


<p>Owner: Manager, HR Operations Local Contact: HR Manager/Business Partner</p>	<p>VACATION POLICY - U.S.</p>	<p>Policy Center </p>
<p>Approver: Senior Vice President, Human Resources</p>		<p>Date Issued/Revised: 07/01/2016</p>

If you have questions, please contact: [HR Connections](#) at 855-480-6634 or 918-977-7905.

Changes to this Policy are not automatically extended to employees covered by a collective bargaining agreement and are not intended to modify or change existing language or practices under a collective bargaining agreement.

I. PURPOSE

The purpose of this U.S. Vacation Policy (“Policy”) is to provide eligible employees time off with pay for rest and relaxation based on years of service.

II. ELIGIBILITY

This Policy is applicable to regular full-time, regular part-time and temporary employees on the U.S. payroll, excluding employees of retail marketing outlets, intermittent employees, and employees specifically covered under another Company-approved vacation policy or the terms of an applicable collective bargaining agreement.

III. DEFINITIONS

Calendar Year - The 12-month period beginning on January 1 and ending December 31.

Company - Phillips 66 and/or subsidiaries whose employees are covered by this policy.

California Employee - An employee of Phillips 66 working in California who is subject to the California Healthy Workplaces, Healthy Families Act of 2014 (the “Act”). Effective July 1, 2015, this Policy will apply to such employees as written, except insofar as specific provisions are included to distinguish California employees from other employees.

Experienced Exempt New Hires - Exempt new hires that have prior applicable professional experience with another company.

Intermittent Employee - As defined in the U.S. Employment Status Policy.

Regular Pay - The straight-time rate of the employee's regular work classification exclusive of shift differentials, overtime earnings of a temporary or irregular nature, and other premium pay, such as

premium pay for holidays.

Temporary Employee – As defined in the U.S. Employment Status Policy.

Vacation - Time off at regular pay for eligible employees under the terms of this Policy.

Vacation Eligibility Date (VED) - The date from which an employee's recognized service for vacation and certain other policies is calculated. It is used to determine the number of weeks of vacation available to the employee.

IV. VACATION – REGULAR EMPLOYEES

A. Vacation Schedule

Employees (with the exception of employees identified in Subsection C of this Section) will be awarded vacation on January 1 of each year, subject to the maximum vacation limit, and in accordance with the following schedule:

SCHEDULE A Per Year		
Years of Service	Eligible Days of Vacation	Maximum Vacation Limit
1 – 4	10	20
5 – 9	15	25
10 - 19	20	30
20 - 29	25	35
30+	30	40

B. Maximum Vacation Limit

Eligible employees are awarded and may carry over all unused vacation from year to year, up to the maximum vacation limits stated above. On January 1 of each calendar year, the employee will be awarded vacation in an amount up to the maximum vacation limit. Once an employee reaches the applicable maximum vacation limit, the employee is not awarded any additional vacation time for that calendar year. On January 1 of the following calendar year, the employee may be awarded additional vacation time to again reach the maximum vacation limit.

For example, John has 10 years of service. He exhausted all vacation available in 2008, and was awarded 20 days vacation on January 1, 2009. During 2009, John used 10 days of vacation. He carried over the remaining 10 days to 2010 and was awarded an additional 20 days on January 1, 2010 (at which time John had a total of 30 vacation days, the maximum number of vacation days that may be awarded based on the maximum vacation limit). In 2010, John only used 5 days of vacation. He carried over the remaining 25 days to 2011 and was awarded an additional 5 days on January 1, 2011 to again bring him to his maximum vacation limit of 30 days.

Heritage Conoco employees with Grandfathered Vacation will receive the following:

Current Eligible Vacation (eligible vacation for current year based on years of service)

Grandfathered Vacation – only applies if you had more than 10 days in your vacation bank at

the time of merger in 2002. This Grandfathered vacation includes two pieces, the 10 days carryover and any excess banked vacation you had at that time in excess of 10 days.

Since the Grandfathered Vacation line already includes the 10 days carryover, employees with Grandfathered Vacation should use all awarded vacation each year. If you do not use all of your awarded vacation for a given year, the remainder will be carried over to the following year but will reduce your accrual for the following year to comply with the maximum vacation limit in column 3 of Schedule A.

For any vacation time used in excess of an employee's eligible days of vacation (Schedule A column 2) for a particular year there is a corresponding decrease in the employees excess Grandfathered Vacation. Once an employee's excess Grandfathered Vacation bank is reduced it cannot be increased again.

