

# Understanding Commission

An Associate's Guide to Macy's  
Commission Pay Plans

California



# Table of Contents

---

	Topic	Page
1	<b>Overview</b> How Commission Pay Plans Work Your Next Steps	p3
2	<b>How All Commission Pay Plans Work at Macy's</b>  Commission Pay Important Definitions Calculation of Net Sales Commission Rates Applied to Net Sales Commission Pay Calculation and Payout Timing Tracking Your Personal Sales and Commissions Commission Allocation Adjustments for "Split Sales" Sales Enhancement Duties Non-Selling and Non-Productive Time Maximizing Your Commission Pay Additional Non-Commission Opportunities Final Pay in a Commission Pay Plan Questions About Your Commission Pay	p4
3	<b>Draw vs. Commission ("DVC") Pay Plan</b>  How DVC Works <ul style="list-style-type: none"><li>▪ Hourly Rate: Standard Hourly Rate and Hourly Draw Pay</li><li>▪ Commission Pay</li><li>▪ Gross Commission</li><li>▪ Net Commission</li><li>▪ Deficit</li><li>▪ Payment of Commissions</li></ul> Hourly Rate Adjustments Benefit Rate for DVC Associates Non-Productive Time for DVC Associates Performance Review and Merit Process for DVC Associates	P13
4	<b>Base Plus Commission ("Base +") Pay Plan</b>  How Base + Works <ul style="list-style-type: none"><li>▪ Commission Pay</li><li>▪ Base Pay</li><li>▪ Commission Pay</li><li>▪ Payment of Commission Pay</li></ul> Benefit Rate for Base + Associates Non-Productive Time for Base + Associates Overtime Eligibility for Base + Associates Performance Review and Merit Process for Base + Associates	P18
5	<b>Associate Acknowledgement</b>	P21

# Overview

---

In select areas in our stores, we offer two types of commission pay plans designed to help build your pay as you grow your personal sales. This document will explain how our Draw vs. Commission (“DVC”) and Base Plus Commission (“Base +”) pay plans work.

## How Commission Pay Plans Work

Associates in a commission pay plan may receive a portion or the majority of their compensation as commission pay. This commission pay is based on several things, including the merchandise sold, the commission rate applied at the time of the sale, and other factors. Depending on the type of commission pay plan that applies to your position, your pay is determined by a specific calculation that includes Net Sales and, for DVC associates, the applicable Hourly Rate (comprised of your Standard Hourly Rate and Hourly Draw pay) (defined below) and hours worked. Under a commission pay plan, commissions are paid out on a different cycle than hourly pay.

## Your Next Steps

Keep this booklet handy so the information you need about your commission pay plan is readily available. This booklet refers to a number of other documents available on In-site (an internal Company website). These documents give you additional and important details about your compensation, including commission pay. In-site is available to you 24-7, so be sure to review these documents to ensure you understand all the information about your commission pay plan.

For newly hired employees, or incumbents transferring into a commission pay plan from a non-commission pay plan or transferring from one commission pay plan to another (e.g. from DVC to Base +), after you have reviewed all the information and met with your Manager, please sign the Associate Acknowledgement and return only that page to your Manager. Feel free to make a copy of the signed acknowledgement for your records. Once you have acknowledged the document, if there are changes in the way our plans work, you will receive notice of those changes.

As always, should you have any questions about your compensation, please contact your Manager or Human Resources (“HR”) representative.

# How All Commission Pay Plans Work at Macy's

## Commission Pay

Commission Pay is calculated differently, depending on whether you are in a DVC position or a Base + position. Each pay type will be further explained in detail within this document.

### **For DVC Associates:**

Commission Pay = (Commission rate(s) x Net Sales) - (Standard Hourly Rate, which is the greater of the local, state, or federal minimum wage x hours worked).

### **For Base + Associates:**

Commission Pay = Commission rate(s) x Net Sales.

Commission rates can vary depending on your department, the type of merchandise sold, base scheduled hours, and other factors. The Company may change the commission rates from time to time and will notify you in advance of such changes.

Commission is not earned at the time of sale. Rather, commission on merchandise you sell is earned when the Eligible Return Period has expired and the merchandise has not been returned within that period of time. So that you do not have to wait to receive payment of commissions until they are earned (at the end of the Eligible Return Period), Macy's pays you commission pay in advance of when it is earned. This pay is an Advance Commission Payment and is most often referred to as "Commission Pay". Reference to "Commission Pay" in this document equates to this Advance Commission Payment.

## Important Definitions

"**Gross Sales**" equal the purchase price of the merchandise sold plus amounts the customer pays for sales tax, and any other fees (e.g. fees for delivery, shipping, alterations, etc.). Gross sales are usually calculated when you complete the transaction with your customer, except in cases where merchandise is ordered and needs to be delivered. In these cases (Big Ticket sales, Search and Send transactions, etc.), the calculation occurs after the merchandise is delivered to and accepted by the customer.

"**Net Sales**" are Gross Sales minus: discounts (such as employee discounts and back office discounts), taxes, Price Adjustments, and Eligible Returns. Commissions on eligible merchandise are paid on Net Sales, not Gross Sales.

"**Original Associate**" is the associate who was credited with the original sale of the merchandise.

A "**Return**" is merchandise sold that the customer later returns.

The "**Eligible Return Period**" is the period of time within 180 days of purchase. In the case of merchandise that is ordered and needs to be delivered (e.g. Big Ticket merchandise, merchandise purchased through Search and Send transactions, etc.), the Eligible Return Period is within 180 days of delivery to and acceptance by the customer. Returns within the Eligible Return Period are attributed to the Original Associate. If merchandise is returned after the 180 day return period, and/or the Original Associate cannot be identified, the return is not attributed to any associate.

