
POLICY STATEMENTS
Policy No. HR 114
SICK LEAVE, SHORT TERM DISABILITY INCOME PROTECTION PROGRAM
AND FAMILY MEDICAL LEAVE

Effective Date:
01/1/2018

PURPOSE

This policy explains the leave provisions associated with:

- Sick Leave
- Short-Term Disability Income Protection Program (STDIPP)
- Family and Medical Leave Act (FMLA)
- Long Term Disability (LTD)
- Occupational Injuries

SCOPE

- A. This policy applies to all employees of MDU Resources Group, MDU Utilities Group and WBI Energy.
- B. Employees eligible for:
 1. **Sick leave** are employees with work schedules of at least 1,560 hours per year.
 2. **STDIPP** are employees who have completed one year of service with work schedules of at least 1,560 per year.
 3. **LTD** are employees with at least one year of service and work schedules of at least 1,560 per year.
 4. **FMLA** are employees:
 - with at least one year of service.
 - who have completed 1,250 hours of work in the prior 12-month period.
 - who work in a business location with 50 or more employees (associated with the employee's business unit) within a 75-mile radius.
- C. For employees' subject to a collective bargaining agreement (CBA), if any parts of this policy differ from the CBA, the terms and conditions of the CBA will prevail.
- D. If this policy conflicts with any federal, state or local laws or regulations, the applicable rule applies.

DEFINITIONS

There are several leave options available to employees when they must be away from work due to injury or illness. These options include:

- **Sick Leave** – leave available to the employee for health care appointments or when they become ill and are unable to be at work. Sick leave may also be used to care for an immediate family member. Employees have 40 hours of sick leave available in a calendar year.
- **Short-Term Disability Income Protection Program (STDIPP)** – leave available to the employee after one year of service and after exhausting the hours available for sick leave. STDIPP may only be used for an employee's health care appointments or when an employee

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is injured or ill and unable to work. Employees may be eligible for up to 1000 hours of STDIPP leave within a rolling 12-month period.

- **Family and Medical Leave Act (FMLA)** – typically used when an employee is diagnosed with a serious medical condition which will require them to be away from work for an extended period. FMLA may also be used for certain other qualifying reasons such as maternity leave, adoptions, family care or qualifying service member family leave. FMLA runs concurrently with other leave options (sick, STDIPP, vacation, etc.) and provides employees with job protected leave with the continuation of elected group health insurance coverage.
- **Long Term Disability (LTD)** – available to qualifying employees after meeting a benefit elimination period of 180 consecutive calendar days of absence from work or restricted duty due to illness or disability. Please refer to the LTD summary plan description for further details on qualification and benefits.
- **Occupational Injury** – injury or illness resulting from a work-related event or exposure in the work environment. Typically, occupational injuries are covered through workers compensation insurance.

Other important definitions when considering leave options are:

- **Spouse** - includes any person the employee is legally married to (including through common law), regardless of the gender of each spouse.
- **Immediate Family** – includes the employee’s spouse, registered domestic partner, parents, spouse’s parents, children, siblings, grandchildren and grandparents.

The following chart outlines each of the leave options available to employees. Employees should refer to the specific sections of this policy for additional information on each of the programs.

For information on what sick code to use when coding your time ticket, [click here](#).

Sick Leave	Short Term Disability Income Protection Program (STDIPP)	
	STDIPP1	STDIPP2
40 hrs. ^{1,2}	500 hrs. ^{1,2}	500 hrs. ¹
Employees may use up to 40 hours for either care of an immediate family member or personal sick leave.	After exhausting 40 hours of sick leave, employees may use STDIPP hours for their own health care appointments or when they are injured or ill and cannot be at work. Employees have up to 1000 hours of STDIPP in a rolling 12-month period.	
Employees will continue to receive their regular rate of pay and earn vacation leave while using sick leave.	Employees receive their regular rate of pay and earn vacation leave while using the first 500 hours of STDIPP. This is referred to as STDIPP1.	If an employee exhausts their 40 hours of sick leave and 500 hours of STDIPP1, an employee may use up to 500 hours of STDIPP2. While using STDIPP2, an employee's pay will be reduced to 80 percent of their regular rate of pay and vacation leave will no longer accrue.
¹ For employees working schedules of less than 2,080 hours per year (Code 2 employees), leave hours will be prorated based on the employee’s regular work schedule		

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²For non-bargained, non-exempt employees working in the state of Washington, sick hours will accrue to meet state law requirements with the first 40 hours front loaded on January 1 each year. As a result, the STIDIPP1 hours will adjust so that sick and STIDIPP1 total 540 hours. Please see Addendum A for additional information including additional reasons sick leave may be used.