Employees on special work schedules (e.g. 9/80, 7/7, 14/14, 12 hour shifts, etc.) shall have vacation based upon that special work schedule. The employee should refer to the specific work location rules, collective bargaining agreement, work location time administrator or work location HR Business Partner for the applicable eligible vacation.

C. Vacation During First Year of Employment

1. Regular Non-Store (includes exempt, non-exempt and hourly) Employees¹ - New Hires with less than one year of continuous service.

- Employees (excluding union employees unless collective bargaining agreement expressly provides for participation in this Policy) hired in to regular full-time or regular part-time non-store, exempt, non-exempt and hourly jobs after completing 90 days of continuous service will be awarded up to 10 days of vacation, based on the following schedule:

New Hires – Less than One Year of Service		Vacation Days
Month of Hire	Percent of 10 full vacation after 90 days service	Pro-rated Vacation Rounded up to whole days
January	100%	10
February	100%	10
March	100%	10
April	75%	8
May	75%	8
June	75%	8
July	50%	5
August	50%	5
September	50%	5
October*	0%	0
November	0%	0
December	0%	0

¹ Excludes union employees unless collective bargaining agreement expressly provides for participation in this Policy.

NOTE: California Employees hired on October 1st, 2nd or 3rd will be advanced vacation days, effective December 29th, 30th or 31st, respectively, in the year in which they are hired from the immediately following year's vacation days.

2. Regular Non-Store (includes exempt, non-exempt and hourly) Employees¹ - Rehired

- An employee's Vacation Eligibility Date (VED) will be determined in accordance with the U. S. Service Recognition Policy. If less than one year of prior service is recognized, the employee's first vacation after rehire will be governed under the new hire provisions above.
- Regular employees who are rehired in a calendar year for which they received pay-in-lieu of vacation are not eligible for vacation in that calendar year.
- After 90 days continuous service, rehires are awarded vacation in the year of rehire based on the following schedule:

Re-hired Employees With One Or More Years Of Recognized Service						
Experience Recognized		1 year to less than 5	5 years to less than 10	10 years to less than 20	20 years to less than 30	30 years or more
Full Vacation Days		10	15	20	25	30
Month of Re-Hire	Percent of full vacation after 90 days service	Pro-rated Vacation Rounded up to whole days	Pro-rated Vacation Rounded up to whole days	Pro-rated Vacation Rounded up to whole days	Pro-rated Vacation Rounded up to whole days	Pro-rated Vacation Rounded up to whole days
January	100%	10	15	20	25	30
February	100%	10	15	20	25	30
March	100%	10	15	20	25	30
April	75%	8	12	15	19	23
May	75%	8	12	15	19	23
June	75%	8	12	15	19	23
July	50%	5	8	10	13	15
August	50%	5	8	10	13	15
September	50%	5	8	10	13	15
October	0%	0	0	0	0	0
November	0%	0	0	0	0	0
December	0%	0	0	0	0	0

¹ Excludes union employees unless collective bargaining agreement expressly provides for participation in this Policy.

NOTE: California employees who are rehired within one year of their termination and have unused vacation time for which they did not receive pay-in-lieu of vacation will have 24 hours or three days of vacation time immediately reinstated. California employees who are rehired within one year of their termination and received pay-in-lieu of vacation at termination will have 24 hours or three days of vacation time immediately available, with such time being made available from the immediately following year's vacation days if the employee is rehired in the year in which he terminated employment. If a California employee's vacation is reinstated in accordance with the first sentence of this paragraph and the employee has less than 24 hours or three days of vacation reinstated, the remainder of the hours will be made immediately available from the immediately following year's vacation days.

Subsequent vacation will be based on Schedule A on January 1 of the next calendar year.

3. **Experienced New Hires - Degreed or Degree Equivalent Employees** (includes non- store, non-union, salaried exempt and salaried nonexempt) who have received adjusted Vacation Eligibility Dates (VED) under the U.S. Service Recognition Policy of at least one year.

