

Policy on Determination of Terms of Credit and Discount to Customers



1. Introduction

Frontier Oil Company 1 (Pvt) Ltd (hereinafter referred to as "the Company") is committed to establishing clear, fair, and transparent terms of credit and discount policies for its customers. This policy is designed to ensure compliance with the Public Sector Companies (Corporate Governance) Rules, 2013, and to promote sound financial management.

2. Objectives

The objectives of this policy are to:

- Define the terms and conditions under which credit and discounts are offered to customers.
- Ensure consistency and transparency in the application of credit and discount terms.
- Mitigate financial risks associated with extending credit.
- Enhance customer satisfaction and loyalty.

3. Scope

This policy applies to all credit and discount arrangements with customers of the Company, including both corporate and individual customers.

4. Principles

The Company shall adhere to the following principles in determining credit and discount terms:

- **Transparency:** Clearly communicate credit and discount terms to all customers.
- **Consistency:** Apply terms consistently across all customer segments.
- **Risk Management:** Evaluate and manage the financial risk associated with extending credit.
- **Customer Focus:** Consider customer needs and market conditions in setting terms.

5. Credit Terms

5.1 Credit Assessment

- A thorough credit assessment shall be conducted for all new customers requesting credit. This includes evaluating the customer's creditworthiness, financial stability, and payment history.
- Existing customers shall be subject to periodic credit reviews to assess any changes in their financial status.

5.2 Credit Limits

- Credit limits shall be established based on the credit assessment and the Company's risk tolerance.
- Credit limits may be adjusted based on the customer's payment history and changes in financial condition.

5.3 Payment Terms

- Standard payment terms shall be net 30 days from the date of invoice unless otherwise agreed upon in writing.
- Any deviations from standard payment terms must be approved by the relevant authority within the Company.

5.4 Credit Approval

- All credit terms and limits must be approved by the Credit Committee or designated authority within the Company.
- The approval process shall be documented and records maintained for audit purposes.

6. Discount Terms

6.1 Types of Discounts

The Company may offer the following types of discounts:

- **Early Payment Discounts:** Incentives for customers who pay their invoices before the due date.
- **Volume Discounts:** Discounts based on the quantity of goods or services purchased.
- **Seasonal Discounts:** Discounts offered during specific periods to boost sales.

6.2 Discount Criteria

- Discounts shall be based on clear criteria such as payment timeliness, purchase volume, and promotional periods.
- The criteria for qualifying for discounts shall be communicated to all customers in advance.

6.3 Approval and Documentation

- All discount offers must be approved by the Sales and Finance departments.
- Documentation of discount approvals and the terms offered shall be maintained for transparency and audit purposes.

7. Monitoring and Reporting

- The Finance Department shall monitor credit accounts and discount applications regularly to ensure compliance with this policy.
- Regular reports on credit and discount activities shall be prepared and submitted to senior management and the Board of Directors.

8. Conflict of Interest and Ethical Standards

- Employees involved in the determination and administration of credit and discount terms shall disclose any potential conflicts of interest.
- The Company shall enforce a code of ethics to prevent favoritism, corruption, and other unethical practices.

9. Training and Capacity Building

- Regular training programs shall be conducted for employees involved in credit assessment, approval, and management to enhance their skills and knowledge.

10. Amendments

- This policy shall be reviewed periodically and amended as necessary to reflect changes in laws, regulations, market conditions, and best practices.

11. Compliance

- All employees and agents of the Company are required to comply with this policy. Non-compliance may result in disciplinary action.
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