

PROCUREMENT AND CONTRACT REVIEW POLICY

INNATURE BERHAD

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Version	Author	Effective Date	Rationale
V1.0	Corporate Governance	February 2021	<ul style="list-style-type: none">Initial Document
V2.0	Corporate Governance	November 2022	<ul style="list-style-type: none">Updates on Clause 5.2
V3.0	Corporate Governance	September 2025	<ul style="list-style-type: none">Renamed as Procurement and Contract Review PolicyAdded Clauses 2.2, 9.3, 9.4, 10.2, 10.3Amended Clauses 1.1, 1.2, 2.4, 3.1, 4.4, 5.1, 5.2, 5.3, 6.1, 6.2, 7.1, 7.2, 8.1 (Step 3 and 4), 9.2, 10.1, 10.4, 10.5Removed Appendix II

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1.0 INTRODUCTION

1.1 The purpose of this Procurement and Contract Review 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. This Policy also sets out contract review procedures to ensure material risks of the Group are covered.

1.2 This Policy is to be read in conjunction with the following policies:

- Code of Conduct and Business Ethics ("CoCBE")
- Anti-Bribery and Corruption Policy ("ABP")
- 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 employees and vendors of InNature.

2.2 This Policy excludes the following:

- payments to governments / government agencies / statutory bodies (e.g. taxes, licenses, fees);
- corporate exercises such as Group restructuring, merges & acquisitions, share buyback;
- fund investments; and
- contractual payments, because the subject matter (i.e. the Contract itself) has been approved in accordance with this Policy.

Notwithstanding the above, all Contracts remain subject to the review procedures set out in this Policy.

2.3 Adherence to this Policy is mandatory, disciplinary action will be taken against any violation.

2.4 In case of any doubt, please consult the Corporate Governance team at corpgov@innature.com.my

3.0 DEFINITIONS AND INTERPRETATIONS

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

Contract : any document which creates mutual obligations between the contracting parties, which is legally enforceable by law, by whatever name called. Contracts include, but are not limited to, service or performance agreements, letter of intent, memorandum of understanding, and terms and conditions related to all types of transactions. Contracts also include membership/affiliation applications where terms and/or conditions are included therein.

Strategic Contract	: Contract with significant long-term impact to the Group, such as Franchise / Licensing Agreement, Sale & Purchase Agreement of a company / business, and Shareholders' Agreement.
Department	: includes any business unit, function or department.
EXCO	: means Executive Committee, which consists of MD, CEO, CFO and Country General Managers.
Head of Department ("HOD")	: refers to person primarily responsible for a function / department, by whatever name called. (e.g. <i>General Manager, Director, Head</i>)
INB	: InNature Berhad
InNature or Group	: refers to InNature Berhad and its subsidiaries.
Vendor	: includes vendor, supplier, contractor or consultant.

4.0 GENERAL PROCUREMENT 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.

*Please refer **Governance Memo on Procurement** for record retention period.*

5.0 WRITTEN QUOTATIONS FROM VENDORS

- 5.1 For procurement with value **equal or more than** the threshold specified in the table below, it 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
Subsidiaries in Malaysia	
Subsidiaries outside Malaysia	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>

- 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
- trade purchases from the Group's franchisors 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 members of the EXCO in writing and CC'd to MD, CEO and CFO under the following circumstances:

- the subject of procurement has limited source of supply; or
- the subject of procurement is a sole proprietary product with no equivalent substitutes available; or
- urgency of the procurement in cases where there is a shortage of time and where the vendor can fulfil our order in the time required.

6.0 PURCHASE ORDER

- 6.1 Purchase order ("PO") must be raised and duly authorised in accordance to the LOA.

*Please refer **Governance Memo on Procurement** for the sample of PO.*

- 6.2 Every department should maintain its own PO issuance tracking list to avoid duplicate use of PO number within the department.

*Please refer **Governance Memo on Procurement** for PO codes.*

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 exceeding RM10,000 must be brought to the attention of CFO at the earliest opportunity.