Long Term Disability (LTD)

Employees unable to return to work or work without restrictions may qualify for benefits through long term disability insurance after an elimination period of 180 calendar days.

LTD pays the employee 60 percent of their regular rate of pay.

Family Medical Leave Act (FMLA)

0 to 12 work weeks within a rolling 12-month period

0 to 480 hours

This act provides eligible employees, job protected leave with the continuation of elected group health insurance coverage for specific family and medical reasons.

FMLA hours granted for an employee's serious medical condition run concurrently with sick leave and STDIPP hours.

FMLA may also be used for other qualifying reasons such as maternity leave, adoptions, family care or qualifying service member family leave. See the FMLA section of the policy for more details.

Employees must use available sick leave or vacation before using unpaid FMLA hours.

PROCEDURE

A. GENERAL

1. Employees are expected to inform their supervisors as soon as possible when they or a family member becomes ill, causing the employee to miss work. Employees are also expected to keep the Company informed regarding their anticipated return to work date. If an employee does not call or report for three (3) consecutive work days and their absence is unexcused, employment may be deemed to be terminated unless beyond the control of the employee.
2. Employees should notify their manager as soon as possible if a serious illness or surgery continues for more than three (3) consecutive or intermittent calendar days. The manager will notify the local Human Resources department by use of the Application for Leave of Absence, who will determine if notice under the FMLA is necessary.
3. The sick leave or STDIPP typically covers time away from work for health care appointments within or closest to the community where an employee lives. If local health care services are not available in the employee's community or if the employee is referred by their doctor to an out of town specialist, the Company will compensate the employee for travel and appointment time during normal working hours. If an employee has not been referred but elects to seek medical care outside the community where they live, the Company will only compensate the employee for the actual appointment time.
4. While on sick leave or STDIPP the employee shall not engage in activities that would hinder the employee from returning to work. Employees are expected to follow the doctor's

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recommended care and treatment while on sick leave or STDIPP. Sick leave and/or STDIPP benefits may cease if doctor's recommended care and treatment are not followed.

5. Sick leave or STDIPP does not provide for compensation from absences due to injury or illness originating from employment outside the Company.
6. To better enable management to assess the duration of the sick leave or STDIPP required and the effect of the employee's absence on the workforce, the Company may require acceptable evidence documenting the employee is unable to work. The Company may also require acceptable medical evidence from a health care service provider documenting whether the employee is able to return to work and whether there are any restrictions to the employee's job duties.
7. If a holiday falls during a period when an employee is away from work using sick leave or STDIPP, the holiday will be paid as a holiday but count as hours assessed to meet disability waiting periods. If a holiday falls during a period an employee is using STDIPP2, the holiday will be paid at the reduced wage rate associated with STDIPP2.
8. Violations or abuse of leave granted by this policy may result in disciplinary action, up to and including termination.

B. SICK LEAVE

1. Sick leave is available for the health needs of the employee and covers the following situations:
 - Illness or injury of the employee.
 - Care of an immediate family member due to illness or injury.
 - Health care appointments of the employee or an employee's immediate family member.
 - Maternity leave with pay will be administered the same as sick leave or STDIPP. Sick leave or STDIPP will be paid for the time medically necessary to recover from child birth. Physician documentation is required to support the recovery time for paid leave. If FMLA applies, the employee may be eligible to use up to 12 weeks of FMLA leave in conjunction with their sick leave or STDIPP. FMLA leave may be approved as sick leave, STDIPP, vacation or unpaid time or a combination thereof.
2. Employees will continue to earn vacation leave while out on sick leave.
3. Employees may use up to 40 hours of sick leave within a calendar year.
4. Employees with less than one year of service will be allotted sick leave in accordance with the following schedule:

If your date of hire falls within	Sick Leave Available
1 st Quarter - January 1 and March 31	40 hours
2 nd Quarter - April 1 to June 30	30 hours
3 rd Quarter - July 1 to September 30	20 hours
4 th Quarter - October 1 to December 31	10 hours

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5. For employees working schedules of less than 2,080 hours per year (Code 2 employees), leave hours will be prorated based on the employee's regular work schedule.

