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MAR 31 2005

**TCRC Calgary**

March 29, 2005

Mr. Dave Able  
General Chairman  
Teamsters Canada Rail Conference  
Ste. 309, 8989 MacLeod Tr S  
Calgary, AB T2H 0M2

Dear Mr. Able:

This refers to Fitness Subsidy Policy 8505. In response to feedback received from employees we have built more flexibility into the Company fitness subsidy program, now called the Physical Wellness Policy.

The new provisions to this policy, effective January 1, 2005, provide for the following:

- Gulf Canada Square employees are no longer obligated to be members of the Fountain Park Club to qualify for a CPR fitness subsidy;
- Maximum annual benefit for the 50% reimbursement of expenses to employees is increased from \$250 to \$300 (with fitness-related receipts totaling \$600 or more);
- The Subsidy is no longer restricted to annual memberships at fitness facilities that have certified fitness instructors; and
- Employees who have already received the old maximum payment of \$250 or have been rejected for a subsidy since January 1, 2005, are still eligible and may resubmit receipts and particulars based on the new provisions.

To minimize administration and to ensure a simple and quick process, employees may submit a claim for reimbursement **only once for each calendar year's worth of fitness related expenses**. The claim may be submitted no later than January 31 of the following year. Further details can be found in the attached policy or by contacting the HR Service Centre by telephone at toll free 1-866-319-3900 or by e-mail at ID HR Help Union. (The French version of the policy will be available upon request to the HR Service Centre.)

Your assistance in communicating these positive changes regarding the Company Physical Wellness Policy to your membership would be greatly appreciated.

Regards,

R.A. Shields  
Vice President  
Human Resources and Industrial Relations

Attachment:  
CPR Policy 8505 – Physical Wellness Subsidy

## Physical Wellness Subsidy

All Employees (Canada and United States)  
Issuing Department: Human Resources

**Policy Statement** Canadian Pacific Railway recognizes the benefits of a healthy workforce and promotes an active lifestyle for its employees. In support of this, the Company provides a physical wellness subsidy to employees who participate in fitness-related activities and programs for the purpose of general fitness and physical wellness, subject to the provisions of this policy.

**Accountability** Employees are responsible for:

- submitting requests for a subsidy and proof of payment of eligible expenses to the Human Resource Service Centre (HRSC) once a year for that year's expenses,
- ensuring that the expenses submitted correspond to the "Eligible Expenses" section of this policy,
- arranging payment of dues and fees related to expenses prior to submission for the subsidy, and
- advising the Human Resources Service Centre (HRSC) of any partial or full refund due to cancellation of a membership or other expense already reimbursed.

The HRSC is responsible for approving and processing subsidies and monitoring the process ensuring that subsidy claims meet the criteria outlined in this policy.

## Process and Application

Scope	<p>This benefit is available to all actively employed Canadian and US employees. Employees temporarily on leave (aside from those leaves cited in the Exclusions section below) are still eligible; however, the subsidy should not be requested until the employee returns to active duty.</p>
Exclusions	<p>Excluded from this policy application are all fixed term employees, temporary employees, contractors, and employees who are on Long Term Disability (LTD) Leaves or personal leaves of absences without pay.</p>
Subsidy Amount and Format	<p>The subsidy will apply to eligible expenses as as described in the following section and will be provided as a one-time reimbursement of 50% of all applicable fitness-related expenses up to \$600 of expenses incurred within a calendar year.</p> <p>Therefore, the maximum subsidy that an employee may receive for one calendar year of expenses is \$300 and there is no limit on the number of expense items submitted. (Please refer to the Administration section later in this policy for the subsidy request process.)</p> <p>The subsidy will only be provided if the employee is the named participant for the submitted expenses and the expenses are considered eligible according to this policy.</p>
Eligible Expenses	<p>The Company will subsidize fitness-related activities and programs that:</p> <ul style="list-style-type: none"><li>• promote the development of cardiovascular endurance, muscular strength and flexibility, and/or promotes healthy lifestyle habits, and</li></ul>

- are not covered by provincial health care plans or the Company's health care plan.

Examples of eligible expenses include:

- dues and/or fees for memberships, activities, classes or courses offered by accredited fitness facilities, and/or for specific activities or classes (including but not limited to annual or monthly gym memberships, squash memberships, running track, fitness classes, yoga, martial arts, aqua size, and swimming), and
- nutrition counseling (including diet regimes or programs for the purpose of weight control or reduction) where individual guidance or instruction is provided

#### Excluded Expenses

Expenses that are not eligible for subsidy submission include any wellness expense that is partially or wholly covered by the employee's provincial health care or Company health care coverages.

