



YINSON HOLDINGS BERHAD

Dealing with Third Parties

POLICY & PROCEDURE

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Table of Contents

1	INTRODUCTION.....	4
1.1	Scope	4
2	ABBREVIATIONS & DEFINITIONS	5
3	“YINSON” refers to Yinson Holdings Berhad and its subsidiaries.DEALING WITH THIRD PARTIES	6
3.1	Due Diligence for Engagements with Third Parties	6
3.1.1	Criteria of Low, Medium or High Risks Third Parties:	6
3.1.2	Additional Due Diligence for Medium Risk Third Parties	7
3.1.3	Additional Due Diligence for High Risk Third Parties.....	7
3.2	Acknowledgement of Compliance	8
4	COMPLIANCE CONTRACTUAL PROVISIONS.....	8
5	PROVISIONS FOR DEVIATIONS	9
6	RECORDING.....	9
7	POLICY GOVERNANCE	9



Revision Details

Rev. No.	Section	Details
05	3.1	<u>Due Diligence for Engagements with Third Parties</u> Added “Third Parties can be engaged or appointed by Employees or Procurement function on behalf of YINSON. The Employee seeking to engage the Third Party shall first perform a Compliance due diligence screening on the Third-Party prior to engagement/appointment on their own or request GRC to perform on their behalf. Accountability will be on the Employee or Procurement function requesting the engagement/appointment to adhere to this requirement.” to emphasize the necessity of conducting Third Party Due Diligence by the Employee or Procurement function.
	3.1.1	<u>Criteria for Low Risk Third Parties</u> Revised the criteria from where the appointed third party which will be used within Yinson will be considered as low risk by default prior to going through the Compliance screening, to where they will only be considered low risk when the screening report did not identify any direct Red Flags relating to the Third party.
	3.1.2	<u>Due Diligence for Low Risk Third Parties</u> Removed this section as there is no further action required once they are deemed as low risk as mentioned under 3.1.1.
	4	<u>Compliance Contractual Provisions</u> Amended where not all Third Parties, but only Medium and High Risk Third Parties may not perform services for YINSON until Compliance due diligence screening is performed and contracts are signed off.
	5	<u>Provision for Deviation</u> Revised this section upon assessing the maturity level of our procedures and we have sufficient resources to manage Third Parties engagement.



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1 INTRODUCTION

YINSON is committed to doing business only with reputable, ethical, and professional Third Parties. In carrying out business with Third Parties, YINSON may be exposed to certain contractual risks. Therefore, it is YINSON's obligation to "know its partners" before entering into any contractual relationship with them. Third Parties who work for and on behalf of YINSON are expected to act in a way that is consistent with our policies.

1.1 Scope

This Policy is applicable to all Third Parties who are appointed to act for and on behalf of YINSON.

All Third Parties are required to read, understand, and comply with this Policy which should be read in conjunction with YINSON's ABAC Policy and other applicable policies.

This Policy does not apply to Business Partners & International Commercial Representatives. For more information on Business Partners & International Commercial Representatives, please refer to our Policy and Procedure on Dealing with Business Partners & International Commercial Representatives.



2 ABBREVIATIONS & DEFINITIONS

“ABAC” refers to Anti-Bribery and Anti-Corruption;

“ABAC Policy” refers to the Anti-Bribery and Anti-Corruption Policy;

“Board” refers to the Yinson Holdings Berhad board of directors.

“Business Partners” refers to joint venture partners or associate companies;

“Group” refers to Yinson Holdings Berhad and its subsidiaries.

“International Commercial Representatives” refers to the agent, sponsors, advisors and others including a person or entity that has been designated as International Commercial Representative by the Governance, Risk Management & Compliance Department or its designee.

“Employees” refers to all employees of YINSON (permanent, temporary and interns) and members of the Board.

“Policy” refers to this Policy and Procedure on Dealing with Business Partners and Third Parties.