- After 90 days continuous service, such employees are awarded vacation in the year of hire based on the following schedule:

Experienced New Hires With One Or More Years Of Recognized Service						
Experience Recognized		1 year to less than 5	5 years to less than 10	10 years to less than 20	20 years to less than 30	30 years or more
Full Vacation Days		10	15	20	25	30
Month of Hire	Percent of full vacation after 90 days service	Pro-rated Vacation Rounded up to whole days	Pro-rated Vacation Rounded up to whole days	Pro-rated Vacation Rounded up to whole days	Pro-rated Vacation Rounded up to whole days	Pro-rated Vacation Rounded up to whole days
January	100%	10	15	20	25	30
February	100%	10	15	20	25	30
March	100%	10	15	20	25	30
April	75%	8	12	15	19	23
May	75%	8	12	15	19	23
June	75%	8	12	15	19	23
July	50%	5	8	10	13	15
August	50%	5	8	10	13	15
September	50%	5	8	10	13	15
October	0%	0	0	0	0	0
November	0%	0	0	0	0	0
December	0%	0	0	0	0	0

Subsequent vacation will be based on Schedule A on January 1 of the next calendar year. The VED will remain as adjusted during the employee's employment at Phillips 66.

V. VACATION – TEMPORARY EMPLOYEES

Temporary employees with more than 1 year of continuous service will be awarded vacation in a prorated amount based upon the average number of hours worked on a weekly basis on a weekly basis in the prior 12 months using the schedule outlined in Section IV.A. of this Policy. The maximum vacation limit is equal to the temporary employee's eligible vacation for the current year. Temporary employees are required to take all eligible vacation during the year in which it is awarded. If a temporary employee will reach his/her 1 year anniversary during the month of December, the employee will be allowed to take his/her vacation beginning December 1.

NOTE: California employees will have 24 hours or three days of vacation available on their 90th day of employment. The prorated amount awarded on an employee's one-year anniversary will be reduced by the number of hours used by the employee prior to that date.

VI. ADMINISTRATIVE GUIDELINES

- A. Vacation may be taken with prior management approval throughout the calendar year. Management approval of individual vacation requests should take into consideration requirements of the combined workload in the unit as well as the convenience to the employee.
- B. Managers should develop a tentative vacation schedule for employees in their work unit as early in the year as possible. The combined amount of vacation time available to employees makes vacation scheduling an essential part of personnel planning. In addition, employees need advance time to plan for their vacations.
- C. Managers are expected to control the number of employees on vacation at the same time in order for work to continue to be performed safely and effectively.
- D. Priority for vacation dates is established by the manager of each work unit. Managers should consider the length of service of employees involved, individual responsibilities, continuity of work flow, relief labor required, and the preference of employees.
- E. When full-time relief is necessary, vacations should be scheduled in calendar- week increments to achieve maximum use of the vacation relief available.
- F. When vacation relief is not needed, vacations may be scheduled in periods of less than a full week. Unless local practices state otherwise, the vacation minimum period is a half-day.
- G. Vacations should generally not be approved or allowed during a labor dispute at a facility regardless of bargaining unit status of an employee's job. If a period of scheduled, approved vacation is underway when a labor dispute begins, management at its sole discretion may approve its completion. Vacation cannot be taken even if previously scheduled and approved while an employee is on unpaid "Leave – Labor Dispute" due to a labor dispute.
- H. No employee may take vacation unless prior management approval has been obtained; with the exception of employees who are ineligible for 100% of pay with respect to their Short-Term Disability benefits and are still unable to return to work. Such employees are eligible to take vacation prior to or after exhausting their Short-Term Disability benefits of less than 100% of pay without prior management approval. This maximizes continuation of pay during a period when the employee is experiencing an absence due to a disability as defined in the Phillips 66 Short Term Disability policy.

NOTE: In unforeseeable situations, **California employees** will not be required to obtain prior management approval and workload considerations will be disregarded when time off is requested. Additionally, **California Employees** will not be required to use vacation days in calendar- week increments; the minimum increment requirement will not exceed two hours.

VII. EFFECTS OF LEAVE OF ABSENCES ON VACATION

A. Military Leave

Vacation may be requested at any time during a Military Leave and will be paid without a deduction for military pay received. Military supplemental pay benefits will not be paid for any time the employee is on vacation.

B. Short-Term Disability

An employee not at work on the last workday of the year due to a Short-Term Disability will be awarded vacation in January of the next year based on their Vacation Eligibility Date. No reduction will be made to the amount of vacation that was awarded January 1 of the next year because of the employee's time off due to the Short-Term Disability.

C. Disability Leave

No vacation will be paid to an employee on a disability leave under the Phillips 66 Disability Leave of Absence policy. Before going on a disability leave of absence, an employee must use all available vacation.

