

## **Vacation Policy Update - Frequently Asked Questions (FAQs)**

Below are several Frequently Asked Questions about the updated vacation policy. If you have questions not addressed in this document, please feel free to reach out to [benefits@lubrizol.com](mailto:benefits@lubrizol.com).

### **What's changing with the vacation policy?**

Lubrizol is changing how employees accrue their vacation. Employees will accrue (accumulate) vacation per pay period. At termination of employment or retirement, unused and accrued vacation will be paid out. Vacation used but not accrued will be withheld from an employee's final pay. A maximum of five vacation days may be carried over to the next year only on an exception basis and with approval by an Executive Council member. Employees who leave Lubrizol cannot extend their active employment with unused vacation time.

### **What is the effective date of the change to the vacation policy?**

The change is effective July 1, 2020.

### **To what employees does the policy update apply?**

The policy applies to all regular U.S. employees who are not covered under a collective bargaining agreement unless specified in the contract. Subject to law, local policies may vary.

### **How does this change impact me in 2020?**

- If you were hired on or before December 31, 2019, your 2020 vacation was accrued on December 31, 2019. You will begin to accrue vacation under the new policy on January 1, 2021.
- If you were hired January 1, 2020 – June 30, 2020, your vacation was accrued under the old policy. You will begin to accrue vacation under the new policy on January 1, 2021.
- If you were hired on or after July 1, 2020, your vacation will accrue as outlined under the new policy.

### **Why is the vacation policy changing?**

The changes modernize the vacation policy to align with prevalent market practice. The revisions provide a consistent and clear policy for employees and managers while maintaining a competitive and fiscally responsible program.

### **Will my vacation allotment change?**

No change was made to the amount of vacation you are eligible for, which continues to be based on your length of service. The vacation policy includes a schedule of vacation eligibility and can be viewed [here](#).

### **Does vacation need to accrue before it can be used?**

No. Employees' entire vacation allotment is available for use as of January 1. For example, an employee with a vacation allotment of 15 days has a 10-day vacation scheduled to begin January 10. The employee can use 10 days of their allotment for a vacation beginning January 1. If the employee exits the company after using vacation, but before it is accrued, final wages will be reduced by the amount of used, but not accrued vacation.

### **How much vacation do I accrue each pay?**

Accrual is based on vacation allotment. For example:

<b>Annual vacation allotment (Includes days bought)</b>	<b>Hours accrued per pay</b>
1 day (8 hours)	0.31 hours
10 days (80 hours)	3.08 hours
15 days (120 hours)	4.62 hours
20 days (160 hours)	6.15 hours
25 days (200 hours)	7.69 hours
30 days (240 hours)	9.23 hours

### **What vacation do I get paid for if I leave the company?**

If you leave Lubrizol, unused and accrued vacation will be paid out. Vacation cannot be used to extend employment.

### **What happens if I used vacation that was not accrued, and I leave the company?**

Vacation used and not accrued will be withheld from your final pay.

### **I plan to retire in 2020. Can I use vacation to extend my active employment?**

No. If you leave Lubrizol on or after July 1, 2020 you cannot use vacation to extend your active employment.

### **Does this impact the 40 hours of paid sick and family leave time I have?**

No. There is no change to the current sick and family leave policy. Unused sick and family leave hours are not paid when an employee leaves Lubrizol.

### **Does Lubrizol need authorization from me to withhold money from pay if vacation that was not yet accrued was used?**

All employees will receive a notification to review the vacation policy and the related recovery process when vacation that was not accrued is used prior to termination or retirement. The notice and acknowledgement will be completed using Career Essentials Learning.

### **If I do not leave the company but have unused vacation time at the end of the year, can I carry it over to the next year?**

A request can be made to your manager to carry over a maximum of 5 vacation days (40 hours) by December 1 each year. Carryover requests are not routine and will require approval by a member of Executive Council. Purchased vacation is not eligible for carry over.

### **Can employees view what vacation is accrued to date?**

Vacation accrual is calculated only at the time the employee exits the organization. We currently do not have a tracking mechanism for active employees.

### **Can you give examples of how the new policy works?**

Absolutely. See the attached appendix for several examples.

### **I can't take vacation in 2020 because of the global pandemic. Can I carryover all of my 2020 vacation to 2021?**

We recognize that the global pandemic has forced employees to reconsider their 2020 vacation plans, especially if vacation involves travel outside of your home area. We strongly encourage our employees to take their 2020 accrued vacation in 2020 and not to expect to carryover vacation to 2021. As we noted above, the carryover policy is meant for exceptional circumstances where Lubrizol work prevents employees from taking time off. While employees may not be able to travel to their desired destinations this year, they can and should use their vacation time to take some time away from work.