“Related Party” means an employee, director, CEO or major shareholder of the Group, or persons connected with such employee, 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 with value exceeding RM10,000.

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 the following selection criteria:

- I. Ability to comply with the Group’s goods or service quality requirements;
- II. Vendor’s reputation and track record with regards to cost, quality, delivery and after-sales support;
- III. Vendor’s certification and award recognition;
- IV. Vendor’s compliance with statutory and regulatory requirements;
- V. Vendor’s financial position;
- VI. Vendor’s pricing competitiveness; and
- VII. Vendor’s sustainability practices
 - a. Environment - compliance with applicable environmental law in respective jurisdictions
 - b. Social - compliance with applicable laws related to labour and human rights
 - c. Governance - zero tolerance on bribery and corruption practices

A Summary of Quotation Evaluation (“SQE”) must be prepared by the HOD for this step. The SQE should include key terms of the quotations received side by side, and outlines reasons for the selection with reference to the abovementioned. Profiles of the vendors showing background, experience and track record must be attached to the SQE.

If the winning vendor is new to the Group, the winning vendor will be subject to additional validation by the Business Controller and Corporate Governance Team prior to awarding the contract. The following supporting documents are required for the validation process:

- I. Latest SSM company profile / annual return (or equivalent for overseas vendor);
- II. Latest audited financial statements;
- III. Latest credit rating report (e.g. CTOS/CCRIS/RAM report in Malaysia);
- IV. Signed non-disclosure agreement (if necessary); and
- V. Other information as required during the validation process.

*Please refer **Governance Memo on Procurement** for the sample of SQE.*

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, SQE, 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 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, as detailed in the Group's Ethical Trade Policy & Supplier Code of Conduct. 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. **Requesting or receiving kickbacks from vendors are strictly prohibited** pursuant to CoCBE and ABP.
- 9.3 All new vendors are to be onboarded with the submission of the following documents to the Business Controller and Corporate Governance Team:
 - Completed Vendor Registration Form ("VRF"); and
 - Signed Supplier Code of Conduct (applicable for vendor with annual transaction value of RM50,000 and above).

*Please refer **Governance Memo on Procurement** for the sample of VRF.*

The VRF should be completed by the vendor and/or the responsible department and submit to the Business Controller as soon as practicable for completion of vendor's onboarding.

- 9.4 Existing vendors shall be evaluated on their performance in terms of delivery time, product/service quality, pricing, after-sale support, reaction to quality issues, and credit term. The evaluation should ideally be done upon the completion of each delivery of goods or provision of services. Annual performance assessment is mandatory for all vendors with annual transaction value of RM50,000 and above, except for those mentioned in Clause 5.2.

*Please refer **Governance Memo on Procurement** for the sample of Vendor Evaluation Form ("VEF").*

The VEF is to be used for both project post-mortem review and annual performance assessment. VEF should be completed by the responsible department. A copy of the completed VEF should be submitted to the Business Controller and Corporate Governance Team within the stipulated timeline.

10.0 CONTRACT REVIEW AND MANAGEMENT

- 10.1 All Contracts (*including renewal and amendment to existing contract*) with value of RM100,000 and above are to be additionally reviewed by the Business Controller 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 Strategic Contracts, regardless of the value, would require review by the Business Controller, relevant members of the EXCO, and a competent lawyer.
- 10.3 Notwithstanding the above review requirements, the approval of all Contracts is to be in accordance with the LOA. **In submitting a Contract for approval, the duly completed Contract Review Checklist must be appended alongside the execution copy of the Contract.**

*Please refer **Contract Review Checklist** for guidance on contract review.*

- 10.4 All Contracts are to be properly kept by the relevant department in accordance with Clause 4.4, with a copy extended to Finance for record.
- 10.5 HOD is responsible for the Contract performance under his/her department, and should notify their GM and CEO at the earliest opportunity if there is an anticipating issue in Contract performance.

PROCUREMENT PROCESS