**“Defective/Damage Merchandise”** is merchandise that is determined to be defective or damaged prior to the original sale, as outlined in Macy’s guidelines. Upon return, merchandise that is determined to be damaged or defective should be processed using the Damage function on the register. A return of defective or damaged merchandise is not held against the Original Associate’s sales or commission calculations.

Sometimes a customer returns merchandise and makes another purchase. In fact, you should treat all returns as a sales opportunity. Here are some types of exchange transactions and how they impact your Net Sales:

An **“Even Exchange”** occurs when the customer returns merchandise and replaces it with essentially the same item. For example, she returns a shirt in Medium and replaces it with the same item in Large. Even Exchanges within the Eligible Return Period are treated as a return to the Original Associate and a sale for the associate processing the exchange.

An **“Uneven Exchange”** occurs when the customer returns merchandise and then purchases something different. For example, she returns a sweater and then buys a dress instead. Uneven Exchanges within the Eligible Return Period are treated as a return to the Original Associate and a sale for the associate processing the exchange.

A **“Price Adjustment”** occurs when, in accordance with our return policies, a customer requests and receives a credit due to merchandise going on sale after the original date of purchase. Price Adjustments are processed using the Price Adjustment function on the register. Because the Price Adjustment happens within the Eligible Return Period, the amount of the Price Adjustment is considered a Return and is applied against the Original Associate’s Gross Sales and the Original Associate retains the remaining value of the original sale.

## Calculation of Net Sales

On the next two pages, we'll review some examples of how Net Sales is calculated:

### Example 1: Net Sales

Raoul is a full-time DVC associate in Women's Shoes. He is eligible for commission on his Net Sales on shoes in his department. During the One Day Sale, he sells his customer two pairs of Via Spiga pumps at \$200.00 each. One pair is black, the other mauve. The customer is on vacation, so she asks Raoul to have her purchase sent to her home. The delivery fee is \$20.00. The sale would look like this:

Black Pumps	\$ 200.00
Mauve Pumps	\$ 200.00
Delivery Fee	\$ 20.00
Sales Tax (8.5%)	\$ 35.70
Total Gross Sale	\$ 455.70

What items in the sale are used to calculate Raoul's Commission Pay? Commission Pay is calculated on eligible Net Sales, not Gross Sales. So in this example, the delivery fee and tax are not eligible for Commission. Only the \$400.00 for the shoes is used in calculating Commission Pay.

Black Pumps	\$ 200.00
Mauve Pumps	\$ 200.00
Total Net Sales	\$ 400.00

### Example 2: Returns and Net Sales

A few weeks later, Raoul's customer returns the mauve Via Spiga pumps to a Macy's near her home. This return will be applied to Raoul's Gross Sales in that week. Here's how it works:

Raoul's Gross Sales for Week:	\$ 10,300.00
Eligible Return of Pumps	\$ (200.00)
Raoul's Net Sales for Week:	\$ 10,100.00

## Net Sales Calculation Examples (continued):

### Example 3: Sale with a Back Office Discount

Evelyn is a full-time DVC associate in Men's Suits. She sells a \$600.00 suit to her customer. It turns out that the customer is eligible for a 20% back office discount because he is a Macy's associate. When the Net Sales are calculated, the value of the Back Office Discount is deducted from the sale:

Men's Suit	\$ 600.00
Back Office Discount	<u>\$ (120.00)</u>
Net Sale	\$ 480.00

### Example 4: Intersell: Goods Outside of Your Department

Alex is a full-time DVC associate in Men's Suits. Today, he helps a customer get ready for a business trip. He sells a Men's Suit for \$800.00 before tax. Then he suggests a shirt, tie, belt and shoes to go with the suit. The customer agrees and also purchases pajamas.

Alex is eligible for commission on Net Sales of Men's Suits merchandise based on the commission rate for each item sold. However, because pajamas are not commission eligible, although the calculation of his Net Sales includes the sale price of the pajamas, no commission rate is applied to the sale price of the pajamas. Alex is eligible to receive Commission Pay on select items outside of his department, including shirts, belts, ties and shoes. No other merchandise in this sale is commission eligible. He will get credit for all items sold in totaling his Net Sales, but only those sales of commission eligible merchandise will be used in calculating his commissions:

Men's Suit Net Sale	\$ 800.00
Men's Shirt Net Sale	\$ 60.00
Men's Belt Net Sale	\$ 30.00
Men's Tie Net Sale	\$ 40.00
Men's Pajamas Net Sale	<u>\$ 45.00</u>
Total Net Sale	\$ 975.00
Commission Eligible Net Sales:	\$ 930.00 (\$975.00 - \$45.00)

Still have questions about the calculation of Net Sales? Please ask your Manager or HR representative.

## Commission Rates Applied to Net Sales

At Macy's, commission rates vary by position and location. Commission rates are subject to change by the Company. Each week, once your Net Sales are calculated, the commission system begins your Commission Pay calculation by multiplying the appropriate commission percentage rates effective at that time by Net Sales. There are several factors that determine your commission rate:

Merchandise you sell: Some commission rates are dependent on the merchandise sold. Other commission plans pay the same commission rate on all eligible merchandise sold.

Schedule you work: Part-time associates may receive lower commission rate(s) than full-time associates.

Area you work in: Selling merchandise outside your "home" department or line is referred to as "intersell." When you intersell, the commission rate(s) for merchandise sold outside your department or line may be different from the commission rate(s) on merchandise sold from your department or line. In some cases, Intersell may not be eligible for a commission at all.

