ConocoPhillips

Global Policy for Rotational Assignments

Refer to Intranet for most current version of policy
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POLICY STATEMENT
The following is a summary of the policy for ConocoPhillips worldwide rotators on a regular or non-regular assignment basis. These policies will be under periodic review and subject to change as deemed appropriate by internal and external factors.

- Extended short term hardship assignments eligible for premium pay are not covered under this policy.
- Assignments whereby the family is resident in one location and the employee travels or commutes to another location to work are not covered under this policy.

Definitions
Various terms are used throughout the policy and are defined below for clarification:

Field Position
A job that is performed in a location other than the office of the subsidiary, such as:
- Offshore rig or platform
- Onshore drilling or production location
- Onshore or offshore “base” locations
- Onshore or offshore seismograph locations

Home Country
The Country that administers the payroll for the employee.

Home Country Factor (HCF) (Formerly referred to as Offshore Allowance)
A supplemental payment made to rotators that are assigned to a “field position” while rotating.
- The amount of the Home Country Factor is a function of Home Country policy.
- The allowance may be subject to taxation depending upon Home Country policy.
- Employees who rotate to an office environment are not eligible for the Home Country Factor payment.

Resident Country
The Country where the rotator has established residence. Requests to relocate to a country other than the country of payroll/residence will be reviewed on a case-by-case basis taking into consideration tax issues, increase in travel time and cost, etc.

Rotator
- An employee, not resident in the foreign location, assigned to the work location for an indefinite period of time on a work schedule of a designated number of days on a work hitch and a designated number of days off.
- Work schedule may vary depending on the routine of the rotation, business needs, and Host Country labor laws. Typical schedule is 7 days a week, 12 hours per day.
At the discretion of locale management, the work schedule may be revised to meet the needs of the business unit.

- The assignment period will not normally be less than 12 months; however, it may be reduced by the Company as conditions warrant. (Assignments less than 12 months should refer to the Non-Regular Rotator Policy on page 11.)

**Compensation Components**

There are three components that make up the salary of rotators:

**Base Pay**

This will continue to be established and administered under the rotator’s Home Country salary structure and guidelines.

**Rotation Premium**

- The rotator premium is determined by external competitive comparison and internal equity. The premium varies based on the hardship of the assignment location. It is subject to change, with or without notice, as Internal and External factors change.
- The rotator premium percentage applies to the base pay. The maximum base pay to which it applies is the equivalent of ConocoPhillips salary grade 20 midpoint for each respective payroll unit.
- It is tax protected, but not benefits bearing.

**When to Stop and Start Rotator Premium**

- The first work day of the first “hitch” will designate when the rotator premium and Home Country Factor will commence.
- The employee will continue to be paid the rotator premium for an equal number of days (considered the “off hitch”) as spent on the “on hitch” and every effort should be made to allow the employee the “off hitch” time.

**Additional Premium for Additional Days Worked at the Foreign Location**

- There may be occasion when a rotator is requested by management to work at the foreign location beyond the scheduled workdays. (The rotation schedule and the need to comply with the 183-day tax rule (before foreign taxes are effective) in some countries should be considered prior to making such a request.)
- There must be a significant business need and the rotator must remain on the job for at least five extra days before an additional premium is paid for each day, retroactive to the first extra day. No additional salary is paid.
- Local management must approve to hold the employee beyond the designated number of days at the assignment locations before the employee is advised.
- It is the employee’s responsibility to complete a temporary pay form, have the supervisor approve, and send to Expatriate Services for computation and submittal to the Home Country payroll for additional premium for days worked.
**Home Country Factor (HCF)**

- This allowance is intended to equalize, to some extent, the rotator at a field/offshore position in a foreign location to the offshore bonus paid to employees remaining in their Home Country and rotating to an offshore rig or field sight.
- It does not apply to those who rotate to an office environment.
- This Home Country Factor is subject to change, with or without notice, as internal and external factors change.
- Application of taxation and inclusion of Home Country benefits is according to Home Country policies of the rotator.

