

PROCUREMENT POLICY

INNATURE BERHAD

Document

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1.0 INTRODUCTION

- 1.1 The purpose of this Procurement Policy (“**Policy**”) is to structure InNature’s purchasing processes and sourcing strategies to ensure that the services and goods we acquire are the result of transparent, objective, time and cost-effective decision making.
- 1.2 This Policy is to be read in conjunction with the following policies:
- Code of Conduct and Business Ethics (“CoCBE”)
 - Limit of Authority Policy and Authorisation Grid (“LOA”)
 - Ethical Trade Policy & Supplier Code of Conduct

2.0 RESPONSIBILITY

- 2.1 This Policy applies to all InNature employees and any vendor for InNature seeking to acquire, acquiring and/or managing ongoing contractual relationships for the provision of services and/or goods to InNature.
- 2.2 Adherence to this Policy is mandatory, disciplinary action will be taken against any violation.
- 2.3 In case of any doubt, please consult the Corporate Governance team:

Corporate Governance Team	Email Address
1. Chia Cang Yang	cangyang.chia@innature.com.my
2. Tee Kok Xiang	kokxiang.tee@innature.com.my

3.0 DEFINITIONS AND INTERPRETATIONS

- 3.1 The below are definitions of terms used throughout this Policy.

Contract	: includes any document which creates mutual obligations between the contracting parties, which is legally enforceable by law, by whatever name called. (e.g. contract, agreement, letter, memorandum or letter of intent)
Department	: includes any business unit, function or department.
EXCO	: means Executive Committee, which consists of MD, CEO, COO, CFO and CRO.
GCC	: Green Cosmetics (Cambodia) Co., Ltd.
Head of Department (“HOD”)	: refers to person primarily responsible for a function / department, by whatever name called. (e.g. General Manager, Director, Head)
INB	: InNature Berhad
InNature or Group	: refers to InNature Berhad and its subsidiaries.

- OBSB : Ola Beleza Sdn Bhd
- RNSB : Rampai-Niaga Sdn Bhd
- TBSV : TBS Vietnam Co., Ltd.
- Vendor : includes vendor, supplier, contractor or consultant.

4.0 GENERAL PRINCIPLES

- 4.1 InNature’s interest must not be compromised throughout the procurement process.
- 4.2 Each HOD is expected to plan their procurement ahead of the actual usage. Adhoc procurement is strongly discouraged. Waiver to the requirements of this Policy can only be made by the CEO and/or the CFO.
- 4.3 The procurement process must always exhibit the following characteristics:
 - Fair, unbiased and consistent;
 - Comply with all applicable Group policies and procedures, laws and regulations;
 - Budget constraints must be taken into consideration; and
 - Vendor selection should be based on transparent and objective criteria, and free from personal interests, biases or other undue influences.
- 4.4 All records relating to an approved procurement are to be retained in accordance with the respective country’s tax rules, as follows:
 - Malaysia – 7 years from year of transaction
 - Vietnam – 10 years from year of transaction
 - Cambodia – 10 years from year of transaction

5.0 WRITTEN QUOTATIONS FROM VENDORS

5.1 Procurement with value **equal or more than** the threshold specified in table below is **mandatory to obtain a minimum of 3 written quotations from different vendors** for comparison purpose. For procurement with value below the threshold, the requisitioner is encouraged to also obtain 3 written quotations from different vendors to justify the reasonableness of the proposed vendor. Quotations received from vendors are confidential, and must not under any circumstances be disclosed to other competing vendors.

Country	Threshold
InNature	RM10,000 & above
RNSB	
OBSB	
TBSV	USD2,500 & above <i>(procurement in local currency shall be translated using the closing middle rate of preceding business day available from respective country’s central bank website)</i>
GCC	

5.2 Clause 5.1 does not apply to the following transaction:

- procurement with aggregated value below the threshold stipulated in Clause 5.1; or
- store lease; or
- procurement from the Group’s franchisors, Body Shop International and Natura Cosméticos S.A., and/or their designated vendors, for the purpose of the franchise business.