Your commission pay plan determines the items that are commission eligible and your commission rate on those items. Refer to the **Sales>Returns Commission Summary Statement** prepared for you each week to determine your commission pay plan. The Summary is available on In-site. From In-site, you can also access the **Commission Rates** document for your location, which will show you commission rates in any department in the store.

As explained below, some commission pay plans where the commission rate can change based on criteria or performance are used selectively in our stores. If you are in one of these plans, your "Understanding Commission" Associate Acknowledgement form will so indicate.

"Tiered Commission" is available in some commission pay plans. In a Tiered Commission plan, you may have an opportunity to earn additional commissions based on your personal sales performance. Your commission rate is increased if you achieve a year-to-date sales tier threshold. The tier thresholds apply to our fiscal year (February through January). In some plans, once you exceed a sales tier threshold, higher commission rates may apply after that date. At the start of each fiscal year, you start over with your commission rate set at the first tier. In other plans, achievement of a sales tier threshold qualifies you for higher commission rates in a subsequent period. Merchandise that is not commission eligible is not impacted by Tiered Commission.

An "Item Status" commission plan pays a higher commission rate on select merchandise that has not been marked down. If you are in an Item Status commission plan and sell qualifying items at regular price, a higher commission rate will be applied to the Net Sales of these items.

It is important that you understand your commission pay plan. If you have any questions about the commission rate(s) on the merchandise you sell or you are unable to determine or understand your Advance Commission Payments as shown in the statements on In-site, you should talk with your Manager or HR representative.



## Commission Pay Calculation and Payout Timing

Commission Pay is calculated weekly (Sunday through Saturday) based on your Net Sales (and for DVC associates, as explained further below, based on hours worked during the week). The commission rate(s) in effect for the week in which the original sale was made are used.

The commission system calculates your Commission Pay on Week 1's sales in week 2. The Commission Pay then appears in your paycheck for Week 2, which you receive in Week 3. Here is an example:

### Example 1: Commission Pay Timing

John's first week of work is the 1<sup>st</sup> week of April. During the 2<sup>nd</sup> week of April, the commission system calculates John's Net Sales from week 1 and applies John's commission rate to those Net Sales in the calculation of his Commission Pay. The resulting Commission Pay appears on John's paycheck for week 2, which he receives on the following Friday of April week 3.

	Sun	Mon	Tue	Wed	Thurs	Fri	Sat
Week 1:	1	2	3	4	5	6	7
	<i>This is the first week of Sales.</i>						
Week 2:	8	9	10	11	12	13	14
	<i>John's Net Sales for Week 1 are calculated in Week 2.</i>						
Week 3:	15	16	17	18	19	20	21
	<i>John's Commission Pay from Week 1 is on Friday's paycheck of Week 3.</i>						

## Tracking Your Personal Sales and Commissions

Each week Macy's produces a **Sales/Returns Commission Summary Statement ("Summary Statement")** with your sales and Commission Pay calculation information. Your Summary Statement shows how we calculated your Commission Pay (before, in the case of DVC associates, adjustment based on hours worked ). You may review this Summary Statement on-line through In-site from any computer or from a kiosk at your store. Simply log on to In-site through [www.employeeconnection.net](http://www.employeeconnection.net). If you need help, you should speak with your Manager. The Summary Statement shows in detail your Gross Sales, adjustments to Gross Sales for returns and other reasons, and your Net Sales. The Summary Statement breaks down the information for you, showing every department and class of items you sold. The Summary Statement also shows the commission rate applied to each Net Sales amount and the Commission dollars resulting from that calculation.

Along with the Summary Statement, Macy's provides an **Associate Productivity Statement**, a **Transaction Detail** statement showing the value of every transaction rung that week, and a **STIMS Statement** detailing any contest payments.

We encourage you to review these statements regularly. If you have questions or concerns about your statements, please take them to your Manager or HR representative.

## Commission Allocation Adjustments for "Split Sales"

There are times when Commission Pay may need to be adjusted because more than one associate has contributed to helping a customer with a sale. For example, several sales associates may help a customer on different occasions make a single purchase, especially on a high value item. The Manager has the ability, per written guidelines, to request allocation of the sale among those associates, i.e., to "split" the sale. All adjustments are handled by the HR Services central organization; no one else can make adjustments. If allocation adjustments to your Commission Pay are made, you will see them on your **Sales/Returns Commission Summary Statement** and you will be told about them by your Manager. If you believe that you may be due an allocation adjustment on your commissions, take your concern to your Manager or HR representative as soon as possible.

## Sales Enhancement Duties

There is more to successfully selling than waiting on customers and ringing sales. All sales associates help in the general operation of their departments. Sales enhancement duties help enhance our store environment by providing our customers with an outstanding shopping experience that results in increased sales. These duties are also part of providing excellent service and selling more effectively. Sales enhancement duties vary, but include:

- Hanging, folding and presenting merchandise, including floor recovery.
- Maintaining security standards.
- Tidying and/or dusting showcases, register areas, shelves and fixtures.
- Monitoring the selling floor for the appropriate assortment of merchandise and filling in sizes and styles as needed.
- Maintaining fitting rooms, including returning 'go-backs' to the correct location on the floor.
- Properly maintaining the hold area and stockrooms.
- Helping with counts, markdowns, inventory preparation, and transfers as needed.
- Answering the phones.

Sales enhancement duties are a basic part of a sales associate's job. We know that every associate must spend part of his/her time at work on these tasks. We take that fact into account in setting commission rates and productivity standards and by paying you, separate and apart from your commission pay, at least the Standard Hourly Rate (for DVC associates) or at least your Base Rate (for Base + associates) for each and every hour you work, including time spent on these tasks.