**Tax Equalization**

**General Discussion**

- The Company uses a process called Tax Equalization to ensure that the international rotator does not pay more or less tax as a result of the international rotational assignment.
- The intent of tax equalization is to remove tax as a consideration in deciding whether or not to accept an international rotation assignment.
- Similar to the compensation items outlined in the Global Expatriate Policy, the philosophy and approach is Home Country based with respect to taxation.
- The international rotator will be subject to income and social taxes as if he/she remained in the Home Country. This is achieved as follows:

**Hypothetical Tax**

- The international rotator will have an amount withheld from base salary by the Company called Hypothetical Tax. This amount represents the estimated Home Country tax liability the international rotator would have paid had he/she not been on international rotation assignment.
- It is based on base salary, family size and deductions allowable in the Home Country.
- It starts the effective date of the international rotation assignment and ends at the conclusion of the international rotation assignment.
- The Company, where applicable, will continue to withhold social taxes from the international rotator’s base salary and other incentive compensation (bonus, awards, stock options, etc.) in order to continue coverage in the Home Country social security scheme.
- Hypothetical Tax may also be applied to other company income not related to the international rotation assignment including bonuses, awards, stock options, etc.
- Hypothetical Tax is not applied to personal/outside income, which refers to interest, dividends, stock sales, spousal income, etc.
- Personal/Outside income is considered in the Annual Reconciliation.
• In certain cases, the international rotator will continue to pay Home Country tax rather than Hypothetical Tax.

**Annual Reconciliation**

• At the end of the Home Country tax year, the Company’s tax service provider will prepare any Home and Host Country income tax filings as well as the Annual Reconciliation.

• The Annual Reconciliation compares the Actual and Hypothetical Tax paid during the year to the Final Theoretical Tax.

• If the international rotator’s Actual and Hypothetical Tax paid is more than the Final Theoretical Tax, then the Company owes the international rotator the difference.

• If the international rotator’s Actual and Hypothetical Tax is less than the Final Theoretical Tax, then the international rotator owes the Company the difference.

The terms referred to in the Annual Reconciliation are defined below:

**Final Theoretical Tax** – Home Country tax calculation considering company income (base salary, bonus, awards, stock options), personal/outside income as well as deductions and allowances. It represents the international rotator’s income tax liability as if he/she remained in the Home Country during the tax year. It does not consider compensation paid by the Company related to the international rotation assignment including but not limited to Rotation Premium, Foreign Taxes Paid, Lodging/Travel Expenses, etc.

**Hypothetical Tax Paid** – Actual Hypothetical Tax withheld during the tax year.

**Actual Tax Paid** – Other Home Country taxes paid directly by the international rotator during the tax year.

**Special Rules**

Regardless of the employee’s Home Country tax residency status, it is intended that the employee will be subject to a Home Country tax liability as if he/she remained in the Home Country. The procedures described in the Global Tax Equalization Policy for employees rotating from his/her Home Country will apply. For employee’s who reside in a country other than his/her Home Country, the employee will be subject to tax equalization back to the Home Country, not the country of residence. The Tax Service Provider prior to the start of the international rotational assignment will describe this in further detail.

**Summary**

This is a general explanation of the Tax Equalization process. For more detailed information, please refer to the Tax Equalization Policy. Also, the international rotator is entitled to a consultation with the Company’s Tax Service Provider prior to the beginning
of the international rotation assignment to review the Tax Equalization Policy and address any personal questions at that time.

[Link to Tax Equalization Policy]

Medical Examination

Medical Exams
This policy outlines provisions for medical exams that the rotator is eligible for under the assignment guidelines. The types of medical exams include:

- Pre-Assignment
- Periodic
- Assignment Termination

Pre-Assignment Physicals
- Consistent with business necessity, job related pre-assignment physical examinations to determine fitness for job assignments are required for all employees prior to departing for a rotation assignment.

Periodic Physicals
- The frequency of these periodic physicals will depend on the location as follows:
  - High Risk Locations – every year (annual physical).
  - High Risk is defined as developing countries with substandard medical services (below standard hospitals, medical facilities, sterilization methods, and blood transfusions).
  - Frequency of periodic physical examinations for employees in other international areas will depend on the location of the assignment.

Assignment Termination
- Assignment termination physicals will be offered to all employees upon returning to their Home Country from a High Risk area.
- Physicals must be taken within 60 days of return.