“Public Official” refers to persons who hold a legislative, administrative or judicial office (either appointed or elected), any person exercising a public function, including for a public agency or a public enterprise (e.g. a state-owned enterprise), any official or agent of a public international organization;

“GRC” refers to YINSON Governance, Risk Management and Compliance;

“Third Parties” refers to any person or entity that is independent from YINSON, which includes suppliers, contractors, vendors or sub-contractors and other parties engaged by or on behalf of YINSON. **For the purpose of this Policy only, this excludes Business Partners and International Commercial Representatives;**



3 “YINSON” refers to Yinson Holdings Berhad and its subsidiaries. DEALING WITH THIRD PARTIES

3.1 Due Diligence for Engagements with Third Parties

Third Parties can be engaged or appointed by Employees or Procurement function on behalf of YINSON. Nonetheless, the Employee seeking to engage the Third Party **shall first** perform a Compliance due diligence screening on the Third-Party prior to engagement/appointment on their own or request GRC to perform on their behalf (subject to any deviations as mentioned in Section 5 of this policy and procedure). Accountability will be on the Employee or Procurement function requesting the engagement/appointment to adhere to this requirement. We will need to determine the correct risk rating of the Third Parties before executing the right additional Due Diligence Procedures (**Section 3.1.2 and 3.1.3**). Below is how we determine the right risk ratings for the Third Parties:

3.1.1 Criteria of Low, Medium or High Risks Third Parties:

- **Low Risk Third Parties** are persons or companies who meet any of the following criteria:
 - The Screening Report did not identify any direct Red Flags relating to the Third party; or
 - They have been designated as a low risk by the GRC Department.
- **Medium Risk Third Parties** are persons or companies who meet any of the following criteria:
 - The Screening Report identified **direct** Red Flags relating to the Third Party. Background checks identified direct adverse information (e.g. sanctioned, allegations of wrong-doings, and non-compliance with laws/regulations) relating to the Third Party;
 - They were recommended by a government or Public Official except when such referral occurred due to local regulations that local vendors are preferred or there is dependency on the selection of Third Parties through the instructions in a bid or contract; or
 - They have been designated as a medium risk by the GRC Department.
- **High Risk Third Parties** are persons or companies who meet any of the following criteria:
 - They have business dealings with government or Public Official frequently on YINSON’s behalf and / or have ties to a government or Public Official, i.e. Government Linked Company;
 - They operate in a country whose ranking in the Transparency International’s Corruption Perception Index (“CPI”) is at the low range, falling below the score of 30; or
 - They have been designated as high risk by the GRC Department.



A Third Party will not automatically be designated as medium or high risk if they are a state owned or state-run company.

After determining the risk rating, below are the Additional Due Diligence Procedures to be undertaken for Medium and High Risk Third Parties only:

3.1.2 Additional Due Diligence for Medium Risk Third Parties

- If the Third Party is identified or designated as Medium Risk, the Third Party, Employee seeking to Engage the Third Party and GRC Department are required to complete and sign off **Appendix A: ABAC Due Diligence Report for Medium and High Risk Third Parties**.
- Information that should be included in **Appendix A: ABAC Due Diligence Report for Medium and High Risk Third Parties** includes among others:
 - Third Party general information;
 - Business purpose/justification for the services requested;
 - Criteria and rationale for selection;
 - Compensation that the Third Party will receive (e.g. incentives, gifts, expense reimbursement, equipment, monetary or non-monetary considerations) and its rationale;
 - If any, potential conflict of interests has been disclosed by the Third Party, or identified by YINSON;
 - Does the Third Party has any interactions with government or Public Officials (for the purpose of obtaining governmental contracts, permits or authorization);
 - Any potential legal, regulatory, or ethical compliance issues (adverse news, sanctions, legal/regulatory warnings on the company; and
 - If any red flags identified on the Third Party.

Based on the Appendix A information and sign off from the Employee requesting the engagement of Third Party, the Legal and/or GRC Department will review the content of the Appendix A and sign off the document if the information is satisfactory. Legal and/or GRC may request further screening report based on the information obtained in Appendix A.