## Non-Selling and Non-Productive Time

Occasionally we may assign one or more sales associates to spend a portion of the day off the selling floor or in activities outside typical day-to-day sales enhancement duties. These assignments are considered Non-Selling time. When we assign you to do this Non-Selling work, we capture the time and code it as Non-Productive time (sometimes called "Non-Prod" time).

Here are some examples of Non-Selling activities that may be eligible to be coded as Non-Productive time:

- Seminar/Training sessions held during store hours, either inside or outside of the store (including travel time to and/or from the session).
- Work performed off the selling floor in excess of standard Non-Selling responsibilities (not including off-the-floor inventory preparation).
- Physical taking of inventory.
- Unscheduled store closure (when eligible).

You are paid for all of the Non-Selling time, of course. However, we deduct approved Non-Productive time from your total selling hours when computing your Productivity (sales per hour). The time worked associated with Non-Productive time is also excluded in Net Commission Pay calculations for associates in a DVC pay plan. This is a positive for you because it means the time we took you away from the selling floor does not dilute Commission Pay.

Your Store management must approve Non-Productive time in advance and will tell you if your Non-Selling time qualifies to be coded as Non-Productive. For hours coded as Non-Productive time, you are paid at your hourly base rate (for Base + associates) or, for DVC associates, your Hourly Rate (i.e. the sum of your Standard Hourly Rate plus your Hourly Draw Rate (as defined in the "DVC Pay Plan" section below)).

Note: Non-Productive time is not applicable to normal on/off the floor Non-Selling work, attendance at storewide rallies/meetings, or other routine off-the-floor activities.

## Maximizing Your Commission Pay

Being in a commission pay plan means that your personal efforts in selling have a direct impact on your compensation. Here are some MAGIC selling tips on how you can get the most out of a commission pay plan:

- Meet and make a connection with your customer. Seek out customers in the department; don't wait for them to come to you.
- Ask open-ended questions to determine your customer's needs, personal style, and what or for whom she is shopping.
- Give your customer options based on the information gained from your interaction with her and use the opportunity to suggest products and provide alternate solutions if her initial selection is not available.

- Inspire your customer to make the purchase by using product information such as features and benefits and link them to her needs.
- Celebrate the purchase with the customer. Create a lasting positive impression that will bring her back to shop with you again.
- Ask your Manager for coaching or feedback on how to build your Magic Selling skills.
- Always take your meal and rest breaks as scheduled to be refreshed and able to devote yourself to your customer.
- Keep the selling floor at presentation standards. These standards enhance the shopping experience and support everyone's sales potential.

## Additional Non-Commission Opportunities

These additional forms of compensation are not commission opportunities and have no impact on your Commission Pay. We have included them here so you will know all the ways you can enhance your compensation.

- **STIMS**, sometimes called "spiffs", are incentives to promote certain merchandise. Some STIMS are on-going, and some are for a specific time frame.
- From time to time, the Company may offer **Contests**. Your manager will communicate specific contest opportunities to you as they become available.
- Opening **Macy's charge accounts** is an important way to increase our loyal customer base. You will be paid an incentive for soliciting new accounts. These programs change periodically, and your Manager will communicate current incentives.
- Specialists for specific areas or product lines may be eligible for additional incentives. Your Manager will give you specifics on the programs for which you may be eligible.

There are specific terms and conditions for each individual program, and there are rules governing who is eligible to participate. Your Manager will tell you about them. All awards and other incentives - cash, cash equivalents, travel, clothing allowance, and merchandise - may be considered taxable income and will be reported as earnings if required by federal, state and local tax regulations.

## Final Pay in a Commission Pay Plan

If you leave the Company for any reason, you will receive all compensation that you are owed. As stated previously, although you receive Commission Pay on a weekly basis, commissions are earned only after the 180 day Eligible Return Period has expired, provided the merchandise has not been returned within the Eligible Return Period. For purposes of making a final accounting of the wages owed you when you leave, including commissions on all items except merchandise that is ordered and needs to be delivered (e.g. Big Ticket merchandise, merchandise purchased through Search and Send transactions, etc.), your commissions will be deemed earned at the end of the second pay cycle following your separation from employment (when all Eligible Returns are processed). If you have outstanding Big Ticket and Search and Send sales that have not yet been delivered, so that you have the benefit of being able to receive commissions on these sales upon delivery to and acceptance by the customer, you will continue to receive commissions on Net Sales for 1 year after your separation from employment. At the end of the year, if there are any outstanding commissions due, they will be deemed earned at the end of the second pay cycle following the one-year anniversary of your separation from employment. Any such commissions will be paid net of Eligible Returns that have occurred before and after your separation of employment.

If you become re-employed by the Company in a commission position within 60 days of termination, any returns on your Gross Sales that were processed during that time period will be reinstated and attributed to you (i.e. the returns will be used in calculating Net Sales in the new period of employment).

Your final pay will be available at the store at the end of the second pay cycle following your termination unless you make other arrangements.

## Questions About Your Commission Pay

If you have questions regarding your Commission Pay, you should review the matter with your Manager. If the issue cannot be resolved with your Manager, it can be discussed with your HR representative.

In the unlikely event that the issue is still not resolved to your satisfaction, you may use the Solutions InSTORE program by calling 1-866-285-6689 or visiting [www.employeeconnection.net/solutionsinstore](http://www.employeeconnection.net/solutionsinstore).

## Draw vs. Commission (“DVC”) Pay Plan

### How DVC Works

DVC associates receive part of their pay in the form of a Standard Hourly Rate for each hour they work, and some of their pay in the form of Commission pay.

