



Executive Optical, Inc.

Corporate Head Office

Memorandum 2015-06: OPT/AUD006

Policy on Contact Lens Stock Management

Purpose: This is a guide to effectively manage branch inventory of Contact lenses to minimize and eliminate the occurrence of expired or near-expiry contact lenses in the branches.

Effectivity: This supersedes any and all other previous policies on expired and near-expiry contact lenses found in the branches and shall take effect on **June 3, 2015.**

Coverage: This policy shall cover all contact lenses that have inventory in the store, including but not limited to clear contact lenses and colored contact lenses.

Definition of Terms:

Expired Contact lenses = Contact lenses whose indicated expiry date has already occurred/lapsed.

Near-Expiry Contact lenses = Contact lenses who are 6 months away from expiry date, regardless of modality.

Exceptions: The only exceptions will be contact lens lines or collections that have been identified to be for discontinuation.

As of June 3, 2015, the current lines for discontinuation are: *Flexwear Color Blends 2, Illusions 1, Radiance 1, Flexwear Premium, Flexwear Sparkle and Flexwear Anime.*

Contact lens brands enumerated above as discontinued are exempt for any expiration charges.

Policy:

- 1.) Each Branch will be classified according to average contact lens volume into 3 categories. *Branch A, Branch B and Branch C.*
- 2.) According to branch classification, Head office- in conjunction with the group of Area Managers and Regional Managers, will issue an MB chart per branch classification.
- 3.) In the MB charts attached to this policy (*Annex 1, Annex 2 and Annex 3*), contact lens colors and powers are classified to be Essential, Optional and Non-Essential.

a. **Essential Colors and Powers** are those that are fast moving and should not have any reason to be expired in the stores if FIFO (first in, first out) procedure is implemented. Thus all branches SHOULD have these items in stock at all times according to the maintaining balance quantity indicated in the MB Chart.

- i. ***Stock MB*** = Branch should follow the maintaining balance quantity per color and power as indicated in the MB Chart.
- ii. ***Excess Stock*** = Branch should return to warehouse any quantities in excess of the Maintaining Balance indicated in MB Chart. Return to warehouse the last delivery of this power/color that you received. (yung pinakahuling natanggap ninyo- yung pinaka malayo pa ang expiry)
- iii. **Warning: Do not return to warehouse near expiry items under this provision because anything returned to warehouse that will expire in 6 months from the date of return will be charged automatically and equally to the branch manager and stock clerk.**
- iv. ***Expired Lenses:*** Audit will not charge branches for near expired contact lenses upon branch audit. However, Audit will charge branches for expired contact lenses found in the store.
- v. ***Who to Charge:*** Charging will automatically be for Branch Manager and Stock Clerk in an equal manner. However, Branch can recommend additional people to be charged if they were the ones responsible for the expired contact lenses.

b. **Optional Colors and Powers** are those that are moving but might not be fast moving for some branches. Thus, Branch managers are given the option to have these items in stock in their branches and take the risk of expired lenses. On the other hand, if the branch manager thinks it will be hard to sell this color or power in his/her area, he or she can opt to not keep stock of this item and order from warehouse on a per need basis (PAPI).

