

Subject: Vacation

Corporate Policy No. **SDM.C03.040**

Date Issued: **January 1, 2017**

Replaces Issued Dated: July 1, 2016

Next Review Date: January 1, 2019

Application: This Policy governs all permanent full-time colleagues of Shoppers Drug Mart Corporation and its subsidiaries (collectively, the "Company").

1.0 Purpose

To establish guidelines for determining annual entitlement, accrual, use and payment of vacation benefits.

2.0 Definitions

"Time Off Service Date" means the date from which annual vacation entitlement is calculated. This date considers years of continuous full-time employment (**"Vacation Service"**) with the Company.

3.0 Annual Vacation Entitlement

The Company's vacation reference year is January 1 to December 31. Annual vacation entitlement* is based on years of Vacation Service calculated from the Time Off Service Date, and the colleague's Pay Band level.

Pay Band E60 & below		Pay Band E70 & above	
Years of Continuous Service	Annual vacation entitlement	Years of Continuous Service	Annual vacation entitlement
0 – 7	3 weeks (15 days)*	0 – 10	4 weeks (20 days)*
8 – 14	4 weeks (20 days)	11 – 19	5 weeks (25 days)
15 – 19	5 weeks (25 days)	20+	6 weeks (30 days)
20+	6 weeks (30 days)		

*subject to pro-rata in year of hire

Colleagues progress to the next level of annual vacation entitlement on January 1 of the calendar year in which the Vacation Service requirement is met, regardless of the day on which the service anniversary falls in the year.

4.0 Vacation Accrual

- 4.1 Annual vacation entitlement is allocated in Workday on January 1 of each calendar year for colleagues who are actively employed by the Company as of that date.
- 4.2 Colleagues hired after the vacation reference year commences will accrue vacation credits for each full month worked in their year of hire, subject to the guidelines set out in Section 4.3.
- 4.3 Colleagues must be actively employed by the Company for a minimum of 16 days in the calendar month to earn vacation credits for that month.

Annual vacation entitlement	# of vacation credits (days)** per calendar month
3 weeks	1.25 (maximum 15 days)
4 weeks	1.67 (maximum 20 days)
5 weeks	2.08 (maximum 25 days)
6 weeks	2.5 (maximum 30 days)

** Refer to the Q&A ("Appendix A") for example calculations and guidelines for rounding

4.4 Vacation Accrual following a Transfer or Promotion

- If a colleague transfers from a part-time status position to a position governed by this Policy, unpaid vacation earned up to the effective date of the transfer will be paid to the colleague at the time of the transfer. Vacation credits under this Policy will accrue on a pro-rated basis commencing the calendar month following the effective date of transfer.
- If a colleague is promoted to position that provides for a higher level of vacation entitlement, vacation credits will accrue at the higher rate commencing the calendar month following the effective date of the promotion.

4.5 Vacation Accrual during an unpaid Leave of Absence

Vacation credits will not accrue during an unpaid leave of absence (“LOA”) other than a *job-protected* LOA defined under applicable employment standards legislation. Vacation credits for the calendar year(s) in which the LOA occurs will be pro-rated where applicable, according to the guidelines set out in Section 4.3. Vacation credits earned during an unpaid job-protected LOA will be considered *unpaid* time off credits.

4.6 Vacation Accrual during a Maternity, Parental or Adoption LOA

Vacation credits will not be reduced during a colleague’s maternity, parental or adoption LOA. Vacation credits accrued during the first 17 weeks of a maternity LOA and the first 11 weeks*** of a parental or adoption LOA, will be considered *paid* credits. Vacation credits earned during the balance of such LOAs will be considered *unpaid* credits. Vacation credits for these types of LOAs will be adjusted at the time the colleague returns to active employment. Refer to Appendix A for example calculations.

****not applicable to birth mothers* who only accrue paid vacation credits for the maternity portion of their LOA.

4.7 Vacation Accrual during a Disability LOA

- Where applicable, paid vacation credits will accrue during an approved short-term disability LOA and during the first 26 weeks of a Workers’ Compensation LOA. Where applicable, vacation credits for these types of LOAs will be adjusted at the time the colleague returns to active employment.
- Vacation credits shall not accrue during a long-term disability LOA. For the purpose of calculating Vacation Service on return-to-work, employment during an approved long-term disability LOA shall be considered continuous.

5.0 **Vacation Time Off**

Vacation time off is expected to be taken in the year that it is earned and subject to Section 8 of this Policy, may be taken before it is earned, up to the colleague’s maximum annual entitlement.

5.1 Colleagues must submit vacation time off requests in Workday, using the Time Off worklet.

5.2 Managers must action such requests and complete all steps in the workflow process to ensure vacation time off is accurately recorded.

5.3 Carry-forward: With the Manager’s approval, a colleague may carry forward unused vacation credits to the following calendar year. Managers and colleagues are jointly accountable for ensuring all such carry-forward vacation is used by March 31. Subject to section 5.4, all unused vacation credits in excess of a colleague’s minimum entitlement under applicable employment standards legislation will automatically be forfeited after March 31 following the year in which vacation the credits were earned. For clarity, when a colleague takes vacation time off, the colleague is deemed to take employment standards vacation entitlement first.

5.4 Vacation time off following an LOA: All outstanding and accrued paid and/or unpaid *carry-forward* vacation credits must be taken within six (6) consecutive months of the date a colleague returns to active employment following an approved LOA.

6.0 Vacation Pay

Vacation pay will be calculated at colleagues' regular base rate in effect at the time vacation leave is taken. Payment in lieu of vacation is not permitted.

7.0 Holidays

When a statutory/public holiday falls during a colleague's scheduled vacation, this holiday will not be considered a vacation day.

8.0 Resignation, Retirement or Termination

Upon resignation, retirement or termination of employment, unused earned vacation leave credits will be paid to the colleague. Such payment will not be less than the minimum amount owing under applicable employment standards legislation.

The Company shall recover from any remuneration owed to the colleague, an amount equivalent to any unearned paid vacation leave taken by the colleague.

9.0 Interpretation

Responsibility for the interpretation of this Policy rests with the EVP, Human Resources & Labour Relations.

Approved by:

Mark Wilson
EVP, Human Resources and Labour Relations