#### ***Hourly Rate: Standard Hourly Rate and Hourly Draw Rate***

If you are a DVC associate, for each hour you work you are paid an Hourly Rate comprised of a Standard Hourly rate and, in some cases, an Hourly Draw rate.

The “**Standard Hourly Rate**” is the portion of your Hourly Rate that is equal to the greater of the local, state or federal minimum wage. You receive this Standard Hourly Rate irrespective of the type of work you are performing, whether it be selling or non-selling work.

The “**Hourly Draw Rate**” is any portion of your Hourly Rate that exceeds the value of the Standard Hourly Rate. The Hourly Draw Rate is, in essence, an advance on future commission pay. If the Hourly Rate equals the Standard Hourly Rate, there is no Draw Rate.

Example 1: Jenny is a DVC Associate in Los Angeles. Her Hourly Rate is \$11.00. Her Standard Hourly Rate is \$8.00. Thus, her Hourly Draw pay is \$3.00/hour (\$11.00-\$8.00). She will receive \$11.00 for each hour she works.

Example 2: John is a DVC Associate in Los Angeles. His Hourly Rate is \$8.00. His Standard Hourly Rate is \$8.00. Thus, his Hourly Draw pay is \$0.00/hour (\$8.00-\$8.00). He will receive \$8.00 for each hour he works.

You are assigned an initial Hourly Rate at the time of hire, which can be found on the last page of this document. Your Hourly Rate is also listed weekly on your **Sales/Return Commission Summary**

**Statement.** We systemically determine the correct Standard Hourly Rate and Draw Rate components of your Hourly rate for use in the Commission calculation based on your work location's Minimum Wage. Hourly Rates can change over time, as will be discussed later.

### ***Commission Pay***

Depending on your Net Sales and hours worked, you may receive Commission Pay on your paycheck in addition to your Hourly Rate. Because Commission Pay is not earned until the Eligible Return Period has expired and only if the merchandise has not been returned within that period of time, Commission Pay you receive on your pay check before the Eligible Return Period has expired is an Advance Commission Payment. If you produce less commission than the Hourly Draw pay you received for a particular work week, you still receive your Standard Hourly Rate and your Hourly Draw pay for each hour worked. Remember, however, your Hourly Draw pay is an advance against your future commissions. The specifics of this process are explained below.

Weekly, you are paid an amount equal to your Hourly Rate multiplied by the number of hours worked. As noted above, the Hourly Rate has two components: (1) the Standard Hourly Rate and (2) Hourly Draw Rate. These two components are used differently in calculating your commission pay.

For example, if your Hourly Rate is \$9.00 and you worked 37 hours that week, your Hourly Pay would be \$333.00 ( $\$9.00 \times 37$  hrs). Your Standard Hourly Rate would be \$8.00, and your Standard Hourly Pay would be \$296.00 ( $\$8.00 \times 37$  hrs). This Standard Hourly Pay is one component in the process of calculating your Gross Commissions. Your Hourly Draw Rate would be \$1.00 ( $\$9.00$  less  $\$8.00$ ), and your Hourly Draw pay would be \$37.00 ( $\$1.00 \times 37$  hrs). This Hourly Draw pay is one component in the process of calculating your Net Commission.

**"Gross Commissions"** are commissions calculated from Net Sales, Standard Hourly Rate, and hours worked, *before* any consideration of Hourly Draw Pay and deficit (see below for an explanation of deficit). Continuing the previous example, if you worked 37 hours and had Net Sales of \$6,000.00 for the week, and a 9.5% commission rate applied to those Net Sales, you would use the following 3-step process to calculate your Gross Commissions:

Step 1: Calculate Commission Rate x Net Sales: \$570.00 ( $\$6,000.00 \times 9.5\%$ )

Step 2: Calculate Standard Hourly Pay: (\$296.00) ( $\$8.00$  Standard Hourly Rate x 37 hrs worked)

Step 3: Calculate Gross Commission: \$274.00 ( $\$570.00$  (from Step 1) -  $\$296.00$  (from Step 2))

If your Standard Hourly Pay exceeds the product of Commission Rate and Net Sales (Commission Rate x Net Sales), your Gross Commission would be recorded as zero (\$0.00). This is because you are always paid your Standard Hourly Rate for all hours worked, and any Gross Commission calculation of less than zero is not held against your future pay. This ensures you are paid at least the applicable minimum wage for all hours worked, irrespective of the type of work being performed.

Your "Net Commission" is determined using the Gross commission and any Draw pay you have already been paid for the week. We calculate whether the Gross Commissions exceed the amount of the Hourly Draw pay. Continuing the same example, you would use another 3-Step process to calculate your Net Commissions:

- Step 1: Gross Commission (see calculation in "Gross Commission" section, above): \$274.00 (\$6,000.00 sales x 9.5% commission) - (\$8.00 x 37 hrs)
- Step 2: Calculate Hourly Draw pay: \$37.00 (\$1.00 x 37 hrs)
- Step 3: Calculate Net Commission Pay: \$237.00 (\$274.00 (from Step 1) - \$37.00 (from Step 2))

If your Hourly Rate equals your Standard Hourly Rate, your Hourly Draw pay is \$0.00, and your Net Commission will always be the same as your Gross Commission.

