

Statement of Principles

Watco is committed to providing a safe and professional environment in which our team members can work, and it is Watco's expectation that all team members make the same commitment to safety and professionalism.

In the performance of their duties, team members must follow rules put in place to ensure safety and professionalism. If non-compliance with these rules occurs, coaching or formal discipline may be necessary. Following is a general guideline that allows the manager to determine whether coaching or formal discipline is the appropriate method of handling a situation of non-compliance.

General Guidelines

Offenses that are not considered serious violations of rules or policy will be subject to the standard handling procedures described in Part I of this policy. Offenses of a more serious nature, or offenses that warrant dismissal, will be subject to the handling prescribed in Part II of this policy. Offenses listed as serious or warranting dismissal in Part II are illustrative only, and not intended to limit management's right to classify offenses as serious and cause for dismissal.

Part I: Standard Handling

For most offenses, the main concern is with cumulative behavior. Any team member demonstrating a pattern of performance deemed unacceptable by his/her manager should be coached on a continuous basis and, depending on the frequency and nature of the unacceptable performance, be disciplined.

Because all situations requiring coaching or discipline may vary in their details, and all team members' individual performance/contributions to the team are different, discipline may vary from person to person. When coaching and/or discipline is assessed, the level assessed should be dependent upon the amount of prior coaching or formal discipline. If the offenses are minor in nature, they shouldn't be taken into consideration after a twelve (12) month period. If, however, they are more serious in nature, they may be considered for a longer period of time based on the level of seriousness.

Although not all scenarios are demanding of the same handling, the below process is illustrative in nature and intended to give team members an example of what a typical process may look like for non-serious offenses:

- **First offense within 1 year** – 1st Documented Coaching or Written Warning
- **Second offense within 1 year** – 2nd Documented Coaching or Written Warning
- **Third offense within 1 year** – Final Coaching Document or Written Warning
- Suspension may be assessed during this step

Whether coaching letters or discipline forms are used, the document should include specific details of the behavior(s), consequences of future violations, and actions required to correct the behavior(s).

Three (3) occurrences that are similar in nature may lead to dismissal.

- **Fourth offense within 1 year** - Dismissal
- Team member is dismissed from service based on an established pattern of unacceptable performance because s/he proved unresponsive to corrective action.

Important: Depending on the severity of a violation you can advance through the levels of discipline by skipping levels.

Part II: Offenses Warranting Dismissal

Dismissal may be the response to a series of offenses, coupled with no sign of significant improvement by the team member. Nonetheless, a single rule violation also may be so serious to warrant dismissal.

Depending on severity, a team member who commits one of the following offenses may be dismissed regardless of the nature of his/her work history.

Severe Violation of Safe Operating Practices

- Failure to comply with rules or procedures that protect team members or machinery where such protection is defined by Dispatcher, prescribed flags, other signal device, or in writing.
- Knowingly placing the safety of self or others in danger.
- Failure to perform duties causing or contributing to a serious derailment, damage to rolling stock, track equipment or shop machinery, or injury to others.
- Failure to report a known on-duty injury before the completion of tour of duty.
- Any other serious violation of Operating Rules, Safety Rules, Conduct Rules, or General Instructions issued to team members.

Breaches of Personal Integrity or Standards of Personal Conduct

- Theft or other act with intent to defraud the Company of monies or property not due, to include falsification or misrepresentation of an on-duty injury.
- Dishonesty in communication with officials of the company about any job-related subject.
- Unauthorized absence. When not available for work it is the team member's responsibility to report their absence to their immediate supervisor, location manager, General Manager or other duly appointed management official of that location prior to the absence.
- Refusal to submit (at any time) to required testing for drug or alcohol use, adulteration of sample, or failure to comply with instructions of the Designated Employer Representative.
- Causing altercation.
- Negligence, indifference to duty, intentional destruction of company property and malicious rule violation.
- Harassment and/or disrespect of other team members, customers, or contractors.

Drug and Alcohol

- Positive test results from random, reasonable cause, probable cause and any other test recommended by a licensed health care professional are cause for dismissal.
- State and Federal laws will be taken into consideration in the interpretation of this section of the Policy.
- Self-referral will be handled through the team member Substance Assistance Program

Part III: Administration of Discipline

An offense that warrants discipline will be permanently recorded in the team member's personal record.

All suspensions may be unpaid; when a suspension is found to be the required course, suspension time will commence upon findings of the investigation, unless the team member is being withheld from service pending an investigation.

Subsequent offenses by a team member will be taken into consideration for purposes of establishing discipline level when implementing this policy.

Part IV: Appeal Process

Basic Policy Intent

Watco provides a procedure for handling team member's complaints, problems, concerns, and allegations of employment discrimination.

Eligible Issues

Issues eligible for consideration in the appeal process include the following:

- Final Written Warnings and Dismissals
- All allegations of discriminatory employment practices based on a team member's race, color, sex, sexual orientation, religion, national origin, age, physical or mental disability, or veteran status.

Ineligible Issues

Issues ineligible for consideration in the appeal process include the following:

- Work assignments
- Hours of employment
- Compensation rates
- Content of policies or procedures
- Coaching
- Written warnings

Team members who wish to initiate a complaint to resolve a concern and/or appeal final written warnings and dismissals, unrelated to alleged discrimination, are encouraged to hold an open and frank discussion as soon as possible with their immediate manager or visit with a People Services Manager before entering the appeal process. If the discussion does not resolve the concern, the team member can start the following steps:

Step I:

Should the team member decide to appeal discipline, he/she has seven (7) days from the date of the discipline to notify in writing his/her Divisional Management of said intention, explain the situation, and discuss his/her behavior or performance. A failure to follow this process may result in dismissal of the appeal.

Step II:

The team members' Divisional Management must then render a decision regarding the appeal within ten (10) days. The decision may be to uphold, overturn or modify the immediate supervisor's discipline and action plan. This decision is final and binding.