

# Vacation

## Scope

Southwestern Energy (SWN) has established a vacation policy to provide eligible employees with periods of rest and relaxation without loss of pay or benefits. The provisions of this policy apply to all full and regular part-time employees of Southwestern Energy Company and its subsidiaries who are not ineligible employees.

## Definitions

**Vacation** - a prescribed period of time during which a regular full or part-time employee is excused from work but paid at the regular rate.

**Prior Service Credit** – industry experienced granted for the purposes of determine vacation eligibility. Prior work experience must be directly related to the position for which the employee is being hired. Active Duty service in the United States Armed Forces will be counted as prior service credit for all positions.\*

\*Active Duty Service is defined as service in the active component; service during monthly drill and annual training for reserve and guard components; and active service time where the reserve or guard member is activated and/ or mobilized. Time spent as a military academy or ROTC cadet does not count toward Prior Service Credit.

**Ineligible employees** – part-time employees who work less than 20 per week and employee groups that are identified by management as not being eligible for vacation.

## Guidelines

All regular full and part-time employees are eligible for vacation benefits. Regular part-time employees (i.e., who are scheduled to work 20 hours/week or more) accrue vacation on a pro-rated basis, according to their regularly scheduled hours and their length of service. Contingent workers, non-regular part-time employees (i.e., who are regularly scheduled to work less than 20 hours/week) and employees in roles designated as ineligible do not earn/accrue vacation benefits.

Employees begin earning vacation following the completion of the first full pay period of employment. Vacation may be used immediately after it is earned. Each employee's entitlement to vacation is based upon length of combined service with the company or any of its subsidiaries unless an employee is credited with service based on prior experience.

With prior manager approval, employees are eligible to take vacation hours in excess of those accrued at the time of taking vacation. For example, an employee who is eligible for 80 hours of vacation annually wants to take 40 hours of vacation in April. As of April, the employee has only accrued 20 hours of vacation. If the employee's manager approves this vacation time, the employee may take the 40 hours of vacation and "borrow" against anticipated future accrual for the same calendar year. Employees cannot borrow against the future year's anticipated vacation.

Employees on company-approved paid leaves of absence will continue to earn vacation. Employees on unpaid leaves of absence will not earn vacation during the leave period.

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## Vacation Earning Schedule

Length of Credited Vacation Service*	Full-time Employee Annual Vacation Eligibility	Part-time Employee Annual Vacation Eligibility**
0 – 4 years	80 hours	60 hours
5 – 9 years	120 hours	90 hours
10 – 19 years	160 hours	120 hours
20+ years	200 hours	150 hours

\*Vacation accruals will increase the pay period following the achievement of five (5), ten (10), twenty (20) years of service.

\*For those new, experienced hires who are granted vacation service credit at time of hire, movement to the next vacation eligibility level occurs when the employee achieves the designated service milestone with SWN. i.e., a new employee who is granted 160 hours of vacation at time of hire, in recognition of 15 years of relevant experience, will move to the 200 hour vacation eligibility schedule when he has completed 5 years of service with SWN (for a total of 20 years total experience).

\*\*For employees working 20 hrs. /week or more.

## Carry-over vacation

All employees are encouraged to take their vacation allotment each year. However, if there is earned vacation remaining at the end of the calendar year, a maximum of 40 hours will be carried forward into the following year. For part time employees, the total hours of vacation carry over will be based on the normal number of hours per week that the part-time employee is scheduled to work. This carry over vacation must be taken by June 30<sup>th</sup> of the following year or it will be forfeited.

## Procedure

### Scheduling:

Vacations must be scheduled in advance and approved by the employee's immediate supervisor. Every attempt will be made to accommodate vacation requests; however, to ensure that vacations do not unduly affect company business, management reserves the right to deny requested vacation. If a vacation request is denied, reasonable accommodations will be made to ensure employee is able to utilize vacation during the year it is earned.

### Pay

Vacation is paid at the employee's regular pay rate, without taking into account bonus or overtime.

Vacation time is paid through regular payroll processing and is subject to normal authorized and/or required payroll deductions.

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## Reporting vacation hours

Employees should report vacation hours according to the regular work schedule for the day, i.e.,

- If the employee is on a 9/80 work schedule, and takes a vacation day on a regularly scheduled nine hour day, nine hours of vacation must be recorded; if vacation is taken on Friday, then eight hours of vacation must be reported.
- If the employee is on a regular 5/8 work schedule, and takes a vacation day, eight hours of vacation must be reported.
- If an employee is part-time and takes a vacation day, (s)he must report however many hours they are regularly scheduled for the day.

Employees are expected to not work during their vacation. If a non-exempt employee does work, the employee must report the time as hours worked and not as vacation.

## Holiday during vacation

If a recognized company-paid holiday occurs during an employee's vacation, the employee will receive holiday pay for that day and not be required to use vacation to cover that day.

## Illness during vacation

Employees who become ill during their vacation will be allowed to substitute Benefit Time for those days they are ill.

## Payment of vacation benefits to terminating employees

Unused earned vacation will be paid out upon termination. Conversely, a terminating employee's final paycheck may be reduced by any vacation deficit owed the company.

Vacation related payments will be made as soon as administratively possible after employment is terminated. Per IRS and applicable state regulations, taxes will be withheld from any lump-sum payments of vacation benefits at a supplemental tax rate, similar to bonus payments.