- i. **Stock MB** = Branch should follow the suggested maximum maintaining balance quantity per color and power as indicated in the MB Chart. Do not go beyond this. You can have less stock but not more than the maximum MB.
 - ii. **Excess Stock** = Branch should return to warehouse any quantities above the suggested maximum MB, and/or any items they think they cannot sell. Return to warehouse the last delivery of this power/color that you received. (yung pinakahuling natanggap ninyo-yung pinaka malayo pa ang expiry)
 - iii. **Warning: Do not return to warehouse near expiry items under this provision because anything returned to warehouse that will expire in 6 months from the date of return will be charged equally and automatically to the branch manager and stock clerk.**
 - iv. **Expired Lenses:** Audit will not charge branches for near expired contact lenses upon branch audit. However, Audit will charge branches for expired contact lenses found in the store.
 - v. **Special cases:** If Audit finds an expired contact lens classified as Optional, Audit will check if there was any warehouse request or delivery of the same color and power in the past 2 years. If there was, expired lens will be charged to branch manager and stock clerk equally. But if branch proves that they did not order nor receive any delivery of the same item in the past 2 years, then branch will not be charged for the expired lenses.
 - vi. **Who to Charge:** Charging will automatically be for Branch Manager and Stock Clerk in an equal manner. However, Branch Manager can recommend additional people to be charged if they were the ones responsible for the expired contact lenses.
- c. **Non-Essential Colors and Powers** are those that rarely sell. So branches should not have any stock of these items in their stores. When a patient orders and pays for the item, branch will order the inventory from Warehouse (PAPI).
- i. **Stock MB** = Branch should have no stock of these items.
 - ii. **Excess Stock** = Branch should return to warehouse all items classified as Non-Essential. Except if the item is already near expiry. If the item is already near expiry you have to sell it before it expires.
 - iii. **Warning: Do not return to warehouse near expiry items under this provision because anything returned to warehouse that will expire in 6 months from the date of return will be charged equally and automatically to the branch manager and stock clerk.**

- iv. **Expired Lenses:** Audit will not charge branches for near expired contact lenses upon branch audit. However, Audit will charge branches for expired contact lenses found in the store.
- v. **Who to Charge:** Charging will automatically be for Branch Manager and Stock Clerk in an equal manner. However, Branch can recommend additional people to be charged if they were the ones responsible for the expired contact lenses.

4.) Accountability during transitions:

- a. **In case of branch manager transfers:** Upon turnover, incoming and outgoing BM will count and check contact lenses. Any near-expiry contact lens noted during turnover will be listed and considered as the accountability of the OUTGOING manager. If in case the item is not sold by its expiry date, this will be the accountability and charged to the previous manager and stock clerk equally.

Manager can choose to destroy the contact lenses that will be charged to him/her. But branch manager or stock clerk will not be allowed to take the item home. It (destroyed cl) must be returned to accounting for damage recording.

- b. **In case of branch manager resignations:** When branch manager leaves, it is the task of audit/GBM/AM/SAM to count the ending inventory to establish the beginning inventory of the incoming branch manager. Any near-expiry contact lenses accounted during this audit is automatically charged to the resigned manager and stock clerk equally.

Manager can choose to destroy the contact lenses that will be charged to him/her. But branch manager or stock clerk will not be allowed to take the item home. It (destroyed cl) must be returned to accounting for damage recording.

LESSON: Make sure that your branch does not have any near-expiry contact lenses. As much as possible all lenses must be sold 6 months before expiry date.

5.) Treatment of Expired and Charged Lenses

- a. **Voluntary Reporting:** Branch can voluntarily execute the charging of the expired lenses upon expiry. Branch should execute DMR and encode the expired contact lenses and then Physical item must be returned to Accounting for verification as expired lens.

Manager can choose to destroy the contact lenses that will be charged to him/her. But branch manager or stock clerk will not be allowed to take the item home. It (destroyed cl) must be returned to accounting for damage recording.

- b. **Branch Audit:** If Audit finds an expired item during audit of the branch, Auditor will ask branch to encode the expired item as damaged item (expired for charging) to ensure that expired items are charged and reported. Audit will take note of the DMR number and will report this to accounting for charging as expired lens. This DMR number cannot be voided or edited because it will still be charged.

Manager can choose to destroy the contact lenses that will be charged to him/her. But branch manager or stock clerk will not be allowed to take the item home. It (destroyed cl) must be returned to accounting for damage recording.

Dispute Resolution: In case of dispute, EO management reserves the right to decide and interpret the provisions of this policy.

Approved by:

(Signed)

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AVP for Corporate Operations