

# Agreement 117

## EMPLOYEE LIABILITY AND LOSS RECOVERY AGREEMENT

**Agreement Date:** October 26, 2023

**Between:** SAMPLE WATERMART CORP., a company registered under the laws of Ontario, Canada, with its registered office at 123 Commerce Drive, Toronto, ON M1B 2K3 (hereinafter referred to as "**the Company**").

**And:** ALEXANDER J. BENNETT, residing at 456 Maple Lane, Scarborough, ON M1C 1A2 (hereinafter referred to as "**the Employee**").

### Background:

- (A) The Employee is employed by the Company in the position of **Warehouse Operations Supervisor**.
- (B) This agreement outlines specific terms regarding financial liability for losses incurred by the Company as a direct result of the Employee's specific actions, omissions, or gross negligence, as defined herein.

### 1. Definitions

- 1.1. "**Covered Loss**" means a direct financial loss to the Company, including but not limited to loss of funds, damage to equipment, loss of inventory, or contractual penalties payable to a client, that is **solely and directly attributable** to:
  - (a) A deliberate act of fraud, wilful misconduct, or dishonesty by the Employee; or
  - (b) A grossly negligent act or omission by the Employee, defined as a reckless disregard for established Company policies or professional standards where damage was substantially certain to occur.

- 1.2. "**Gross Negligence**" shall not include honest errors in judgment, mistakes made in good faith while performing duties, or failures resulting from inadequate training, supervision, or resources provided by the Company.

### 2. Acknowledgement of Duties and Policies

The Employee acknowledges that they have received, read, and understood the Company's relevant policies, including the **Inventory Management Policy (v.4.1)**, **Forklift and Equipment Safety Protocol**, and the **Financial Authority & Purchase Order Policy**. The Employee agrees to perform their duties with reasonable care and diligence.

### **3. Liability for Covered Losses**

3.1. In the event of a **Covered Loss**, the Employee shall be personally liable to the Company for the amount of the loss, up to a maximum cap of **three (3) months of the Employee's base salary** or the actual amount of the loss, whichever is **lower**. (Employee's current base salary: \$5,833.33/month. Maximum liability cap: \$17,500.00).

3.2. The Company's determination of a Covered Loss must be supported by documented evidence and a formal internal investigation in which the Employee has the right to be heard and to present their case.

### **4. Recovery Mechanism**

4.1. Recovery of the loss amount shall be through payroll deduction.

4.2. Any such deduction shall be made in installments, not exceeding **15%** of the Employee's net monthly salary per pay period, until the recoverable amount is paid in full.

4.3. The Company shall provide the Employee with a written statement detailing the loss, the evidence, the determined recoverable amount, and the deduction schedule.

### **5. Dispute Resolution**

5.1. If the Employee disputes the classification of the loss as a "Covered Loss" or the amount, they must notify the Company in writing within **ten (10) business days** of receiving the written statement.

5.2. The dispute shall first be referred to the **Human Resources Director and the Director of Operations for a joint review**. If unresolved, it shall be settled by binding arbitration in accordance with the **Arbitration Act, 1991, S.O. 1991, c. 17.**

5.3. No deductions shall commence until the dispute resolution process is conclusively resolved in the Company's favor.

### **6. Termination**

This liability provision survives the termination of the Employee's employment for acts or omissions occurring during their employment. The Company's right to recover a Covered Loss is not extinguished by resignation or dismissal.

### **7. General Provisions**

7.1. **No Punitive Action:** Recovery under this clause is a civil liability mechanism and is separate from any disciplinary action the Company may take.

7.2. **Insurance:** The Company maintains a **Commercial Crime Insurance Policy (Policy # CCI-887654)** and an **Equipment All-Risk Policy** for significant losses. This agreement does not preclude the Company from making an insurance

claim. Employee recovery may be sought in conjunction with or subsequent to an insurance claim, subject to the insurer's terms.

**7.3. Governing Law:** This agreement is governed by the laws of the **Province of Ontario and the federal laws of Canada applicable therein.**

**7.4. Severability:** If any provision is found invalid, the remainder of the agreement stays in force.

**7.5. Entire Agreement:** This clause supplements but does not replace the main employment contract (dated September 15, 2023). In case of conflict on this specific issue, this agreement prevails.

### **Acknowledgement**

The Employee acknowledges that they have had the opportunity to seek independent legal advice before signing this agreement and that they understand its terms, particularly those relating to personal financial liability.

### **Signatures:**

#### **For the Company:**

Name: **Victoria S. Chen**

Title: **Director of Human Resources**

Date: \_\_\_\_\_

#### **The Employee:**

Name: **Alexander J. Bennett**

Date: \_\_\_\_\_

### **ATTACHMENT A: SAMPLE SCENARIO FOR DISCUSSION PURPOSES ONLY**

*This scenario is provided as a hypothetical to illustrate the potential application of this agreement.*

**Incident Report:** SWI-2023-045

**Date:** October 15, 2023

**Employee Involved:** Alexander J. Bennett

**Description:** The Employee, acting as shift supervisor, authorized and manually overrode the warehouse inventory system to release a full pallet of **50 cases of "AquaPure" premium bottled water (Batch #AP-8873, valued at \$42.50/case)** to a driver claiming to be from "Toronto Fine Dining Suppliers." The driver presented a handwritten note purportedly from the Company's Sales Manager, Ms. Leclerc. The Employee failed to verify the note via phone or email, did not scan the inventory out, and did not obtain a signed delivery receipt. The

delivery was fraudulent. The driver and inventory are unrecoverable.

**Total Loss (Goods): \$2,125.00**

**Additional Costs (Logistics/Investigation): \$350.00**

**Potential Claim:** The Company may assert this as a "Covered Loss" under Section 1.1(b), arguing gross negligence in bypassing all standard verification and documentation protocols. The Employee's maximum potential liability under the cap would be \$2,475.00. The proposed recovery schedule would be \$185.63 per pay period (15% of net pay) over approximately 7 months.