

NEGATION POLICY PAKISTAN

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INTRODUCTION

Negation refers to cancellation of order placed by the Brand Partner on account of any of the following reasons:

- Non-payment within stipulated time period
- Failure to collect orders within stipulated time period including paid orders
- Non-acceptance of order on delivery
- Incorrect address of recipient

Negation not only causes lack of availability of products to end consumers, but also causes loss of business for other genuine Brand Partners, loss to Company and other issues as more particularly explained in following paragraphs.

This policy has been devised with an objective to curb the increasing negation trend all over the country, with a view to promote genuine sale of products and ensure availability of requisite stock to the end consumers as and when needed.

Accordingly, individual orders negated by any Brand Partner irrespective of their title shall be charged with such negation fee and in manner provided in Part III of the Policy.

This policy shall become effective from date of communication to the Brand Partner.

PART I – CATEGORY OF NEGATIONS

(a) RTO/ COD NEGATIONS:

Returned to Origin (RTO) is defined as an unpaid order not acknowledged by the Brand Partner which is consequently returned to the origin (Oriflame office). This pertains to the **Cash on Delivery (COD)** facility wherein the Brand Partner enjoys the freedom of placing order without having to pay immediately. Accordingly, the products are then dispatched to the registered address of the Brand Partner and the Brand Partner is required to make the payment immediately to the courier vendor on receipt of the order.

Oriflame allows maximum 2 COD open orders at a time. Further, a Brand Partner cannot place COD order on last day of the month.

Negation here occurs when orders are returned to origin on cancellation of orders placed by the Brand Partners due to one of the following reasons:

- i. Orders are dispatched but not accepted by the recipient on delivery;
- ii. Orders are dispatched but no payment is made by the recipient at the time of delivery; or
- iii. Orders do not reach the Brand Partner due to incorrect/ incomplete address.

Provided that in the event, the Brand Partner refuses to accept or pay for the order or the order is returned to Oriflame office undelivered due to any of the above reasons, the order stands negated and negation fee of such amount as provided in Part III of this policy is levied.

(b) ONLINE IMMEDIATE NEGATIONS

Online Immediate orders facility is a facility provided to the Brand Partner that allows them to place orders online at the comfort of their home/ Oriflame office and collect the same within next 2 working days from the date of invoice from the branch selected at the time of placing the order. Negation in this category occurs when the Brand Partner fails to pick the order within the above-mentioned time limit and the order gets negated on expiry of such period at 5:00 PM. In such an event the Brand Partner is charged with a negation fee of such amount as provided in Part III of this policy, on negation under this category for each order negated.

(c) WAITING FOR FUND TRANSFER (WFT) NEGATIONS

Waiting for Fund Transfer facility is provided to Brand Partners wherein they are allowed to place bulk orders without having to pay immediately. On last day of the month, WFT orders placed no later than 5:00 PM are processed. Once the orders are placed, the Brand Partners are required to make the required payment within next 2 working days from the date of invoice. If the payment is not acknowledged within the stipulated time period, the order stands negated on expiry of such period at 5:00 PM, and a fee of such amount as provided in Part III of the policy is charged on each such order negated.

PART II – CONSEQUENCES OF NEGATION

Negation of orders placed has a huge impact on the business. Following are the consequences of negation that adversely affect the business:

1. Reduction in stock availability: Once the order is placed by the Brand Partner, the same is treated as a confirmed sale. The products so ordered are treated as unavailable for ordering for other Brand Partners and hence this leads to blocking of orders for such product from the ordering date till the negation date.

2. Waste of distribution cost: Once the order is placed by a Brand Partner, the same is prepared for pick up – packaging and dispatch by the Company. Immediate orders not picked up leads to inventory variances. Similarly, cash on delivery orders are packed and sent for dispatch; non-acceptance of same for any reason whatsoever causes waste of time, man hours, cost which equals two times the delivery of orders and finally unpacking of same for inclusion in stock.

3. Blockage of office space: Products whether paid or unpaid are dispatched from the respective regional distribution centres (RDCs) to the Customer Experience centres for onward dispatch to the Brand Partner. In case of negation of such orders, the stock keep lying in the Customer Experience centre/ Oriflame office which may not have enough space to hold such stock for long. This further leads to damage of these products due to less space and lack of proper storage facility in such locations.

4. Loss of business for other Brand Partners: Negation also causes loss of opportunity for other Brand Partners by creating an out of stock situation due to which such Brand Partners are unable to place orders and grow their business.

5. Loss due to damage in transit: Cancelled orders returned back by the Brand Partners are dispatched back to the Company and this sometimes causes loss due to damage of products in the transit.

6. Unethical Business environment: Brand Partner who indulge in negation, spread unethical business practice and avail cash awards, PD, SPO incentive, qualification to various other benefits like conferences, seminars etc., by unfair means. Such activities lead to promotion of unethical business environment which is strictly against the business ethics of the Company.

