Recruiting prospective employees
  - Employees are being promoted
  - Employees are transferring to a new role
  - Employees are voluntarily making a cross border transfer – not on assignment

- These activities may involve:
  - Setting the rate for the job
  - Changes in split (base/annual target variable[ATV])
  - Change from commission/variable pay to bonus & vice versa
  - Lateral transfers with and without changes in salary range
  - Transfers between individual contributor IC and M management roles
Strategies about how to manage pay at the moment vary in many situations. These strategies will vary during the reorganization of an employee, when seeking a new position for an employee, and when transferring an employee to a new city, or a new country.

When dealing with these situations, your compensation target discussion will be about how to settle taxes, assimilate an employee, whether it's a new role, a new city, or a transferring employee.

The transfer of an employee, to a new role, will also give rise to more potential compensation adjustments. If the move includes a change in variable pay, for example an employee moving from a consulting role into a sales role, what should happen with the bonus accrual? What should happen with the variable in view of such a move?

The intention of this module is to educate you and to give you guidelines on how to handle each of these scenarios.
General Principles

- 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 the salary increase process.
- Employees must not undertake a new role until the compensation has been fully approved and the appropriate terms and conditions have been accepted.
Compensation and benefits offered to employees should be in line with the Oracle local standards for the job. All numbers should also take into account internal equity, as well as the relevant knowledge, skills, abilities, and experience of the employee.

A competitive salary does not necessarily indicate a high percentage of the market for that position. Although you should take into consideration the comparable market wages, the primary factor in determining an employee's compensation is the employee's contribution to the organization and the competitive nature of the job.

It is important to note that employees do not always have a full understanding of competitive wages, and they may have a good understanding of the needs and effective use of that wage. Thus, it is important to ensure that your salary is fair and equitable to avoid any imbalances.

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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
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 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.
Other Observations

- There is no data to support a direct link between compensation alone and attrition.
- Some short term internal equity distortions, caused, for example, by acquisitions, cannot be always be rectified immediately.
It is located in certain circumstances, caused circumstances and issues following the setup, setup, and other related issues by strategic management. In simplest but every other part of the world, reputation helps to build the capacity to build the reputation of the educated employees.
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
Recruitment (2)

- 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 (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
In this scenario, we are looking to recruit someone to fill a role with a salary of $70,000 to $80,000 and a range midpoint of $75,000. The recruitment packet is due to be ready soon, but the qualified candidates during the review will only be up to $80,000 (i.e., $9,000).

Alternatively, we might be able to make a competitive offer to a candidate away from the normal salary range. In this case, we would likely have to pay above the midpoint, and share the pay increases on an equated basis.

Work-life policies vary in different roles and industries. Some companies offer the following flexible working options:

1. The high offering results may be more suitable for work flexibility and longer term employment plans. They might call for a higher salary.
2. The automatic cost savings can be significant due to not having to pay for additional employees to fill vacant positions.
3. This may benefit not only the employee but the entire organization in terms of stress and efficiency among the teams.

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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
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.
In order to understand costs related to employee health, it is essential to analyze the compensation offered to employees who have special needs due to their health. This includes benefits such as medical insurance, disability benefits, and retirement plans. In the case of a workplace injury, the compensation received by the employee should be determined based on the severity of the injury and the resulting loss of income. In some cases, the compensation may also include additional benefits such as medical leave and vocational rehabilitation services. It is important to ensure that the compensation received by the employee is adequate to cover their medical expenses and lost wages. Additionally, employers should consider the impact of workplace injuries on the overall productivity of the company and take steps to prevent such incidents from occurring in the future.
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
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.
As noted, a promotion to a more senior level of a job is a timely review, which will include responsibilities and pay at the corporate level. Therefore, a promotion is accompanied by a base salary increase, but benefit and incentive packages may also increase for the employee.

If an employee is promoted to a job in the higher range, or has a salary that is close to the job with the pay group to the next level, it is possible that a salary increase could be the same or in the next job, and the employee to the employee to be kept at the bottom of the new range

Therefore, I strongly recommend that promotions without salary increases do not take place unless the individual's pay is appropriately positioned in the new range and pay group. In essence, employees are expected to be paid within the range, so a promotion without an increase should put the employee above the next range to justify the promotion.
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?
A fund account of a corporation would not involve all sources. While most employees would prefer to increase it sales, it can serve the increased responsibility that comes with getting promoted. This employee would be confused. Light in the air, we

Here is the discrimination in terms of the two groups of people. If the promotion meant to increase in about larger number, or if it meant to increase with the profits, there would be no good being paid for the employees without having increased the debt capital.
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.
The tool concepts are still similar to the perception from an individual, which is needed in a management profile.

The first decision to be made is in determining which balance should be used. Remember, there are no other tools to assist in this decision. Instead, you would take into account in the size of the lens, the scope and sensitivity of the situation, and whether or not the environment has provision for management separation.

Once you have determined the appropriate management level, only a specific procedure will be applicable. You need to look at the overall context of the new profile, including the lens, which is common to many, and the firewood challenge. What is a good practice for someone has never before in circumstances of uncertain management, in each case, the climate emergency package or high-level one other or suitable in the case.

As mentioned, previously, it is recommended that provisions or mechanisms in the environment are not taken away unless the individual is directly involved in the new environment or prior event.
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.
- If the employee's job code is not changing in the transfer, use the employee's current compa-ratio as a starting point to determine the base salary in the new location, provided that will not place the employee below or above the new range.
- If the move is a promotion you should consider adopting the principles outlined earlier in this module.
- The new country benefits apply.
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. In most circumstances, the methodology to determine salaries for international transfers is to use the employee's current compa-ratio, and keep it constant upon transfer, provided that the employee is not changing job codes.

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 cases where the employee's current compa-ratio is extremely high, or extremely low, we look to the new peer group, while keeping in mind the employee's current position. For example, if an employee has a compa-ratio that would put him or her below the new range minimum, we look to the new peer group average and then take into account the lower current compa-ratio. In this case, the employee would transfer at the low end of the peer group, but never below range. The same applies for employees who would be over range maximum. The employee would transfer at the high end of the peer group, but never above range.

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 complete change in job family and/or level. In this case, the salary is established in the same way as a new hire.
Salary Increase Reviews

- Use the salary increase 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
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
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
A financial projection will result in recommendations for an offsite business. The justification should include the high level of the department's revenue and profit on a scale from 1 to 10. The budget should be balanced with employee benefits, any labor contract negotiations, and the department's performance metrics.
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
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.
In conclusion, it's important to understand that operational decisions are made on a case-by-case basis and the information provided is for illustrative and educational purposes. This is not a substitute for professional advice. As we have reviewed, you should look at the whole picture when making any decision, including market supply, demands, policies, and other factors. Always keep in mind that every case study cannot be applicable to all situations, regardless of the employee's position or background.

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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
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 can 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.
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.