



## 11.0 Vendor Chargeback Policy

### 11.1 General Information

- The purpose of chargebacks is not to create revenue for the Company, but to recover operating expenses incurred for correcting vendor errors. This policy creates a means of feedback, ensures cost recovery, supports the goals of the Company, and allows everyone to share in the success of the Company.
- All vendor shipments delivered in error will be documented and be subject to the chargebacks as provided in Section 9.2. Additionally, a single vendor shipment with multiple errors may have each occurrence individually documented and charged back in accordance with Section 9.2.
- Requests for chargeback documentation must be submitted within 60 days. Any request for research on payment deductions over 6 months old may result in a chargeback.
- To request Company supporting documentation (i.e. photos, etc) related to a chargeback, please provide vendor personnel contact information to the Company's Vendor Compliance team via email (see Section 12). When submitting chargeback documentation requests, be sure to include the following information:
  - PO number
  - Deduction type (DM11, DM5, etc)

Upon receipt of request, the Company's Vendor Compliance team will forward supporting documentation within 72 business hrs.

- **Any previously assessed chargebacks will adhere to the policies and procedures found in this guide.**
- Any questions or concerns pertaining to chargeback issuance, negotiation, and/or refunds need to be directed to the Company's Vendor Compliance Team (see Section 12).



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## 11.2 Schedule of Chargeback Expense

| NON-COMPLIANCE ISSUE  | CHARGEBACK EXPENSE   |
|---|--|
| <b>Purchase Order Errors</b>  |  |
| Failure to comply with PO preparation or packing instructions or specifications         | \$.40 per unit of merchandise, plus Company cost incurred per PO |
| <b>Packaging Errors</b>   |  |
| Bands, straps, wire or other material wrapped around the carton (non-conveyable carton) | \$5 per carton in error  |
| Merchandise not in corrugated boxes   | \$5 per carton in error  |
| Multiple POs packed into a carton   | \$25 per carton in error   |
| Multiple size/dim packed into a carton on Unit/URI POs                                  | \$50 per carton in error   |
| Multiple styles and/or colors packed into a carton                                      | \$50 per carton in error   |
| Style/color/size substitutions not previously authorized by Company buyer               | \$50 per carton in error   |
| Too large or too small corrugate or use of unacceptable corrugate                       | \$5 per carton in error  |
| Unauthorized container used (i.e. air container)  | \$150 per PO/shipment, plus \$15 per carton                      |
| Merchandise not Poly bagged (accessories)   | \$150, plus \$.30 per unit                                       |
| <b>UCC Carton Labeling Errors</b>   |  |
| Duplicate UCC-128 number used   | \$25 per carton in error   |
| No UCC-128 label on carton  | \$5 per carton in error  |
| UCC-128 Bar-code located incorrectly on cartons   | \$5 per carton in error  |
| UCC-128 barcode format not industry standard  | \$5 per carton in error  |
| UCC-128 barcode format poor quality label   | \$5 per carton in error  |
| UCC-128 label not usable/invalid/ not attached to the ASN                               | \$5 per carton in error  |
| UCC-128 labels are reading for a different size then what is inside the cartons         | \$5 per carton in error  |
| UCC-128 labels reading for different pack sizes then what is inside the cartons         | \$5 per carton in error  |
| UCC-128 barcode labels invalid trouble scanning/reading                                 | \$5 per carton in error  |
| <b>Carton/Case Content Labeling Errors</b>  |  |
| Printed carton marks missing/incomplete/incorrect/not legible                           | \$7.50 per carton in error                                       |
| <b>Merchandise Ticketing Errors</b>   |  |
| Incorrect retail price tickets  | \$150, plus \$.30 per unit                                       |
| Incorrect compare price tickets   | \$150, plus \$.30 per unit                                       |
| Incorrect UPC label   | \$150, plus \$.30 per unit                                       |
| Missing retail price tickets  | \$150, plus \$.30 per unit                                       |
| Missing UPC label   | \$150, plus \$.30 per unit                                       |
| Poor quality UPC/will not scan  | \$150, plus \$.30 per unit                                       |
| Retail tickets placed incorrectly   | \$150, plus \$.30 per unit                                       |