Immunizations
- An immunization and chemoprophylaxis program based on Center for Disease Control (CDC) and/or World Health Organization (WHO) recommendations for specific countries will be offered to all rotating employees.

Travel Kits
- Basic Kit – a basic travel kit containing first aid supplies will be offered to all rotating employees.

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• Super Kit – in certain situations (remote locations with limited access to medical care), additional medical supplies, such as suturing materials and needles, will be included in the travel kit.
• A note signed by a physician on Company letterhead will be included in the kit explaining the need for additional supplies.
• These will be evaluated on a case-by-case basis.

Transportation To and From Assignment Location
• Travel time to and from the assignment location is during the “off hitch”.
• Air transportation to and from the assignment location must be arranged through a Company Travel Office, if possible.
• Rotators are expected to arrive at the assignment location in time to commence their first hitch. In some locations, they may be required to arrive early to attend an orientation, meetings, training, etc.
• Unless local management approval is obtained, return trips will commence no sooner than the day after the last scheduled work hours.
• The class of travel to and from the assignment location is determined by the Corporate Travel Policy.
• The employee must arrange ground transportation that is covered by the per diem.
• The employee may accrue frequent flier mileage for personal use.

Completion of a Rotation Assignment
• The new supervisor may require the employee to report to the new work assignment without granting time off to complete the rotational cycle.
• Time off at a later date will not usually be granted.
• The employee will not receive additional base salary to compensate for the “off hitch” time not granted.
• The employee will be paid the premium for an equal number of days for the “off hitch” as worked during the “on hitch” to complete the rotational cycle.

Expenses and Expense Reporting
• A per diem of $50 (or equivalent) will be paid for the actual travel days to and from the work location.
• The per diem is intended to cover all incidental expenses incurred while traveling to and from the assignment location (i.e. ground transportation, parking, meals).
• If a rotator must incur an overnight stay in a hotel while en route to or from the assignment location or at the assignment location (not by personal choice), the cost of lodging will be reimbursed separately.
• Airport tax is not included in the per diem and will be reimbursed separately.
• Per diems, unavoidable lodging, and airport taxes should be claimed on the appropriate Home Country expense reporting forms and approved by a supervisor prior to submitting for payment.
If an employee incurs expenses which exceed the per diem, they should be documented and submitted on the Home Country expense reporting forms for management approval.

**Vacation**
- Rotation assignments generally require continuity and year-round manning so rotators are not allowed to take vacation during the rotation assignment.
- In lieu of taking vacation, rotators that have worked a full cycle (January through December of the calendar year) will receive a “buyout” payment in December to cover their earned vacation.
- Actual vacation entitlement will be paid.
- Employees who commence rotation during the year are encouraged to take vacation prior to the first “on hitch”. If this is not possible, in December of the year the employee will be required to bank vacation (if vacation banking is a Home Country policy) or carry over to the maximum eligible and then be provided pay in lieu of any remaining vacation.
- Employees who discontinue the rotation assignment during the year are immediately eligible for their domestic vacation entitlement.
- If the new assignment is such that they are unable to complete vacation prior to December 31, they will be required to bank or carry over to the maximum eligible and then be provided payment in lieu of.
- If the employee transfers from rotation to an expatriate assignment, the employee will retain the domestic vacation entitlement for the remainder of that year.
- January 1 of the year following the expatriation, the employee becomes eligible for vacation as a regular, full-time expatriate as indicated in the Global Expatriate Policy.
- The vacation buyout or any payments made for pay in lieu of is taxable income.

**Insurance and Medical Coverage**
- Rotators will remain on Home Country insurance coverage.
- U.S. rotators will continue to be covered by Aetna for health care and Metlife for dental in the Home and Host country since these providers are recognized worldwide.
- Other nationalities will be covered by their Home Country National Health Schemes during the off hitch and by BUPA during the on hitch.

**Training and Working During “Off Hitch”**
- At times, training for rotators may be scheduled during the “off hitch”.
- The rotator may also be required to work some of the “off hitch” in the home location.
- Any compensatory time-off is subject to local management approval. Additional pay is not applicable.
Compassionate Leave

- When confirmed serious illness or death of a close relative requires the employee’s immediate presence outside the country of assignment, absence with pay may be granted up to a maximum, consistent with the Global ConocoPhillips’ Expatriate Policy.
- Absence in excess of this period shall be covered by a leave of absence without pay, regular vacation (if not bought out), or banked vacation. Please confer with the Sr. Advisor, Expatriate Administration.