### ***Deficit***

If, in any week, your Gross Commission is less than the amount of your Hourly Draw pay, you are in **deficit**. Another way of saying this is that you did not receive enough Gross Commission to "cover" your Hourly Draw pay. When you are in deficit, for that week, we pay you your Standard Hourly Rate and advance you the amount of your Hourly Draw pay only. In subsequent weeks, the payroll system calculates your Net Commission, and if your Net Commission exceeds your Hourly Draw pay, the system applies Net Commission to eliminate the deficit. Once the deficit is eliminated, you are paid the remainder of the Commission Pay in addition to your Hourly Rate as Net Commission Pay. From the above example, if you had \$100.00 of deficit from the previous week, your Net Commission Pay would be calculated as follows:

- Step 1: Gross Commission (see calculation in "Gross Commission" section, above): \$274.00 (\$6,000.00 sales x 9.5% commission) - (\$8.00 x 37 hrs)
- Step 2: Calculate Hourly Draw pay: \$37.00 (\$1.00 x 37 hrs )
- Step 3: Calculate Deficit (carried from prior week): - \$100.00
- Step 4: Calculate Net Commission Pay: \$137.00 (\$274.00 (from Step 1) - \$37.00 (from Step 2) - \$100.00 (from Step 3))

From time to time, DVC associates may experience deficit. Most of the time, associates quickly clear the deficit with subsequent Gross Commissions. When an associate is not selling enough to cover his/her Hourly Draw pay for an extended period of time, Macy's will take steps to help the associate correct the situation. We offer regular coaching and guidance on how to build sales, and provide feedback on overall selling skills. This assistance may help the associate be successful in selling and building Commission Pay.

In certain circumstances, we eliminate or reduce an associate's accumulated deficit. This is called **deficit forgiveness** or deficit "wipe". Macy's automatically forgives newly hired DVC associates' deficit after 60 days of employment. Incumbent transfers into a Big Ticket Furniture DVC area are also eligible for deficit forgiveness 60 days after transfer. Also, on a quarterly basis, DVC associates' deficit of up to \$100 is automatically forgiven, or "wiped."

If you move out of a DVC area, any deficit you have at that time is retained on your record for one year. If, within that time, you move back into a DVC area, your deficit will be reinstated. If you leave the Company, have accumulated deficit, and return within 60 days, the deficit you had at the time of your separation from the Company (and any other deficit created by returns after you leave) will also be reinstated.

If you have any questions about deficit forgiveness, you should follow up with your Manager or HR representative.

### Payment of Commissions

To see how commissions are calculated and paid out on your paycheck, it may be helpful to refer to the chart below and think "A + B = C". "A" represents your current week's Standard Hourly Rate and Hourly Draw pay, "B" is your prior week's Net Commission, and "C" is your total paycheck for the week. In this example, assume a new hire starts as a DVC shoe associate in the first week of May, makes 6.0% commission on shoe sales, and has a \$9.00 Hourly Rate, comprised of an \$8.00 Standard Hourly Rate and a \$1.00 Hourly Draw Rate.

"A" Current Week Standard Hourly Pay and Hourly Draw Pay					"B" Prior Week Commissions							"C" Current Week Paycheck
Week Ending	Prod Hours Worked	Standard Hourly Pay	Hourly Draw Pay	Total Hourly Pay	Net Sales	Net sales x Commission Rate	Gross Commission	Prior week Draw Pay	Prior Week Deficit	Deficit Carry-over	Net Commission	Total Pay on Paycheck
		<i>Standard Rate x Hrs worked</i>	<i>Draw Rate x Hrs worked</i>	<i>Standard Pay plus Draw Pay</i>			<i>Net Sales x Commission rate less Prior Wk Standard Pay</i>	<i>Draw Rate x Prior Wk Hrs Worked</i>			<i>Gross Comm less Draw and carryover Deficit</i>	<i>Current wk Hourly Pay plus Prior wk Net Commission</i>
May 7	37.00	\$ 296.00	\$ 37.00	\$ 333.00	N/A	0	\$ -	\$ -	\$ -		\$ -	\$ 333.00
May 14	37.50	\$ 300.00	\$ 37.50	\$ 337.50	\$ 7,482	\$ 448.92	\$ 152.92	\$ 37.00	\$ -		\$ 115.92	\$ 453.42
May 21	38.00	\$ 304.00	\$ 38.00	\$ 342.00	\$ 9,917	\$ 595.02	\$ 295.02	\$ 37.50	\$ -		\$ 257.52	\$ 599.52
May 28	35.00	\$ 280.00	\$ 35.00	\$ 315.00	\$ 2,560	\$ 153.60	\$ 0.00	\$ 38.00	\$ 38.00		NA	\$ 315.00
June 4	37.00	\$ 296.00	\$ 37.00	\$ 333.00	\$ 10,643	\$ 638.58	\$ 358.58	\$ 35.00	\$ -	\$ 38.00	\$ 285.58	\$ 618.58
June 11	37.00	\$ 296.00	\$ 37.00	\$ 333.00	\$ 7,204	\$ 432.24	\$ 136.24	\$ 37.00	\$ -		\$ 99.24	\$ 432.24

Notes on key illustrative Week paycheck calculations:

- 1) **May 14<sup>th</sup> Paycheck:** This week's Standard Hourly Rate + Hourly Draw pay is \$337.50. The Net Commission on this week's paycheck is \$115.92, calculated from sales in week ending May 7<sup>th</sup>. Gross Commissions (\$152.92) equals Commission on Net Sales (\$448.92) from May 7<sup>th</sup> less the Standard Hourly Rate from May 7<sup>th</sup> (\$296.00).
- 2) **May 28<sup>th</sup> Paycheck:** In this week, note that the commission on Net Sales from the prior week (\$153.60) less the Standard Hourly Rate (\$304.00) creates a Gross Commission that is less than \$0.00, but only \$0.00 is recorded. Only the Hourly Draw pay of \$38.00 creates a Deficit.

As with all employees, your Current Week's paycheck will usually be available on the next Friday following the end of the week.