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| UPC labels placed incorrectly   | \$150, plus \$.30 per unit  |
| <b>Merchandise Ticketing Errors Cont'd</b>  |   |
| Removal of Stickers/tags  | \$150, plus \$.30 per unit  |
| <b>EDI Errors</b>   |   |
| Failure to use EDI PO (850) or EDI PO Change (860) transmission   | \$100 per EDI message   |
| No/Late/Unusable EDI Functional Acknowledgement (997) transmission  | \$250 per EDI message   |
| No/Late/Unusable EDI ASN (856) transmission   | \$7.50 per carton (Minimum Charge of \$50.00 per PO)  |
| Failure to confirm PO details and load UPC codes within service level agreement (SLA)   | \$50 each week order details are not confirmed per PO   |
| Failure to load required UPCs and or Styles into vendor catalog for Style Creation within service Level Agreement (Also Applies to missing 832 direct EDI and Styles) | \$100 per missing 832 Vendor Style/ EDI message   |
| Disregard of NRF UPC standards by reallocation of GTIN/EAN/UPC already assigned to a trade item. Reuse prohibited as of 1/1/19 per NRF and GS1 guidelines             | \$150 per style   |
| <b>Dropship EDI Errors</b>  |   |
| Missing or Unusable Sample/Image As Requested   | \$50 Per style created  |
| Missing/Inaccurate/Unusable E-commerce Specifications   | \$150 per style   |
| Failure to load required UPCs and or Styles into vendor catalog for Style Creation within service Level Agreement (Also Applies to missing 832 direct EDI and Styles) | \$100 per missing 832 Vendor Style/ EDI message   |
| Disregard of NRF UPC standards by reallocation of GTIN/EAN/UPC already assigned to a trade item. Reuse prohibited as of 1/1/19 per NRF and GS1 guidelines             | \$150 per style   |
| <b>Transportation Routing Errors</b>  |   |
| Failure to notify Transportation of changes on domestic routing prior to shipping that result in unnecessary transportation expense                                   | Minimum \$1000, plus Company cost incurred per PO/shipment  |
| Failure to ensure PO FOB is accurate prior to routing/FOB inaccuracy discovered at the time of PO routing or pickup   | \$500 per occurrence  |
| Failure to provide accurate PO shipping quantity at time of routing, over/under shipping PO vs Routed quantity  | \$25 per carton in error  |
| Requesting changes to domestic PO timing or quantity after PO is submitted for routing  | \$500 per occurrence  |
| Merchandise arrives without the Company notification (Company controlled freight)   | Minimum \$500, plus Company cost incurred per PO/shipment in addition to any Drop/Trailer retention fees  |
| Merchandise arrives without the Company notification (Vendor controlled freight – no visibility)  | Minimum \$500, plus Company cost incurred per PO/shipment in addition to any Drop/Trailer retention fees  |
| Failure to provide accurate case, unit, cube or weight information on vendor Routing Request form resulting in additional transportation expense                      | \$1500 per occurrence plus the difference between standard freight cost and actual costs incurred per shipment including additional freight costs |
| Multiple shipments sent per PO/Short shipment vs routed Quantity  | \$500 plus the difference between standard freight cost and actual freight costs incurred per shipment  |



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| <b>Transportation Routing Errors Cont'd</b>  |   |
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| Short routing/shipping POs that results in MPO creation at a future date   | \$500 per occurrence plus the difference between standard freight cost and actual costs incurred per shipment   |
| Unauthorized attempt to deliver or live unload PO at DC without Company's approval.                              | Refusal of shipment and/or \$500 per occurrence plus all fees incurred to resolve or process shipment error.  |
| Unauthorized routing used for domestic shipment.   | \$500 per occurrence plus freight cost difference.  |
| <b>Transportation Shipping Errors</b>  |   |
| Company controlled shipments shipped after cancellation date specified by PO without Company's approval          | \$500 per occurrence  |
| Detention of the Company routed carrier, or canceling carrier after dispatched for pickup.                       | \$100 per hour after 2 hours detained plus actual carrier charges incurred  |
| Truck ordered not used   | \$500 per occurrence  |
| Shipments picked up 3 days after Carrier Assignment specified by PO without Company's approval                   | \$1500 per occurrence   |
| Domestic Vendor controlled merchandise received after the PO's Requested Delivery Date (subject to cancellation) | \$250, plus all freight charges   |
| International Vendor controlled merchandise received after the PO Cancel date (subject to cancellation)          | \$250 per PO, plus all freight charges  |
| Use of pallets when loading a Truckload (Non-LTL) truck/Failure to floor load trailer without previous approval  | \$1500 per occurrence   |
| Incorrect Loading/not loading the Dot.com PO's last on the truck   | \$1,000 per trailer   |
| Failure to Show for Appointment Made Without 24 hrs. Notice to Receiving Warehouse                               | \$150.00 per occurrence plus 0.5% of value of goods (PO Value) per day after appointment date, up to a maximum of 30% of value of Purchase Order                                  |
| Failure to adhere to required shipping methods provided by retailer  | \$100 per occurrence plus the difference between standard freight cost and actual costs incurred per shipment.  |
| Failure to send routing request in Ship Window- Including approved extensions at Vendor's request                | \$150.00 per occurrence plus all fees incurred to return product to vendor OR local cost of goods reduced:<br>Day 1-7 = 10%<br>Day 8-14 = 20%<br>Day 15-21 = 30%<br>Day 22+ = 40% |



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| Shipments received prior to ship not before date (Early Receipts) without written approval  | \$150.00 per occurrence plus 10% of value of PO per week prior to ship not before date   |
| <b>Transportation Shipping Errors Cont'd</b>  |  |
| Late arrival at warehouse for appointment previously arranged without approval (Same Day Arrivals)                                  | \$50.00 per hour late per occurrence/PO when arriving within same day as original appointment booked   |
| Failure to Show for Appointment Made Without 24 hrs + Notice to Receiving Warehouse   | \$150.00 per occurrence plus 0.5% of value of goods (PO Value) per day after appointment date, up to a maximum of 30% of value of Purchase Order |
| <b>PO &amp; Shipment Documentation Errors</b>   |  |
| Failure to properly reference PO/Dept. on small parcel shipment paperwork.  | \$20 plus full freight cost incurred by Company per shipment.  |
| Failure to provide any and all required company documentation as specified in the Vendor Logistics guide or PO terms within 60 days | \$100 per missing document   |
| Emailing BOL to the Company   | \$50 per document.   |
| Incomplete/incorrect Commercial Invoice   | \$150.00 per invoice.  |
| Multiple invoices per PO/shipment   | \$150 per occurrence   |
| No BOL or inaccurate/insufficient detail on BOL   | \$150 per occurrence   |
| Packing list information missing/incomplete/incorrect   | \$50 per occurrence  |
| Request for research on payment deductions over 6 months old  | \$100 per aged PO/Debit Memo number  |