C. SHORT-TERM DISABILITY INCOME PROTECTION PROGRAM (STDIPP)

1. After exhausting available sick leave hours, eligible employees may use Short-Term Disability Income Protection Program (STDIPP) for their health care appointments or when they become ill and are unable to work
2. Employees may use up to 1000 hours of STDIPP in a rolling 12 month period. STDIPP is divided into 2 segments:
 - a. **STDIPP1** refers to the 500 hours after an employee has exhausted their available sick leave. Employees will receive pay at their regular rate for STDIPP1. Employees earn vacation leave while on STDIPP1.
 - b. **STDIPP2** refers to the 500 hours after an employee exhausts their combined sick leave and STDIPP1. During the STDIPP2 period, an employee will receive pay at 80 percent their regular pay rate. Employees do not earn vacation leave while on STDIPP2.
3. Employees continuing on STDIPP2 at the end of the calendar year into the next calendar year will need to return to work without restrictions for 240 hours (30 days) before being eligible for sick leave in the new year.
 - a. Once sick leave is exhausted, employees may be eligible for STDIPP1 if under the 500 hour STDIPP1 threshold in a rolling 12 month period.
4. If an employee cannot foreseeably return to work without restrictions, they are encouraged to apply for LTD benefits. See further details under Long Term Disability section.
5. For employees working schedules of less than 2,080 hours per year (Code 2 employees), leave hours will be prorated based on the employee's regular work schedule.

- D. FAMILY AND MEDICAL LEAVE ACT (FMLA)** – The Company complies with the applicable state and federal laws for continuous or intermittent leave under FMLA. Refer to the [US Department of Labor Employee Rights and Responsibilities under FMLA](#) for further details. Employees may be granted FMLA leave for up to a maximum of 12 work weeks (480 hours) in a rolling 12-month period. Additional unpaid leave is available to individuals caring for military service members (please see further details available on the DOL website).
1. When an employee is diagnosed with a serious medical condition which will require them to be away from work for an extended period, their leave typically qualifies as FMLA. The employee reports this time as FMLA sick leave and/or STDIPP and is paid the wages offered under these programs. FMLA hours granted for an employee's serious medical condition run concurrently with sick leave and STDIPP hours.
 2. FMLA may also be used for other qualifying family or medical reasons. Please refer to the information on qualifying medical and family reasons available at the US Department of Labor website.

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3. Employees are eligible for FMLA leave provided they have been employed by the Company for at least 12 months, have worked at least 1,250 hours in the past year and work in a business location with 50 or more employees (associated with the employee's business unit) within a 75-mile radius.
4. If both spouses work for the Company, the Company may limit the FMLA leave to a combined total of 12 weeks between the spouses in a rolling 12-month period if the leave is taken for:
 - a. The birth and care of the employee's child.
 - b. Placement and care after placement of a child through adoption or foster care.
 - c. The care of an employee's parent with a serious health condition.

When the husband and wife both use a portion of the total 12-week FMLA leave, each is entitled to the remaining FMLA leave to take individually within the rolling 12-month period. For example, if a husband and wife, who are both employees, adopt a child and the husband takes one week of FMLA leave and the wife takes three weeks of FMLA leave associated with the adoption, the couple have used a combined total of four weeks of FMLA leave. Each spouse would have eight weeks of FMLA leave available for situations that fall under a, b and c above. For other FMLA qualifying events the couple would have eleven and nine weeks, respectively.

5. The Company will maintain the employee's health benefits while on unpaid FMLA leave in the same manner as if the employee had continued working. However, the employee must pay their proportionate share of premiums during the unpaid leave period. The employee must complete a repayment of benefit premiums authorization to have the employee share of their benefits taken from future paycheck(s). Should the leave extend over two W-2 years, the employee will need to reimburse the Company for active employee premiums by personal check. Should the employee fail to return to work for reasons other than a qualified FMLA leave, the Company may require the employee to reimburse the Company by personal check for the full premiums paid for maintaining the health benefits during the employee's leave. If an employee participates in the health care spending account, they may either resume coverage at their original level and make up the unpaid premium payments or resume coverage at a reduced level under the proration rule and resume premium payments at the original level.
6. Any employee taking a FMLA leave is entitled to return to the same position or an equivalent position with equal benefits, pay, and other terms and conditions of employment. The employee will not experience any loss in benefits accrued prior to the beginning of the leave period.
7. If an employee exhausts their FMLA entitlement, the Company will evaluate additional leave requests and the Company's ability to accommodate such requests on a case by case basis.

