

Memorandum

TO: All U.S. Associates and Special Counsel
FROM: Management Committee
DATE: April 29, 2009
RE: New Discretionary Leave and Sick Leave Policies
cc: All Partners, Chiefs and Directors

FILE NUMBER:
OFFICE: Firmwide

Our attorney time-off policies are designed to provide time away from work to rest, reflect and renew. This is essential both to provide balance in our work and personal lives and to maintain the quality of professional service that we provide our clients.

Effective May 1, 2009, we are introducing new Discretionary Leave and Sick Leave policies. These will replace the current Paid Time-Off (PTO) policy.

Discretionary Leave

Rather than allotting a specific number of vacation days annually, we will permit associates and special counsel to take time off with pay subject to their professional judgment and the performance expectations of the Firm. Those performance expectations include providing responsive, high-quality client service, meeting partner needs and contributing at the firm's billable hours standards.

This approach is consistent with the professionalism that is the foundation of legal practice and with the often expressed desire of our attorneys to manage work and life balance in the legal workplace. It has been implemented effectively in other major law firms and corporations around the nation and has been Sedgwick's practice for many years for our partners.

Of course, our attorneys are expected to use sound judgment in planning their time-off, understanding client deadlines, partner needs and available peer support. The single time limit in the policy is that attorneys may not apply this paid leave for more than four consecutive weeks.

It is not our intent or expectation that this policy will result in any reduction in the time that our attorneys take off. To the contrary, we will continue to encourage attorneys to take opportunities to balance their work and personal lives through the use of this program.

Sick Leave

The firm will provide ten days annually for sick leave, in addition to its disability and other related leaves. We are keeping a quantified sick leave simply because some cities and states that we operate in currently or may soon require a quantified program specifically for employee illness.

Implementation

The new discretionary leave and sick-time policies replace the current "Paid Time Off" or PTO policy which currently combine time-off for vacation and illness. Attorneys will begin participating in the new

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Discretionary Leave program as they exhaust their current PTO balance. Policies regarding leaves of absence, parental leaves, family medical leaves, bereavement leaves, Bar study leaves, military leaves, disability leaves, Family Medical Act leaves and personal leaves are separately defined and remain in effect.

Below are answers to frequently asked questions about the discretionary and sick leave policies.

What will happen to the Paid Time-off (PTO) time that I have already earned?

Attorneys with accrued but unused PTO time will not lose that time. After that time is fully used the attorney will begin participating in the Discretionary Leave program.

Will attorneys need to schedule their Discretionary Leave?

We have had years of experience with managing this among our partners and, of course, they have found it essential to plan and notify others of absences. In the team environment that we are all used to, attorneys are always expected to discuss planned absences well in advance with team leaders and members so that we can fairly share the work and always meet our clients' needs.

If Discretionary Leave is unquantified, do I need to record it?

Yes. It is important for the firm to have a record of attorney time for all purposes including Discretionary Leave.

Where will attorneys report Discretionary Leave and Sick Leave?

Attorneys must first fully use their remaining PTO account balance. Current account balances are reflected on each employee's semi-monthly paycheck stub. That account number is 00999-000061.

Once the PTO account is fully used, Discretionary Leave should be charged to account 00999-131359 and Sick Leave should be charged to account 00999-131358.

How will the new Discretionary Leave impact the unpaid portion of a Family Medical Leave?

Employees will be able to apply up to four weeks of Discretionary Leave to extend salary coverage during any part of an FMLA leave that is not otherwise covered by paid Disability Leave, Sick Leave or Parental Leave. As is currently the case, no billable hour proration downward will be given for paid time used while on FMLA, pregnancy disability leave, or California Family Rights Act Leave.

All other leaves remain in effect.

Why have a quantified sick leave policy if a discretionary policy makes sense for other time off?

Some cities and states currently or may soon require a quantified program specifically for employee illness. If that were to change, we would consider simplifying the sick leave process as we have done with vacation time.

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Do these policies apply outside of the United States?

The new policies apply only in the United States. Attorneys in other countries have their own terms and conditions of employment that govern vacation and sick time.

Who can answer my other questions about Discretionary Leave and Sick Leave?

You should contact the firm Chief Human Resources Officer or your Director of Administration.