



TESORO CORPORATION

VACATION POLICY

SUMMARY POLICY
DESCRIPTION

As of January 1, 2017

This summary is intended to describe how the Tesoro Vacation Policy works. If you have questions regarding your coverage under the Tesoro Vacation Policy, contact the Tesoro Employee Service Center at 866-688-5465 or email the Corporate Benefits Department at satbenefits@tsocorp.com.

This summary describes the Tesoro Vacation Policy as of January 1, 2017. This Policy is available to eligible Tesoro employees on the U.S. payrolls.

This description doesn't cover every provision of the Policy. Some complex concepts may have been simplified or omitted in order to present a more understandable policy description. If the description is incomplete or if there is any inconsistency between the information provided here and the official policy document, the provisions of the official policy document govern. The Company reserves the right to interpret and administer the Tesoro Vacation Policy consistent with its intent and provisions.

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Tesoro recognizes the importance of time off work and provides paid vacation benefits for rest, relaxation, recreation and work/life balance.

TERMINOLOGY

Exempt Position – A position that is exempt from the overtime provisions of the Fair Labor Standards Act (FLSA), as determined by Tesoro.

Nonexempt Position – A position that is subject to the overtime provisions of the Fair Labor Standards Act (FLSA), as determined by Tesoro.

Service Year – Refers generally to the initial one-year period beginning with an employee's date of hire and ending with the employee's service anniversary date; and each subsequent one-year period of service, based on the employee's annual anniversary date. A Service Year may be adjusted to reflect service credit for prior exempt-level experience and for breaks in Tesoro service for rehired employees.

Vacation Accumulation – The balance of vacation hours that an employee has earned but has not yet taken.

Vacation Accumulation Cap – The maximum number of hours of vacation that may be earned and accumulated in an employee's vacation bank.

Vacation Amount – The number of weeks or hours vacation you earn during a Service Year, based on the years of service as shown in the benefits schedule below. While vacation may be expressed in weeks, it administered in hours and earned as a proportional benefit amount on a daily basis.

Vacation Eligibility – Refers to whether and when an employee is eligible to earn and take vacation under this policy.

Vacation Seniority Date – The date used in order to determine the amount of Tesoro employment service (i.e. the number of Service Years) used in the calculation of the Vacation Amount. The vacation service date will reflect an employee's actual length of credited service and may reflect job-related experience with another company and/or breaks in service for rehired employees.

PARTICIPATION

You are eligible to participate in the Vacation Policy upon hire if you're a regular, full-time employee of one of Tesoro Corporation's participating subsidiary companies on the U.S. Payroll. You will be considered a full-time employee if you are regularly scheduled to work at least 30 hours each week. You are not eligible to participate if you are not on the Tesoro Payroll; if you are a contractor, intern, or seasonal hire; or if you have entered into an agreement indicating that you will not participate in the Policy.

If you are in a job covered by a collective bargaining agreement, you are not eligible for participation unless the provisions of this policy are included or incorporated by reference in your collective bargaining agreement. For represented employees who participate in this policy, Union contract provisions will apply, even if they differ from this policy.

DETERMINING THE AMOUNT OF ANNUAL VACATION

If you are a regular, full-time employee, you will be credited with a proportional amount of paid vacation based on your credited years of service according to the Vacation Benefits Schedule. Although vacation amounts in the benefit schedule are expressed in weeks, the vacation that you earn and use is administered in hours. The number of hours in a "week" is generally defined as the number of hours in your regular annual work schedule divided by 52. If your normal work schedule is other than a conventional schedule of eight hours per day and five days a week, the vacation you earn will be adjusted to correspond with the number of days and hours in your normal work week.

VACATION BENEFIT SCHEDULE

<i>Vacation Benefits Schedule</i>		
<i>Years of Credited Service</i>	<i>Vacation Amount</i>	<i>Vacation Accumulation Cap</i>
Date of Hire through Year 4	2 Weeks	4 Weeks
Year 5 through 9	3 Weeks	6 Weeks
Year 10 through 19	4 Weeks	8 Weeks
Year 20 through 29	5 Weeks	10 Weeks
Year 30 and beyond	6 Weeks	12 Weeks

Enhanced Vacation for Experienced, Exempt-Level New Hires

If you are hired into an exempt-level position and have prior exempt-level work experience related to your job, you are eligible to receive up to 10 years additional service credit to be applied toward the calculation of your vacation. Prior experience credit will be calculated at hire and your Vacation Seniority Date will be adjusted to include the prior experience in determining your vacation amount.

EARNING VACATION

You will begin earning vacation upon hire if you meet all eligibility requirements. You will earn a proportional amount of vacation (based on the vacation benefits schedule) for each day employed during the calendar year (generally 1/365th of your Vacation Amount). Earned vacation will be credited to your vacation bank on a daily basis. As you reach additional vacation service anniversaries during your career, you will begin earning a proportional amount of the higher vacation benefit, as shown in the Vacation Benefits Schedule. Your earned vacation is credited to your vacation bank where, if you do not use it, it will continue to accumulate until it reaches the Vacation Accumulation Cap.

VACATION ACCUMULATION CAP¹

The Vacation Accumulation Cap limits the amount of earned vacation that you can accumulate in your vacation bank at any one time. In general, your vacation balance cannot exceed two (2) times the amount of vacation you are eligible to earn for that Service Year, based on the vacation benefits schedule.