3.1.3 Additional Due Diligence for High Risk Third Parties

- If the Third Party is identified or designated as High Risk, the Third Party, Employee seeking to Engage the Third Party and GRC Department are required to complete and sign off **Appendix A: ABAC Due Diligence Report for Medium and High Risk Third Parties**.
- On top of completing the Appendix A, the Employee and/or Procurement function will also need to provide written justification to proceed with engaging the High Risk Third Party. This is to document the reason why it is important to engage or appoint this Third Party even though it is categorized as High Risk.



Legal and/or GRC may opt to have an interview session with the Third Party or even perform audit on the Third Party to address this High Risk rated Third Party.

3.2 Acknowledgement of Compliance

As part of our compliance, we require our Third Parties to acknowledge compliance with our policies. YINSON may consider terminating the partnership in the event of any non-compliance with ABAC laws or with any of our policies. This is only applicable to Medium or High Risk rated Third Parties.

Please refer to **Appendix D: ABAC Certificate of Compliance** for the Third Parties acknowledgement of compliance to YINSON's Compliance related Policies and Procedures.

In the event that the acknowledgement of compliance was not completed, the reason shall be documented accordingly.

4 COMPLIANCE CONTRACTUAL PROVISIONS

The relevant Business Units' Procurement function or Employees and Legal Department are responsible to ensure that Compliance contractual provisions are included in contracts with Third Parties, including the drafting and negotiating of the relevant provisions, as they deemed appropriate.

Medium and High Risk Third Parties may only be appointed with a detailed and binding agreement that includes among others the indication of compensation, scope of work and compliance to YINSON's ABAC Policy whether:

- Written and executed contract; or
- Written and executed letter of intent

As a general principle, all Medium and High Risk Third Parties may not perform services for YINSON until Compliance due diligence screening is performed and contracts are signed off. Additionally, the Medium and High Risk Third Parties may not be paid until after the contract is executed.

The written agreement or contract for Medium and High Risk Third Parties shall, as far as possible, (subject to the discretion of the Legal Department, business unit's Procurement function or Employee on a case to case basis) include:

- ABAC provisions and acknowledgement of compliance by the Third Parties;
- Termination rights of YINSON in case the Third Parties have violated YINSON's ABAC Policy or any applicable ABAC Laws;
- The right to inspect/audit the books and records of the Third Parties;
- A clear and accurate description of services to be performed by the Third Parties for YINSON; and

The payment terms for the services provided by Third Parties including a mandatory requirement that payment should only be made to a bank account in the name of the



contracting entity. Any deviations to this are based on the respective business units' Finance function.

The written agreement may, whenever applicable, (subject to the discretion of the Legal Department on case-to-case basis) include:

- Sanctions and/or
- Human and Labour Rights provisions

If in doubt, consult the Legal Department or GRC Department. Please refer to **Appendix C: Anti-Bribery and Anti-Corruption Clauses** for the ABAC provisions.

5 PROVISIONS FOR DEVIATIONS

YINSON recognizes the need for flexibility when dealing with Third Parties, whereby Compliance due diligence screening may be exempted under the condition where approval for exemption from screening is obtained in writing by the requesting function/employee from their respective Head of Department and such request and approval shall be copied to Corporate Compliance.

Justifications for exemption from screening shall be provided in the said request and if approved, such approval shall be granted at the full discretion and responsibility of the respective Head of Department, before the Third Party is appointed/awarded the contract. The award of work must still comply with the procurement process of the relevant department or Business Unit. If there is any uncertainty, please consult the Legal or GRC department for clarification.

6 RECORDING

The respective Business Units and/or GRC Department will maintain a register of screened report on Third Parties based on the request received. Copies of the Appendix A for Medium and High Risk Third Parties and other relevant supporting documents are required to be submitted to GRC Department. The documents shall be kept by the GRC department for a minimum period of seven (7) years.

YINSON will maintain accurate books and records relating to any payments made to Third Parties that, among other things, reflect the true nature of the transaction. The underlying supporting documentation for any payments made to Third Parties must adequately support and reflect the true nature of the transaction. YINSON's Employee is prohibited from creating or utilizing inaccurate YINSON records, such as overstated expense reports or erroneous time sheets or invoices or booking inaccurate accounting records.

7 POLICY GOVERNANCE

The content in this Policy will be monitored by GRC Department and is subjected to periodic review and assessment.