### Appendix with Examples

#### Example 1:

Employee with a 30-day (240 hours) vacation allotment leaves Lubrizol August 25, 2020. Prior to leaving, he used 20 days (160 hours) of allotted vacation.

His 2020 vacation accrued December 31, 2019.

<b>Terminating and Retiring Employees – Exit date in 2020 – Time used is less than time accrued as of 12/31/2019</b>						
Vacation allotment	Vacation available January 1	Exit date	Vacation accrued as of exit date	Vacation used prior to exit date	Vacation withheld from final pay	Vacation paid to employee
30 days (240 hours)	30 days (240 hours)	August 25, 2020	30 days (240 hours)	20 days (160 hours)	0	240 -160 = 80 hours

#### Example 2:

Employee with a 30-day (240 hours) vacation allotment wants to use 10 days of vacation beginning January 20, 2021. His accrued vacation to date is 9.23 hours (9.23 X 1 pay period = 9.23 hours). Although he has not accrued the time, he can use all or part of his 240-hour allotment. If he stays employed through December 31, 2021, he will accrue his entire 30-day (240 hour) allotment.

<b>Active Employee – Use of vacation time prior to accrual – 2021</b>			
Vacation allotment	Time off beginning date	Vacation accrued as of scheduled time off	Vacation time available for use January 1
30 days (240 hours)	January 20, 2021	9.23 hours x 1 pay period = 9.23 hours	30 days (240 hours)

#### Example 3:

Employee with a 20-day (160 hours) vacation allotment used 8 days (64 hours) of vacation as of November 15, 2021. She has an added 5 days scheduled for use in December. She does not think she can use the other 7 days prior to December 31 and would like to carry them over into the next year. She can request carry over of up to 5 days (40 hours).

<b>Active Employee – Request for carryover</b>				
Vacation allotment	Time off used year to date	Added vacation scheduled	Carry over request	Carry over options
20 days (160 hours)	8 days (64 hours)	5 days (40 hours)	7 days (56 hours)	Request must be given to manager prior to December 1. Maximum number of days eligible for carryover is 5 (40 hours). EC member must approve request

**Example 4:**

Employee with a 10-day (80 hours) vacation allotment leaves Lubrizol August 25, 2021. Prior to leaving he used 2 days (16 hours) of allotted vacation.

As of his exit date he has accrued vacation for 17 pay periods.

$3.08 \text{ hours/pay period} \times 17 \text{ pay periods} = 53 \text{ hours accrued}$

$53 \text{ accrued hours} - 16 \text{ hours accrued vacation used} = 37 \text{ hours to be paid on final pay upon exit.}$  The same formula applies to both retiring and terminating employees.

<b>Terminating and Retiring Employee – Vacation used is less than YTD accrual</b>						
<b>Vacation allotment</b>	<b>Vacation available January 1</b>	<b>Exit date</b>	<b>Vacation accrued as of exit date</b>	<b>Vacation used prior to exit date</b>	<b>Vacation withheld from Final Pay</b>	<b>Vacation paid to employee</b>
10 days (80 hours)	10 days (80 hours)	August 25, 2021	3.08 hours per pay x 17 pay periods = 53 hours	2 days (16 hours)	0	$53 - 16 = 37$ hours

**Example 5:**

Employee with a 30-day (240 hours) vacation allotment retires November 25, 2021. Prior to leaving Lubrizol he used 25 days (200 hours) of allotted vacation.

As of his exit date he has accrued vacation for 23 pay periods.

$9.23 \text{ hours/pay period} \times 23 \text{ pay periods} = 213 \text{ hours accrued}$

$213 \text{ accrued hours} - 200 \text{ hours accrued vacation used} = 13 \text{ hours to be paid upon exit.}$  The same formula applies to both retiring and terminating employees.

<b>Terminating and Retiring Employees – Vacation used is less than YTD accrual</b>						
<b>Vacation allotment</b>	<b>Vacation available January 1</b>	<b>Exit date</b>	<b>Vacation accrued as of exit date</b>	<b>Vacation used prior to exit date</b>	<b>Vacation withheld from final pay</b>	<b>Vacation paid to employee</b>
30 days (240 hours)	30 days (240 hours)	November 25, 2021	$9.23 \text{ hours per pay} \times 23 \text{ pay periods} = 213 \text{ hours}$	25 days (200 hours)	0	$213 - 200 = 13$ hours

**Example 6:**

Employee with a 20-day (160 hours) vacation allotment that includes 5 days of vacation buy, leaves Lubrizol July 17, 2021. Prior to leaving Lubrizol she used 10 days (80 hours) of allotted vacation.