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E. LONG TERM DISABILITY (LTD)

1. If an employee remains incapacitated and/or unable to perform all the physical demands of their job after using all hours available of combined sick leave, STDIPP and light-duty work, the employee may be eligible for consideration under the terms of the LTD plan. Under the LTD plan, the employee may receive up to 60 percent of their pre-disability earnings. LTD benefits are described in detail in the [Summary Plan Description \(SPD\) found on-line on MySource.](#)
2. Employees must complete a benefit elimination period of 180 calendar days before being eligible for LTD. The elimination period begins on the first day of absence from work or the first day the employee is unable to perform work without restrictions due to a diagnosed disability. The elimination period continues until the employee is able to return to work without restrictions or qualifies for LTD benefits. In the event, an employee returns to work, but then relapses with the same disability, the elimination period will not be interrupted if:

The number of days an employee returns to active work are less than 30	The number of days an employee returns to active work are less than 90
Applies to employees of	Applies to employees of
WBI Energy Montana Dakota Utilities (bargaining)	Cascade Natural Gas (non-bargaining) Great Plains Natural Gas Intermountain Gas MDU Resources Group Inc. Montana-Dakota Utilities (non-bargaining)

If an employee returns to work for more than the number of days referred to above, but then relapses with their disability, the elimination period is interrupted and a new elimination period will begin.

3. It is recommended employees complete a written notice of claim 90 days after the disability occurs.
4. If an employee is accepted for LTD, employment with the Company will terminate. Vacation leave accrued during a continuous 180 day elimination period is not earned and will be subtracted before issuing the employee's final pay check.
5. If approved for LTD, Company insurance benefits will end upon LTD approval and COBRA continuation of benefits will be offered. The Company may pay up to 6 months of COBRA premiums on the employee's behalf.

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F. OCCUPATIONAL INJURIES

1. The Company provides workers compensation insurance coverage for all eligible employees in accordance with statutory state workers compensation laws. Workers compensation provides benefits for work related injuries or illnesses including medical care and non-taxable payments to compensate for wages from lost work time. Workers compensation insurance coverage is subject to state law, and may differ depending on the employee's work location.
2. When an employee is injured on the job, the injury must be reported and investigated in accordance with the Employee Safety policy (CORP 24). The Company will report the incident to the workers compensation insurance carrier, who will acknowledge whether the incident qualifies as an occupational injury and determine eligibility. There may be a delay between the time the injury or illness occurs and when it is accepted as an occupational injury by the applicable workers compensation carrier. If an employee has lost wages as the result of an occupational injury or illness and is eligible to receive worker's compensation wage-loss benefits, the company will provide paid leave for the first days of disability, not to exceed 14 calendar days from the date the initial time loss began.
3. If the employee has not returned to work within 14 calendar days, at that time the employee will transition to the workers compensation insurance carrier wage-loss benefits which will provide the employee with non-taxable compensation for lost time due to the injury. Employees may continue their Company provided insurance coverage (medical, dental, vision, life, etc.) while receiving workers compensation. Employees must complete a repayment of benefit premiums authorization to have the employee share of their benefits taken from future paycheck(s). Should a leave extend over two W-2 years, the employee will need to reimburse the Company for active employee premiums by personal check. Should the employee voluntarily not return to work, the Company may require the employee to pay the Company, by personal check, for missed premiums at the full premium rate.
4. Workers compensation will work with the employee and the Company on a return to work plan consistent with the Company's return to work practice. Workers compensation benefits may continue for the duration of the employee's injury, if the employee follows the instructions from workers compensation, until the employee is released to full duty or determined to be eligible for disability under social security. In addition, if the employee is deemed disabled they may apply for benefits under the Company's Long Term Disability Plan.