PART III – FEE CHARGED ON NEGATION OF INDIVIDUAL ORDER

Sr. No.	Category of Negation	Fee per order (Rs.)
1	COD Negation of orders placed before 2nd last working day of the month	350
2	COD Negation of orders placed on 2nd last working day of the month	500
3	Online Immediate Negation of orders placed before last working day of the month	350
4	Online Immediate Negation of orders placed on last working day of the month	500
5	WFT Order Negation of orders placed before last working day of the month	350
6	WFT Order Negation of orders placed on last working day of the month	500

PART IV– PENALTY FOR NEGATION

In order to reduce the volume of negations and to combat the consequent challenges arising therefrom, in addition to the Negation Fee provided in Part III above, the Brand Partners who meet the following criteria shall be liable for such penalty as described below:

CRITERIA

1. **Applicability:** Brand Partners that are 21% and above title will be considered
2. **Calculation of Negation Value:** For ascertaining the value of negation, negation done by entire personal group of the Brand Partner will be considered.
3. **Limit:** If the total value of Negation in any of the 6 Previous Months* is equal to or more than Rs. 2,00,000, the same shall be considered for ascertaining the applicability of penalty in Part IV. The same shall be applicable for SPOs as well.

This aforesaid limit will not be applicable to repeated defaulters, and as a result such repeated defaulters shall be subject to penalty as given in Part IV.

***Previous Months Negation:** Any invoice which pertains to any preceding month(s) and which is cancelled in subsequent month.

Example: Invoice dated 07.03.2019 or 15.03.2019 or 27.03.2019 and negated on 05.04.2019 shall be considered as Previous Month Negation.

Further, this Limit will not be applicable to repeated defaulter and as a consequence they shall also fall within the applicability of Part IV – penalty.

4. **Periodicity:** Negation pattern shall be reviewed in every 6 months.
5. **Previous Month Negation:** Like Negation fee as provided in Part III, for the purpose of Part IV, only Previous Month Negation shall be considered.
6. **Exclusions:** Credit notes i.e. notes issued in case of cancellation of partial order for reason covered under the Guarantee of Excellence Claims Policy will not be considered for ascertaining the applicability under Part IV.

ACTION AGAINST DEFAULTERS

1. **First Time Defaulters:** Any Brand Partner or SPO falling under the criteria mentioned above will be sent a warning letter at the first instance, with a copy of such warning letter to the upline and Area Manager.
2. **Second Time Defaulters:** A Brand Partner or SPO who has defaulted for the second time (i.e. negation to the tune of Rs. 2,00,000 and above for second time in any 6 months, in any period of review, shall be penalised with deduction of 25% PD, calculated from the PD of the subsequent month. Such deduction will be made from the PD of the month in which the assessment is made and required intimation of second default is sent to the Brand Partner. In the event the PD for such month is insufficient to deduction, the deduction shall be made partially and remaining shall be made from PD of following month.
3. **Third Time Defaulters:** A Brand Partner who has defaulted for the third time in any period of review shall be penalised with deduction of 50% PD, calculated from the PD of the subsequent month. Such deduction will be made from the PD of the month in which the assessment is made and required intimation of third default is sent to the Brand Partner. In the event the PD for such month is insufficient for deduction, the deduction shall be made partially and remaining shall be made from PD of following month. Additionally, in case of SPO, the Company will also withdraw the WFT facility from such SPO.
4. **Fourth Time Defaulters:** A Brand Partner who has defaulted for the fourth time in any period of review shall be penalised with deduction of 100% PD, calculated from the PD of the subsequent month and/or the membership of such Brand Partner shall stand blocked for a period of 1 month henceforth during which such Brand Partner shall not have access to any facility provided to an Oriflame Brand Partner. Such deduction will be made from the PD of the month in which the assessment is made and required intimation of third default is sent to the Brand Partner. In the event the PD for such month is insufficient for deduction, the deduction shall be made partially and remaining shall be made from PD of following month and the ID shall remain blocked till recovery of such payment. In case of SPO, the SPO code will be blocked for 1 month and the Brand Partner will be penalised with deduction of 100% PD calculated basis PD of the subsequent month with deduction procedure as explained above.
5. **Fifth Time Defaulters:** A Brand Partner or SPO that has defaulted for the fifth time in any period of review shall be penalized with deduction of 100% PD, calculated from the PD of the subsequent/following month and such a defaulting Brand Partner or SPO shall also be disqualified from attending any Conference or Seminar arranged by the Company in the coming 12 months. In

the event the PD for such month is insufficient for deduction, the deduction shall be made partially, and remaining deduction shall be made from PD of following months.

6. **Sixth Time Defaulters:** A Brand Partner or SPO who has defaulted for the sixth time in any period of review shall be terminated with immediate effect where after all their right privileges shall stand transferred to their immediate sponsor.

DISCLAIMER

This Negation Policy should be read with the rules of conduct contained in the Brand Partner Application Form, Success Plan, Policy Manual and such other communications as may be made by the Company from time to time. This policy shall be applicable from the effective till the time it is revoked or amended by the Company.

The Company reserves the right to amend the Negation Policy at any time by a written notice (including electronic mail) to the Brand Partner.