As of her exit date she has accrued vacation for 14 pay periods.

$6.15 \text{ hours/pay period} \times 14 \text{ pay periods} = 87 \text{ hours accrued}$

$87 \text{ accrued hours} - 80 \text{ hours accrued vacation used} = 7 \text{ hours to be paid upon exit.}$  The same formula applies to both retiring and terminating employees.

<b>Terminating and Retiring Employees – With vacation buy</b>						
<b>Vacation allotment</b>	<b>Vacation available January 1</b>	<b>Exit date</b>	<b>Vacation accrued as of exit date</b>	<b>Vacation used prior to exit date</b>	<b>Vacation withheld from final pay</b>	<b>Vacation paid to employee</b>
15 days + 5 days bought (160 hours)	20 days (160 hours)	July 17, 2021	6.15 hours per pay x 14 pay periods = 87 hours	10 days (80 hours)	0	$87 - 80 = 7$ hours

**Example 7:** Employee with a 30-day (240 hours) vacation allotment that includes 5 days of vacation buy plans to leave Lubrizol July 16, 2021. Prior to leaving he used 5 days (40 hours) of allotted vacation. Can he use his accrued and unused vacation time to extend his status as an active employee through August 2, 2021?

No. Unused accrued vacation cannot be used to extend employment. Unused accrued time will be paid after the exit date of July 16, 2021.

$9.23 \text{ hours/pay period} \times 14 \text{ pay periods} = 130 \text{ hours accrued}$

$130 \text{ accrued hours} - 40 \text{ hours accrued vacation used} = 90 \text{ hours to be paid at exit.}$  The same formula applies to both retiring and terminating employees.

<b>Terminating and Retiring Employees – Use of accrued vacation to extend employment</b>						
<b>Vacation allotment</b>	<b>Vacation available January 1</b>	<b>Exit date</b>	<b>Vacation accrued as of exit date</b>	<b>Vacation used prior to exit date</b>	<b>Vacation withheld from final pay</b>	<b>Vacation paid to employee</b>
25 days + 5 days bought (240 hours)	30 days (240 hours)	July 16, 2021	9.23 hours per pay x 14 pay periods = 130 hours	5 days (40 hours)	0	$130 - 40 = 90$ hours

**Example 8:**

Employee with a 20-day (160 hours) vacation allotment leaves Lubrizol March 31, 2021. Prior to leaving Lubrizol he used 10 days (80 hours) of allotted vacation.

As of his exit date, he has accrued vacation for 7 pay periods.

6.15 hours/pay period X 7 pay periods = 44 hours accrued

44 accrued hours – 80 hours vacation used = 36 hours to be withheld from final pay upon exit. The same formula applies to both retiring and terminating employees.

Terminating and Retiring Employees – Vacation used is more than YTD accrual						
Vacation allotment	Vacation available January 1	Exit date	Vacation accrued as of exit date	Vacation used prior to exit date	Vacation withheld from final pay	Vacation paid to employee
20 days (160 hours)	20 days (160 hours)	March 31, 2021	6.15 hours per pay x 7 pay periods = 44 hours	10 days (80 hours)	44 – 80 = 36 hours	0

**Example 9:** Employee with a 30-day (240 hours) vacation allotment plans to leave Lubrizol August 21, 2020. Prior to leaving he used 5 days (40 hours) of allotted vacation. Can he use his accrued and unused vacation time to extend his status as an active employee through September 28, 2020?

No. Unused accrued vacation cannot be used to extend employment. Unused accrued time will be paid after the exit date of August 21, 2020.

His 2020 vacation accrued December 31, 2019.

240 accrued hours – 40 hours accrued vacation used = 200 hours to be paid at exit. The same formula applies to both retiring and terminating employees.

Terminating and Retiring Employees – Use of accrued vacation to extend employment						
Vacation allotment	Vacation available January 1	Exit date	Vacation accrued as of exit date	Vacation used prior to exit date	Vacation withheld from final pay	Vacation paid to employee
30 days (240 hours)	30 days (240 hours)	August 21, 2020	30 days (240 hours)	5 days (40 hours)	0	240 – 40 = 200 hours