Remember that you may access an individual **Sales/Return Commission Summary Statement** each week (see the preceding section on Tracking Your Personal Sales and Commissions). This statement shows whether you are in deficit and how deficit is calculated. The statement also shows your Net Commission for the week.



## Hourly Draw Pay Adjustments

If your hourly commissions are greater than 125% of your Hourly Rate, you will have the opportunity to request an increase in your Hourly Draw pay. Requests to adjust Hourly Draw pay up or down will be accepted after the end of each season, in February and/or August. An associate must be in the position prior to the start of the fiscal season to be eligible for an Hourly Draw pay increase. For questions on how to request an Hourly Draw pay adjustment, please ask your Store Manager or HR representative.

Hourly Draw pay can also be adjusted downward seasonally by Macy's if your commissions do not consistently "cover" or exceed your Hourly Draw pay. "Covering" your Hourly Draw pay means that the commissions calculated on your Net Sales within a period are greater than the combination of the Standard Hourly pay and Draw paid to you for that same period. The downward reduction of the Hourly Draw pay occurs only if you are in Deficit more than \$200.00 and are not covering your Hourly Draw pay within the fiscal season period. The new Hourly Draw pay rate would be made effective within a subsequent fiscal period. The adjustment sets the Hourly Draw pay so that it more closely aligns with your actual commission experience. If you are subject to an Hourly Draw pay reduction, your Manager or HR representative will talk to you at the beginning of each fiscal season (Spring / Fall).

## Benefit Rate for DVC Associates

For DVC associates, we will establish a Benefit Rate (sometimes called an Average Hourly Rate). After you reach 90 days of employment, the Benefit Rate is calculated at the beginning of each fiscal quarter, using up to the last 52 weeks of pay history. The Benefit Rate reflects the average of your Standard Hourly Rate, Overtime, Holiday, and Commission Pay per hour.

You will receive your Benefit Rate for vacations, holidays, and other Paid Time off events when you are eligible for those benefits. Other Paid Time off events subject to Benefit Rate include jury duty and bereavement leave. Policies regarding all Paid Time Off benefits can be provided to you by your Manager or HR representative.

## Non-Productive Time for DVC Associates

When we code your hours as Non-Productive time (see the preceding Non-Selling and Non-Productive Time section), none of this pay is considered Hourly Draw pay and it is not used in the calculation of your Net Commissions. That means you don't have to cover the Hourly Draw pay on the Non-Productive time to avoid deficit. Your Store Management must approve Non-Productive time in advance. For hours coded as Non- Productive time, you are paid at your Hourly Rate.

## Performance Review and Merit Process for DVC Associates

Selling in a DVC area can be financially and professionally rewarding. It's a great match for someone who loves to sell and build loyal clientele. A successful DVC sales associate has an entrepreneurial spirit and is driven to be successful.

If low sales performance occurs and deficit continues to accumulate even after on-going coaching and feedback from the management team, Hourly Draw Rate reduction, and deficit forgiveness, it may be

determined that a DVC area is not the right place for the individual to continue selling. In these situations, the option to move into a non-commission area may be offered to associates who are otherwise in good standing, and who exhibit the level of selling capabilities expected in non-commission areas. Whether someone is offered the opportunity to move out of a commission area into a non-commission area will be decided by Store Management and Human Resources at that time.

Because DVC associates are in control of their pay by how much they sell, they are not eligible for merit increases. DVC associates are still reviewed based on the Scorecard sales and performance metrics. For any questions about the review process, please ask your HR representative or Manager.

## Base Plus Commission ("Base +") Pay Plan

### How Base + Works

Base + associates receive an Hourly Base Rate for every hour worked. In addition, they receive commission on all eligible Net Sales: That's the Plus! Here's how it works:

#### ***Base Pay***

Every week you receive your base pay, which is calculated by taking your Hourly Base Rate times the hours you worked. For example, if your Hourly Base Rate is \$9.00 and you worked 37 hours that week, your base pay for those hours is \$333.00 (\$9.00 x 37 hours).

You are assigned an Hourly Base Rate at the time of hire, which can be found on the last page of this document. Your Hourly Base Rate is also listed weekly on your **Sales/Return Commission Summary Statement**.

#### ***Commission Pay***

Commission Pay is calculated based on eligible Net Sales. Because commissions are not earned until the Eligible Return Period has expired and only if the merchandise has not been returned within that period of time, the pay is an Advance Commission Payment. Continuing the previous example, if you also had Net Sales of \$4,000.00 for the week and your commission rate was 3.0% on those sales, you would receive \$120.00 in Commission Pay. The total compensation for the week would be the sum of the Hourly Base Rate pay and Commission Pay.

Hourly Base Rate Pay:	\$9.00/hour x 37 hrs	= \$ 333.00
Commission Pay:	\$4000.00 Net Sales at 3.0% commission	= \$ <u>120.00</u>
Total Pay for Week		= \$ 453.00

The total pay of \$453.00 for 37 hours of work equates to an hourly rate of \$12.24. Therefore, the total pay you receive is usually greater than your Hourly Base Rate pay. When you work, your total pay is never less than your Hourly Base Rate, even if you have no sales.

Because you are only paid for the hours you work and the commission pay on your Net Sales, there is no deficit in a Base + commission pay plan.

## Payment of Commission Pay

To see how Commission Pay is calculated and paid out, it may be helpful to refer to the chart below and think "A + B = C". "A" represents your current week's Base Rate pay, "B" is your previous week's Commission Pay, and "C" is your total paycheck for the week. In this example, assume a new hire starts in the first week of May in Men's Shoes, makes 1.0% commission on shoe sales, and has a \$9.00 Hourly Base Rate.