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ADMINISTRATION

The Chief Executive Officer has the overall responsibility for this policy. Administration of the policy is the responsibility of the Vice President - Human Resources. Requiring compliance with this policy is the responsibility of all officers and management. It is also the responsibility of management to ensure policies are accessible and understood by all employees.

Approved by: /s/ Anne M. Jones

Anne M. Jones

Vice President – Human Resources

MDU Resources Group, Inc.

Approved by: /s/ David L. Goodin

David L. Goodin

President and Chief Executive Officer

MDU Resources Group, Inc.

Date: January 1, 2018

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Addendum A:
Paid Sick Leave Policy in the State of Washington

A. ELIGIBILITY

- This addendum applies to all non-bargained, non-exempt employees in the state of Washington.
- The terms of Policy HR 114 will continue to apply to employees affected by this Addendum, but when there is a conflict, this addendum will supersede HR 114.

B. ADDITIONAL USES OF PAID SICK LEAVE

- Closure of the employee's place of business or child's school/place of care by order of a public official for any health-related reasons.
- If the employee or the employee's family member is a victim of domestic violence, sexual assault, or stalking. Domestic violence, sexual assault or stalking includes:
 - Seeking legal or law enforcement assistance or remedies to ensure the health and safety of employee's and their family members including, but not limited to, preparing for, or participating in, any civil or criminal legal proceeding related to or derived from domestic violence, sexual assault or stalking.
 - Seeking treatment by a health care provider for physical or mental injuries caused by domestic violence, sexual assault, or stalking.
 - Attending health care treatment for a victim who is the employee's family member.
 - Obtaining, or assisting the employee's family member(s) in obtaining, services from: a domestic violence shelter; a rape crisis center; or a social services program for relief from domestic violence, sexual assault or stalking.
 - To obtain, or assist a family member in obtaining, mental health counseling related to an incident of domestic violence, sexual assault or stalking in which the employee or the employee's family member was a victim of domestic violence, sexual assault or stalking.
 - Participating, for the employee or for the employee's family member(s), in: safety planning; or temporary or permanent relocation; or other actions to increase the safety from future incidents of domestic violence, sexual assault, or stalking.

C. ACCRUAL

- Paid sick leave will begin to accrue at the start of employment for new hires; or January 1, 2018 for current employees. Affected employees will be provided with an Employee Paid Sick Leave Notification at the start of employment.

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Addendum A:
Paid Sick Leave Policy in the State of Washington

- Employees accrue paid sick leave at a rate of one (1) hour for every 40 hours worked. There is no cap on the number of paid sick leave hours that may be accrued in a year.
 - The company will frontload 40 hours of paid sick leave on January 1st of each year for current employees. Thereafter, any additional earned accrual will occur on a pay period basis. For employees who become eligible after January 1st, the company will frontload based on HR 114, Section B., Item 4.
- The accrual year will run January 1 - December 31.
- At the end of the paid sick leave accrual year unused paid sick leave balances of 40 hours or less will carry over to the following year.
- Employees can use paid sick leave in increments of no less than 15 minutes.
- Accrued sick leave hours must be exhausted before an employee can use STDIPP leave.

D. BALANCES

- Employees will be notified of their paid sick leave balances each pay period on their pay stub.
- If an employee separates from employment, there will not be a financial or other reimbursement to the employee for accrued, unused paid sick leave at the time of separation.
- If an employee is rehired within 12 months of separation, any accrued, unused paid sick leave will be reinstated to the employees paid sick leave balance.

E. RETALIATION PROHIBITED

Any discrimination or retaliation against an employee for lawful exercise of paid sick leave rights is not allowed. Employees will not be disciplined for the lawful use of paid sick leave.

If an employee feels they are being discriminated or retaliated against, the employee may contact:

Linda Murray
Director of HR
208-377-6055

Dan Kuntz
VP Legal Counsel & Secretary
701-530-1016

ethics point
866-294-4676
www.mdu.ethicspoint.com

If an employee is not satisfied with the company's response, the employee may contact the Washington State Department of Labor & Industries.

Online: www.Lni.wa.gov/WorkplaceRights

Visit: www.Lni.wa.gov/Offices

Call: 866-219-7321

Email: ESgeneral@Lni.wa.gov

Employees with questions about Paid Sick leave may contact Justin Waldron at 509-734-4514.