D. Family and Medical Leave

An employee may run vacation leave concurrently with Family and Medical Leave.

E. Other Rules:

1. An employee must complete a scheduled vacation before qualifying for paid leave benefits (except for a leave due to a Death in Immediate Family) as a result of events that occur during the vacation
2. Employees who are hospitalized while on vacation may elect to cease to be on vacation on the day they enter the hospital. After leaving the hospital, vacation may be rescheduled.
3. Before going on an approved leave of absence, except for leave under the FMLA or a state equivalent, an employee must use all available vacation.
4. While an employee is on an approved leave of absence, vacation service will continue as normal for determining annual vacation eligibility.
5. Employees on Leave of Absence at the end of a calendar year will receive a vacation allocation the next calendar year only upon their return from the leave. The amount of vacation allocation awarded at the end of the leave will be based on the employee's Vacation Eligibility Date.

VIII. TRANSFER FROM A DIFFERENT VACATION POLICY

Vacation benefits for an employee transferring among the benefit plans of Phillips 66, its subsidiaries, and affiliates will be determined from the Vacation Eligibility Date. Employees will be awarded vacation in a prorated amount based upon the transfer date using the schedule outlined in Section IV.A. of this Policy.

IX. ACQUIRED EMPLOYEES

Vacation benefits of individuals employed as a result of mergers, purchases, trades, or other similar methods of acquisition ("corporate transaction") shall be determined from the Vacation Eligibility Date.

NOTE: Use of Vacation Eligibility Date may not satisfy the minimum requirements as required by California law. Each corporate transaction that results in Phillips 66's employment of **California employees** will be reviewed for compliance with California law (specifically The California Healthy Workplaces, Healthy Families Act of 2014.)

X. EMPLOYEES CHANGING EMPLOYMENT STATUS OR WORK SCHEDULE

Employees whose employment status is changed from intermittent to regular part-time or regular full time status will receive a Vacation Eligibility Date in accordance with the Service Recognition Policy. The employee's status or designated work hours on the last workday of the calendar year will determine the employee's vacation eligibility for the next calendar year.

- A. Vacation in the year that the employment status is changed from Regular Part-Time Regular Full-Time will be based on vacation already awarded for the calendar year.

Example:

Employee A is a regular part-time employee. She worked 1½ years on a 4 hour per day schedule that entitled her to 2 weeks vacation at 4 hours per day. Employee actually took 1 week of vacation at 4 hours per day. Upon conversion to regular full-time status, she is entitled to 1 week of vacation at 4 hours per day.

- B. A regular full-time employee who converts to regular part-time status will not lose any previously awarded vacation. The following year vacation will be awarded based on employee's regular part-time status as of 12-31.

Example:

Until March 31, Employee B is a regular full-time employee with 2 weeks accrued vacation at 8 hours per day (80 hours). On April 1, Employee B converts to regular part-time at 6 hours per day. During the year of conversion, regardless of when Employee B converted to part-time status, he continues to have two weeks of vacation at 8 hours per day (80 hours) of accrued vacation for the year.

- C. Employees whose employment status is changed from intermittent to regular full-time or regular part-time must satisfy the 90 days of continuous service requirement beginning the date the change is made to regular full-time or regular part-time before the employee qualifies for vacation. **NOTE: California employees** will have 24 hours or three days of vacation available on their 90th day of employment. The vacation days awarded in the following year will be reduced by the number of hours used by the employee prior to that date.

- D. A temporary employee who converts to a regular part-time or regular full-time status will be awarded vacation under the schedule providing a higher vacation benefit and will not be required to restart the 90 days of continuous service requirement.

Example:

Employee C is a temporary employee and converts to a regular part-time or regular full-time status. If vacation has not been awarded Employee C will be awarded vacation based on the chart in Section IV.C.1 based on the conversion date to regular part-time or regular full-time status. If vacation has been awarded, vacation for Employee C will be determined under the section in this policy providing a higher schedule of vacation benefits (either vacation already awarded as a temporary employee or vacation based on the chart in Section IV.C.1 based on the conversion date to regular part-time or regular-full-time status). Following the year of the conversion, the employee's vacation will be based on Section IV.A of this policy.

- E. Vacation for employees changing work schedules will be based on local work rules (i.e., going from a 40-hour work week to a 42-hour work week schedule).

