VOTE OF THE WEEK: ORACLE

— **Oracle is the latest company to announce failing it Say on Pay vote. Oracle received 41% support from shareholders, which represents a year-over-year decrease of 25%.**

BACKGROUND	LAST PROXY SEASON	THIS PROXY SEASON
Say on Pay Vote Result	66%	41%
1-Year Total Shareholder Return[1]	53%	-22%
3-Year Total Shareholder Return[1]	15%	11%
Reported CEO Total Compensation ($000s)[2]	$77,560	$96,161

— **Shareholders and their proxy advisors likely maintained concerns with the high absolute and relative value of CEO pay, other aspects of the company's pay program (including use of time-based equity, perquisites, and CEO pledging of shares), and insufficient modifications to the pay program following a low vote in 2011.**

— **Shareholders' reactions were not contained solely to the Say on Pay proposal. Over 34% of shareholders withheld votes related to Compensation Committee members' reelections – and 25% of shareholders voted against an amendment to increase shares under the directors' stock plan.**

CONTEXT	DETAILS
Company Performance	• Negative total shareholder return on a 1-year basis; performance below GICS and S&P 500 on a 1-year and 3-year basis • Revenue increased by ~4% and Net Income increased by ~17%
Pay Program	• CEO base salary of $1 • Annual incentive plan (AIP) funded based on performance in pre-tax profits; each NEO receives a target bonus opportunity equal to an explicit percent of growth in pre-tax profits over the preceding year. For the CEO, this percentage is 0.325% (a reduction from his prior-year target of 0.37%). Over the past three years, payouts under the plan have ranged from $3.9m to $13.34m. • Long-term incentives (LTI) composed of stock options that vest over four years and have a ten-year term. CEO receives annual grants of 7m options (in 2012, valued at $91m).
Compensation Arrangements and Practices	• For 2011, reduced CEO target bonus opportunity from 0.37% of growth in pre-tax profits to 0.325% • No benchmarking process, though company acknowledges target pay is set above the average of its peers • Has clawback policy and ownership guidelines • Proxy advisors question the value of the CEO's ongoing equity grants of 7m options given CEO ownership of ~23% of shares outstanding • Proxy advisors also express concerns with the CEO's security perquisite (valued at ~$1.5m for 2012) and pledging of 139 million shares as collateral
ISS Proposal Summary Excerpts	• "A vote AGAINST this proposal is warranted. The company continues to maintain excessive compensation packages for its CEO and NEOs, primarily through mega option grants. Shareholders have also been funding sizable security expenses for CEO Ellison, who has amassed significant wealth through mega option grants. Equally concerning is the CEO's increased number of company shares pledged as collateral for his personal loans. Finally, the company has failed to specify actions taken to address the company's relatively low say-on-pay vote at the 2011 annual meeting."

[1] 1-year and 3-year total shareholder return as of FYE 2011 and FYE 2012.
[2] As disclosed in the Summary Compensation Table
Source: Semler Brossy analysis, ISS Voting Analytics.