5.3 In addition to Clause 5.2, Clause 5.1 may be waived by the CEO and/or the CFO under the following circumstances:

- the procurement subject has limited source of supply; or
- the procurement subject is a sole proprietary product with no equivalent substitutes available.

6.0 PURCHASE ORDER

6.1 Purchase order (“PO”) (*illustration in Appendix II*) must be raised and duly authorised in accordance to the LOA.

6.2 Every department should maintain its own PO issuance tracking list to avoid duplicate use of PO number within the department. Please refer to table below for the **creation of PO number by department**:

<p style="font-size: 24px; font-weight: bold; color: #4F81BD;">PURCHASE ORDER</p> <p>RAMPAI-NIAGA SDN BHD 198401005193 (117711-H) No.5, Jalan USJ 10/1C, 47620 Subang Jaya Selangor Darul Ehsan, Malaysia. Tel: 03-56324313</p>	 <p style="font-size: 24px; font-weight: bold; color: #006666;">THE BODY SHOP</p> <div style="border: 1px solid red; padding: 2px; display: inline-block; margin-top: 5px;"> PO NO.: Company/Department/YMMDD/No </div> PO DATE:
Sample PO NO: RNSB / FN / 210126 / 1	
COMPANY	PO Code:
InNature Berhad	INB
Rampai-Niaga Sdn Bhd	RNSB
Ola Beleza Sdn Bhd	OBSB
TBS Vietnam Co., Ltd.	TBSV
Green Cosmetics (Cambodia) Co., Ltd	GCC
DEPARTMENT:	PO Code:
Finance	FN
Information Technology	IT
Human Resource	HR
Retail	RT
Marketing	MK
Visual Merchandising	VM
Commercial	CM
Logistic	LG

7.0 RELATED PARTY TRANSACTION

7.1 Notwithstanding any other provision in this Policy, a procurement which involves interest (*whether direct or indirect*) of a related party must bring to the attention of CFO at the earliest opportunity.

“**Related Party**” means a director, CEO or major shareholder of the Group, or persons connected with such director, CEO or major shareholder.

7.2 All authorised personnel should refer to the **Related Party Transactions Manual** and consult with the CFO, prior to the finalisation of a related party procurement.

8.0 PROCUREMENT PROCESS

8.1 STEP 1 – Procurement Permission

All procurement requests shall be consented by the relevant HOD (or by the relevant EXCO member, if the procurement request is originating from the HOD) prior to the commencement of procurement process.

STEP 2 – Applicability of Written Quotation Requirement

All procurements must observe the written quotation requirement in Clause 5.0.

STEP 3 – Evaluation & Shortlisting of Quotations

Quotations received are to be evaluated & shortlisted by the relevant HOD, taking into consideration factors such as the Group’s requirements, vendor’s experience and track record in delivering quality goods or services, and cost effectiveness.

STEP 4 – Submit Recommendation for Approval as per LOA

Submit the recommendation for approval in accordance with the LOA. The submission should include, among others, basis of the recommendation, all quotations received, and other relevant supporting documents in relation to the procurement.

8.2 **Authorisation limit stated in the LOA must be observed** prior to obtaining approval from the authorised personnel, and approvals should be in writing on the PO, be it hardcopy or softcopy. Communication of approval other than hardcopy or softcopy PO should be through official email. **All forms of approval are to be properly documented.**

8.3 For contract with purchase value of RM500,000 and above, please refer to Clause 10.0.

8.4 Practices that undermine the intention of the Policy are strictly prohibited. Such practices include but not limited to the following:

- Splitting large orders into smaller parts to override authorisation limits;
- Entering a purchase order for either goods or services that is knowingly insufficient for completion of the work required or goods ordered.

9.0 VENDOR MANAGEMENT

- 9.1 InNature only partners with vendors that are in compliance with all applicable health, safety, environmental, employment and fiscal regulations. Any known violations shall disqualify the offending vendor from continuing to supply goods or render services to the Group.
- 9.2 Each department is responsible for managing the business relationship with their vendors. Any conflict of interests that may arise in the context of a possible or ongoing vendor relationship should be disclosed immediately, in accordance with the provisions in CoCBE.