For example, an employee working a 40 hour per week schedule with 5 years of credited service has a vacation benefit of 3 weeks (120 hours). This employee will have their vacation bank credited with a proportional amount of vacation (generally 1/365th of 120 hours) for each day employed during the service year. The vacation bank will continue to grow as vacation is earned and will fall as vacation is taken. However, if the employee’s earned vacation balance reaches the Vacation Accumulation Cap of 6 weeks (240 hours), no additional vacation will be earned or credited until vacation has been taken to reduce the balance below the cap. Once vacation is taken, the bank will again be credited with earned vacation.

SCHEDULING AND REPORTING VACATION

All vacation scheduling is subject to business needs and must be coordinated with and approved in advance by your supervisor. Vacation is generally scheduled in whole-day or half-day increments, up to the amount available in your earned vacation bank.

With supervisor approval, an employee may schedule and take vacation that exceeds their available vacation balance by up to 2 weeks, in order to accommodate shift scheduling and other special circumstances. If you terminate employment with a negative vacation balance, this balance owed to the Company may be taken from your last paycheck, to the extent allowed by law.

¹The Vacation Accumulation Cap constitutes a “reasonable cap” and is designed to be in compliance with California law.

Once approved, you are required to report your vacation on your regular time sheet (or other approved time-reporting method) in a timely manner, generally within the pay period that it is taken. Employees who do not accurately and timely report their vacation may be subject to disciplinary action.

It is your responsibility to schedule, report and use your earned vacation so that the Vacation Accumulation Cap is not exceeded. You may not waive vacation and draw double pay.

IF YOU BECOME SICK OR DISABLED WHILE ON VACATION

If you suffer an illness or injury while on vacation, you will not receive Short-Term Disability benefits in lieu of vacation pay unless specifically provided for by labor agreement or local practice and supported by appropriate medical evidence satisfactory to the Company.

EVENTS AFFECTING COVERAGE

Change in Number of Hours Worked

The crediting of your vacation is tied to your years of Tesoro service and your regular work schedule. Changes to your work schedule during the year can affect both your eligibility for vacation and the amount of vacation you earn.

Reduction of hours to less than thirty (30) per week

If your normal scheduled work hours are reduced to fewer than thirty (30) hours per week, your Vacation Eligibility will end as of the date the schedule change is effective. You will, however, be paid out for any accumulated vacation balance you earned up to that date. If your normal scheduled work hours are later increased to at least thirty (30) hours per week, you will once again be eligible to earn vacation under the policy.

Change in full-time work schedule hours to an alternate full-time work schedule

If your normal work schedule is changed to a full-time schedule with a different number of annual work hours, you will continue to earn and be credited with vacation, but at a proportional rate based on the number of hours in your new work schedule. The change in crediting rate will be effective as of the date the schedule change is effective. Any vacation earned prior to the schedule change will not be impacted.

Effect of a Promotion from a Nonexempt Position to an Exempt Position

If you joined the company as a nonexempt employee, you may be eligible for additional service credit under this Policy if you are promoted to an exempt position and have prior exempt-level work experience related to your job. Contact your HR Business Partner or the Corporate Benefits Department for more information on applying for prior service credit.

Disability

You will continue to earn vacation in accordance with the Vacation Benefit Schedule while absent from work on approved Short-Term Disability. If you exhaust all your Short-Term Disability benefits, you will not earn additional vacation until you return to work.

If you become disabled and receive Long-Term Disability (LTD) income benefits from a program to which the Company contributes, your eligibility for vacation benefits will end. Any earned but unused vacation will be paid out as part of your final paycheck. You will not be granted additional vacation while on LTD.

Family Medical Leave of Absence

You will continue to earn vacation in accordance with the Vacation Benefits Schedule during any qualified family medical leave of absence.

Military Leave of Absence

You will continue to earn vacation in accordance with the Vacation Benefits Schedule during any qualified military leave of absence.

Personal Leave of Absence

During any other company-approved personal leave of absence, you will continue to earn vacation in accordance with the applicable benefits schedule as long as your leave does not exceed six (6) months. If your company-approved leave of absence extends beyond six (6) months, you will not earn any additional vacation until you return to work.

Rehires

Rehired employees will generally be granted service credit for all previous actual service with Tesoro. Exempt-level rehires will be granted service credit for all previous actual service with Tesoro and up to 10 years experienced service credit (if applicable), regardless of when the outside experience was obtained. Rehired employees' Vacation Seniority Dates will be adjusted to reflect any service credit and any breaks in Tesoro service.

Layoff or Termination

Your eligibility for vacation benefits will end if you voluntarily or involuntarily terminate employment. Vacation cannot be used to extend your employment or delay termination. Upon termination of employment, you will be paid for any earned but unused vacation hours².

Death

Your participation in this policy ends as of the date of your death. Any earned but unused vacation balance will be paid out to your estate as part of your final paycheck.

POLICY AMENDMENT OR TERMINATION

Tesoro expects to continue the benefits described in this policy summary but reserves the right to amend or discontinue any or all parts at any time and for any reason. In no event will you become entitled to any vested rights under this policy, unless required by law.

ADDITIONAL INFORMATION

The Tesoro Vacation Policy is not an employee benefit policy covered by ERISA. There are no formal documents for this benefit policy. Exceptions to the Tesoro Vacation Policy must be approved by the Vice President, Chief Human Resources Officer or his/her designee.

QUESTIONS

If you have questions about your Tesoro employee benefits, contact the Tesoro Employee Service Center at (866) 688-5465 or email the Corporate Benefits Department at satbenefits@tsocorp.com.

²Employees terminated for serious misconduct may not receive a payout of unused, accumulated vacation, unless such payment is required by law.