Guidelines

Below are guidelines for eligibility in the event of death or serious/critical illness of family members. Family members not recognized below may also be considered (e.g., aunt, uncle, in-laws) on a case-by-case basis.

Serious Illness or Death

- Spouse
- Dependent
- Sibling
- Grandchild
- Employee’s Parents
- Spouse’s Parents
- Grandparents
- Stepchild
- Non-Custodial Child

Note: In any emergency situation, local management will grant authorization appropriate to the conditions or consult with Expatriate Services or the Medical Department.

Relocating the Primary Residence

The expectation is that the employee’s family will continue to reside in their current residence. However, the following provision may be made on approval basis:

- The employee may request relocation assistance to move the primary residence due to a significant personal consideration including:
  - The need to locate closer to friends/family to provide comfort and security to the family remaining in the Home Country.
  - Other extenuating personal circumstances.
  - International moves will only be considered on a case-by-case basis.

This may only be approved by the Country Manager after review and concurrence by the Director, Expatriate Services. Factors such as the following will be considered by management:

- Cost of transfer assistance benefits.
- Length of time of assignment.
- Next possible assignment location for the employee.
If approved, the relocation expenses that will be granted include:

- Reimbursement of home sale expenses (typical closing costs). Company does not purchase home.
- Home purchase assistance at new location
- Shipment of household effects
- Three days of temporary living at old location
- Three days of temporary living at new location
- Travel costs to new location
- House hunting trip not to exceed five days
- A Relocation Allowance will not be paid.

The employee will not be eligible for further sales/purchase assistance unless the employee accepts a new position within the Company and is required by the Company to move to the new job site location.

*Note: The Company will not purchase the home unless the employee is requested to move residence by the Company. Exceptions to the Relocation guidelines will be reviewed on a case-by-case basis and must be approved by the Director, Expatriate Services. He will ascertain if the request needs to go to upper management for final review.*

**Non-Regular Rotator Policy**

Areas not specifically addressed within the Non-Regular Rotator Policy will revert to the Permanent Rotator Policy. Questions or clarifications should be addressed to the Sr. Advisor, Expatriate Administration in Houston or to the International Assignment Coordinator for the respective location.

**Non-Regulator Rotator Definition**

An employee who is assigned to an international rotation schedule to accomplish a specific task (e.g. drill a well or complete a certain project) generally within a twelve-month period or less. Scheduled workdays are erratic and rarely are a defined 28/28.

*The employee will document his time and submit it to Expatriate Services to implement with payroll to claim the Rotation Premium after each “on hitch”. A $50 per diem for travel will be paid to cover incidental expenses (refer to Regular Rotation Policy) and should be claimed on the Home Country Expense Reporting Forms.*

**Premium**

Below is the formula to calculate the non-regular rotation premium:

- Monthly base or maximum whichever is less (multiplied by) Rotation Premium percent (divided by) 28 days (multiplied by) Number of Days on Hitch (added to) Equal Number Days Off Hitch. (Maximum is midpoint of salary grade 20 for all nationalities.)
In order to maintain equity with the premium for a regular rotation assignment, the formula used to calculate premium for a non-regular rotation assignment is based on a 28-day month regardless of actual days in the month.

Since regular rotators receive the premium every month for the full month, number of days worked are not tracked for the purpose of calculating premium. In contrast, due to the irregularity in long-term scheduling, the days worked by the non-regular rotator are tracked in order to calculate premium for days worked plus days off.

The number of days off will equal the number of days worked for each rotation.

Vacation

- It is intended that employees who are on non-regular rotation assignments will schedule and take vacation between rotation cycles.
- Employees who are on rotation assignments the entire calendar year will be eligible for pay-in-lieu for any residual vacation days not taken due to work demands.
- In such cases, the employee will be required to bank or carry over as much vacation as allowed.
- If there is no Home Country banking policy or if there are residual vacation days after banking the maximum amount, the employee will receive pay in lieu for vacation days not taken due to work demands.
- Buy out payments for vacation are taxable income.
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