10.0 CONTRACT REVIEW AND MANAGEMENT

- 10.1 All contracts (*including renewal and amendment to existing contract*) with value of RM500,000 and above are to be additionally reviewed by the Corporate Governance Team prior to the signing of contract. For avoidance of doubt, contract value is determined by taking into account total monetary obligation of the Company for the entire contract period, including contingent payments such as penalty for breach of contract.
- 10.2 All contracts are to be properly kept by the relevant department in accordance with Clause 4.4.
- 10.3 HOD is responsible for the contract performance under his/her department, and should notify the EXCO and/or Corporate Governance team at the earliest opportunity if there is an anticipating issue in contract performance.

PROCUREMENT PROCESS

1

Obtain authorisation from HOD (for head office) or Area Manager (for store) for purchase requisition

2

Below threshold
(please refer to Clause 5.0 of this Policy)

2

Equal or above threshold
(please refer to Clause 5.0 of this Policy)

3

Obtain quotation
(more than one, where possible)

3

Obtain at least 3 written quotations

4

Evaluate and shortlist quotation

4

Evaluate and shortlist quotation

5

Obtain approval as per LOA
(please refer to Clause 8.2)

5

Obtain approval as per LOA
(please refer to Clause 8.2)

6

Contract review prior to signing of contract
(only if contract value is RM500,000 and above, please refer to Clause 10.0)

7

Obtain signing of contract

PURCHASE ORDER - (SAMPLE)

PURCHASE ORDER

RAMPAI-NIAGA SDN BHD
198401005193 (117711-H)
No 5, Jalan USJ 10/1C, 47620 Subang Jaya
Selangor Darul Ehsan, Malaysia.
Tel: 03-56324313



PO NO.: Company/Department/YYMMDD/No

PO DATE:

REQUESTED BY

Requisitioner Name
Department
Delivery address line 1
Delivery address line 2
Contact No.

VENDOR DETAILS

Company Name
Contact person
Address line 1
Address line 2
Contact No.

Table with 5 columns: NO., DESCRIPTIONS, QTY, UNIT PRICE, AMOUNT (RM). Includes subtotal, tax, discount, and total rows.

Terms of Payment

Summary table with rows: SUBTOTAL, TAX (SST), DISCOUNT, TOTAL.

Comments or Special Instructions
1) Quotation as attached.

Terms & Conditions:

- 1.1 The Vendor shall make delivery of the goods/services at the agreed stipulated date on the Purchase Order.
1.2 The Company reserves the right to impose penalty charges in the event of late delivery which resulting in disruption to the Company's work schedules.
2.1 In the event that the alterations to the original designs are necessary, the Vendor must obtain approval from the Company before these changes are made.
2.2 The Company reserves the right to reject such goods/services upon delivery if alterations to the original designs are made without prior approval from the Company.
3.1 The Company shall proceed to process payment for the delivered goods/services subject to fulfillment by the Vendor and acceptance that the goods/services meets with the condition and quality as agreed at the time of order.
3.2 In the event that the goods/services are found to be not of agreed quality and condition, the Vendor shall undertake at its own expenses to make good and make alterations. Acceptance will be at the discretion of the Company.

Notes:

(i) We do not tolerate any form of bribery and corruption. By accepting this Purchase Order, you agree that (i) you will not engage in any bribery and corruption practices in your conduct of business with us; and (ii) your involvement in any bribery and corruption practices constitutes a terminable event of your business dealing with us. Please refer www.innature.com.my/corporate-governance for further details on our Anti-Bribery and Corruption Policy.
(ii) For avoidance of doubt, you are deemed to have accepted this Purchase Order when you supply goods or render services to us based on this Purchase Order, either in full or in part.

Prepared By:

First Approval:

Final Approval:

Name:

Name:

Name:

Diagram showing PO NO. format: PO NO.: Company/Department/YYMMDD/No. Labels include: Year/Month/Date, Company Code, Department Code, Purchase Order Number.

Please refer to Clause 6.2 for guidance to create the PO NO. of each department.