XI. HOLIDAY DURING VACATION

When a Company-designated holiday occurs while an employee is on vacation, the following procedure will apply:

- A. For All Non-Exempt Employees (As Defined By The Fair Labor Standards Act):**

- If the holiday falls on an employee's scheduled working day and the employee would have been required to work, then the employee will receive double time (Holiday pay and Vacation pay) for such day based on the straight-time rate of the employee's regular work classification for normally schedule hours, exclusive of any shift differential.
- If the holiday falls on an employee's scheduled working day, but the employee would not have been required to work, then the employee will receive Holiday pay only. The employee will not be charged for vacation for the recognized holiday.
- If the holiday falls on an employee's regularly scheduled day off, then the employee will receive Holiday pay only.

B. For All Exempt Employees:

When an exempt employee takes vacation during a period containing a Company designated holiday, the employee will not be charged for vacation for the holiday. For example, if an exempt employee who works a regular 40-hour, 5-days/week work schedule takes vacation during Labor Day week, Labor Day would be recorded as a holiday and the remaining four days in the workweek would be recorded as vacation.

XII. PAY IN LIEU OF VACATION

A. Termination of Employment

- An employee who ends employment prior to 12/31 and who has not taken all awarded and excess banked vacation shall receive a lump sum payment in lieu of such vacation not taken.
- An employee, whose employment end date is 12/31, will receive a lump sum payment in lieu of all unused awarded and excess banked vacation for the current year, as well as the amount that would have been awarded in the following year, subject to the maximum vacation limit. The total amount of pay in lieu of vacation cannot exceed the maximum limit set out in Schedule A.
- An employee who receives notice of layoff before December 31 **and** is a regular full-time or part-time employee (or on excused leave receiving pay) on December 31, will be paid for all unused awarded and excess banked vacation for the current year, as well as the amount that would have been awarded in the following year, **without** application of the maximum vacation limit.
- Only an employee who is retiring (at least age 50 if heritage Conoco or at least age 55 for other employees and who has completed at least 5 years of service) and not in a layoff or termination for cause situation, may elect to take unused vacation in order to extend his/her retirement date.
- There may be a situation in which an employee terminates employment with the Company and continues employment with an employer in which Phillips 66 directly or indirectly owns a 5% or more equity interest. Notwithstanding the other provisions of this Section, that employee will not receive pay in lieu of vacation for the year following termination with the Company as a result of the transfer to the affiliated company.

B. Active Employees

Employees will not be eligible to receive pay in lieu of awarded vacation unless approved by the CEO.

XIII. MISCELLANEOUS

Eligibility requirements and methods of calculating periods of past service for seniority, retirement, group insurance, service awards, and leaves of absence have no impact on this policy.

When multiple policy provisions apply, the provision with the greatest benefit to the employee applies.

Changes to this Policy are not automatically extended to employees covered by a collective bargaining agreement and are not intended to modify or change existing language or practices under a collective bargaining agreement.

Policy Owner: Human Resources
HR Operations

The Company establishes plans, policies and programs appropriate to the business needs and requirements of its various operations and organizations. The plans, policies or programs shown here are provided as guidelines to employees. Company plans, policies and programs are continually under review, and are subject to revision at any time without notice, at the sole discretion of the Company subject to applicable law and/or the terms of any applicable collective bargaining agreement or contract. The plans, policies and programs may differ by location, business, or employee group. Accordingly, individual employees are advised to confirm whether the information accessed here applies to them. Employees may contact HR Connections at 855-480-6634 or 918-977-7905 or their local HR representative if they have any questions. Nothing contained on this site is intended to create, nor is it to be construed to constitute, a contract between Phillips 66 or its subsidiaries and any employee or employees of Phillips 66 or its subsidiaries. Absent a specific written contract to the contrary, employment with Phillips 66, its subsidiaries and affiliates may be terminated with or without cause at any time by the employee or the Company. Nothing contained in these plans, policies or programs shall create a required procedure, practice or policy that must or should be followed in the investigation, evaluation, or disposition of any personnel matter. The information provided is not intended to supersede applicable local, state or federal law or the terms or provisions of any current collective bargaining agreement. In the event of conflict, the law or collective bargaining agreement shall prevail.

The contents of this document are not intended to be the summary plan description (“SPD”) for the benefit plans mentioned. The SPDs can be obtained at <http://hr.phillips66.com/> or by contacting HR Connections at 855-480-6634 or 918-977-7905.