Other exclusions to this policy include but are not limited to:

- the purchase of fitness apparel or equipment,
- the purchase of specific items such as food, videos, or books related to nutrition counseling or a specific nutritional regime,
- arts & cultural programs
- costs associated with recreational activities such as team sports, golfing or skiing.
- fees for activities/memberships related to weaponry or marksmanship (i.e. gun or archer clubs), or
- fees/dues for any other person aside from the employee

**Tax  
Implications**

Physical wellness subsidies are a taxable benefit and the amount reimbursed to the employee will be shown on the employee's pay advice as part of taxable income.

Employees based in Gulf Canada Square (GCS) location may join any fitness facility of their choice; however, only employees who are members of the onsite fitness facility in GCS will have their subsidy grossed up for tax purposes. This added benefit acknowledges the Company's preference that employees based in GCS join the onsite fitness facility.

**Administration**

**Subsidy  
Request process**

Employees should collect receipts or proofs of payment of their eligible expenses until the employee is aware that no additional fitness related expenses will be incurred during a specific calendar year or the total of fitness related costs has reached \$600, whichever occurs earlier.

Using *Appendix 1 – Application for Physical Wellness Subsidy*, the employee should then submit to the HRSC for their once-a-year reimbursement of up to \$300, based on 50% of what the employee has paid and submitted.

(Please note: If an employee submits a Family membership at a fitness facility for reimbursement, the employee must also provide documentation indicating the cost of a single membership and the HRSC will process the subsidy based on the cost of the single membership.)

**Annual**

An employee may submit their one annual request

**Submission  
Deadline**

for the subsidy anytime during the year but the application for the subsidy together with relevant receipts must be received by the HRSC no later than January 31 of the following year.

The only exception to this deadline of January 31 of the following year are those employees on layoff or parental leave as they may only submit a request for a subsidy upon their return to active duty. Therefore, these employees may submit a request within 3 months of returning to duty for expenses that were incurred during the 12 months prior to the return to work.

Other than mentioned above, no subsidies will be provided for expenses incurred prior to the current year.

**Required  
Receipts and  
Documentation**

No subsidy will be processed without appropriate receipts and documentation accompanying the request to the HR Service Centre.

An acceptable receipt must provide the following details of the incurred expense: date of expense, amount, description of the activity/course/membership, and the name, description and contact information of the fitness facility or service provider (for verification if applicable). If the receipt alone does not contain these details, the employee must provide additional documentation from the fitness facility or service provider that provides the required information.

**Accounting**

Subsidies will be charged to each employee's cost centre.

**Additional  
Information**

For any questions or concerns regarding this policy, please contact the HRSC by telephone at toll free 1 (866) 319-3900 in Canada or in the US at 1 800) 234-0013, or by e-mail at *HR Help* for Canadian Non-unionized

employees, *HR Help Union* for Canadian unionized employees, and *HR Help US* for US employees.

R.A. Shields  
Vice President  
Human Resources and Industrial Relations

(U.S. only disclaimer: This policy statement represents the current policy and practice of CPR regarding the Company Physical Wellness Subsidy and may be changed from time to time by CPR without notice. Nothing in this policy is intended to create any contract, agreement or other obligation by CPR with any of its employees.)

## **Appendix 1 - Application Form**

### **APPLICATION FOR PHYSICAL WELLNESS SUBSIDY**

- Please attach PHOTOCOPIES of all applicable receipts and brochures/pamphlets related to fitness facility/program. Once the application has been processed, the Company will not maintain receipts and supporting material.
- AN APPLICATION MAY BE SUBMITTED ONLY ONCE FOR EACH APPLICABLE CALENDAR YEAR, AND NO LATER THAN JANUARY 31 OF THE FOLLOWING YEAR.
- Please allow two pay periods (one calendar month) for processing.

(Form on next page.)



<b>Employee Name:</b>			<b>Employee Number:</b>		
<b>Date sent :</b>			<b>Applicable Calendar Year:</b>		
<b>Date received by HR:</b>					
	<b>Fitness Facility/ Program</b>	<b>Period</b>	<b>Total/Monthly/ Single amount paid in applicable calendar year (\$)</b>	<b>Formula</b>	<b>Amount applicable for the calendar year (\$)</b>
<b>Multi-Year Membership (Paid in Full)</b>		From: To:		Amount paid Divided By # of years of coverage =	
<b>Multi-Year Membership (Paid Monthly)</b>		From: To:		Monthly amount Multiplied By # of mos of coverage in applicable calendar year =	
<b>Annual Membership (Paid in Full)</b>		From: To:			
<b>Annual Membership (Paid Monthly)</b>		From: To:		Monthly amount Multiplied By # of mos of coverage in applicable calendar year =	
<b>Shorter Period (Month/ Week/Days)</b>		From: To:			
<b>Shorter Period (Drop-in)</b>		# of Drop-ins =		Single drop-in amount Multiplied By # of Drop-Ins in applicable calendar year =	
<b>Additional Items (If more space is required, attach a separate sheet)</b>					
<b>Total Expenses</b>					
<b>TOTAL REIMBURSEMENT (50% of Total Expenses, up to a maximum of 300)</b>					