"A" Current Week Base Rate Pay			"B" Prior Week Commission Earnings		"C" Current Week Paycheck	
Week Ending	Productive Hours Worked	Week's Base Rate Pay (at \$9.00)	Prior Week Net Sales	Prior Week Commission Pay	Current Week Paycheck	Current Week Paycheck Explanation
May 8	37.0	\$ 333.00	\$ 0.00	\$ 0.00	\$ 333.00	Current week Base Pay only, 1st week of work
May 15	37.5	\$ 337.50	\$ 4,500.00	\$ 45.00	\$ 382.50	Current week Base Pay + Commission Pay for week ending May 8
May 22	38.0	\$ 342.00	\$ 6,080.00	\$ 60.80	\$ 402.80	Current week Base Pay + Commission Pay for week ending May 15

As with all employees, your Current Week's paycheck will usually be available on the next Friday following the end of the week.

Remember that you receive an individual **Sales>Returns Commission Summary Statement** each week that shows your commissions for the week (see Section on Tracking Your Personal Sales and Commissions).

## Benefit Rate for Base + Associates

For Base + associates, we will establish a Benefit Rate (sometimes called an Average Hourly Rate). After you reach 90 days of employment, the Benefit Rate is calculated at the beginning of each fiscal quarter, using up to the last 52 weeks of pay history. The Benefit Rate reflects the average of your Regular, Overtime, Holiday, and Commission pay per hour.

You will receive your Benefit Rate for vacations, holidays, and other Paid Time off events when you are eligible for those benefits. Other Paid Time off events subject to Benefit Rate include jury duty and bereavement leave. Policies regarding all Paid Time Off benefits can be provided to you by your Manager or HR representative.

## Non-Productive Time for Base + Associates

When we code your hours as Non-Productive time (see the preceding Non-Selling and Non-Productive Time section), there is no impact to your pay. Having approved hours coded as Non-Productive time does impact your productivity measurements because those hours are not used in the sales per hour calculation.

Non-Productive time must be approved by your Store Management in advance. For hours coded as Non-Productive time, you are paid at your Hourly Base Rate.

## Overtime Eligibility for Base + Associates

Base + associates are eligible to receive premium pay on overtime hours worked. The Company payroll systems automatically calculate and pay overtime.

## Performance Review and Merit Process for Base + Associates

As a Base + associate, you may be eligible to receive an increase to your Hourly Base Rate based on your annual performance evaluation and your Hourly Base Rate at the time of merit review administration. Your performance appraisal incorporates key aspects of your responsibilities as a Sales Associate, and is based on the Scorecard sales and performance metrics. For any questions on the review process, please see your HR representative or Manager.



UNDERSTANDING COMMISSION  
Associate Acknowledgement

Please print clearly and legibly

ASSOCIATE NAME [FIRST]	ASSOCIATE NAME [LAST]	PAYROLL ID	WORK AREA
PRESENTING EXECUTIVE'S NAME	LOCATION	STORE #	PLANCODE

Your Commission Pay Plan: (check one)

- Draw vs. Commission Pay Plan ("DVC")  
 Base Plus Commission Pay Plan ("Base +")

Indicate "Yes" or "No" for other applicable Commission plans:

- Tiered Commission Plan  
 Item Status Commission Plan

Hourly Rate (DVC Plan) or Hourly Base Rate (Base + Plan) \$ \_\_\_\_\_.

NOTE: Hourly Rate equals your Standard Hourly Rate (i.e. the greater of the applicable federal, state or local minimum wage in your location) plus your Hourly Draw Rate. To determine your Hourly Draw Rate, subtract the applicable minimum wage from the Hourly Rate noted above.

Commission Rates: Your commission rate(s) on commission eligible merchandise in your selling area will range between \_\_\_\_\_% and \_\_\_\_\_%, depending on merchandise sold, associate status (full-time/part-time), Tier achievement, and other factors set forth on the commission rate listing available for your review on In-site.

**ASSOCIATE ACKNOWLEDGMENT**

I hereby acknowledge that I have received and have read the booklet "Understanding Commission, An Associate's Guide to Macy's Commission Pay Plans - California" (the "Booklet"). The Booklet includes the documents referenced in the Booklet, including, but not limited to, the Sales>Returns Commission Summary Statements, Commission Rate listings (also known as Commission Summary Tables) and documents confirming my individual rate. The Booklet describes the computation of Commission Pay and other related policies. I understand the contents of the Booklet. If there is anything I do not understand in the future, I will seek clarification from my Manager or from Human Resources. I understand and agree that my Commission Pay and other forms of compensation at Macy's will be paid as described in the Booklet. This Booklet supersedes all prior oral and written agreements and communications between me and the Company on the subject of commission pay plans and other items described in the Booklet. The Company reserves the right to change commission practices and payroll policies upon notice (either in writing or through electronic communications) to affected associates. Changes to this Booklet may be made only in writing signed by the Vice President of Compensation for Macy's or his/her designee. I understand and agree that my employment is at will. I agree that nothing in the Booklet will be construed as an express, implied or inferred promise or commitment of a future position, promotion or contract of employment between me and the Company for a definite term or to the right of continued employment by the Company, or as a limitation on the right of either the Company or me to terminate the employment relationship at any time, with or without cause and with or without notice.

I understand that if my employment is governed by a collective bargaining agreement (CBA), the provisions of the CBA take precedence over any information I may read in the Booklet (including this Associate Acknowledgment form), and . includes, but is not limited to, Commission Pay policies.

Associate Signature \_\_\_\_\_ Date \_\_\_\_\_  
Presenting Executive Signature \_\_\_\_\_ Date \_\_\_\_\_