# Synergy House Berhad Group of Companies - Inventory Control Management Policy

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## 1. INTRODUCTION, SCOPE AND PURPOSE

Inventory reconciliation is a crucial aspect of financial and operational management for any business. This process involves systematically comparing the recorded inventory levels in a company's ERP system records with the actual system inventory on hand at 3PL warehouse / platform. The goal is to ensure accuracy in the reporting of inventories and to identify and rectify any discrepancies that may exist.

Therefore, the scope of the Policy shall include the following Synergy House Berhad Group entities:

- Synergy House Furniture Sdn Bhd

## 2. BACKGROUND

### i. Inventory Reconciliation

Inventory reconciliation refers to the ongoing and routine process of verifying and adjusting inventory levels in the background of a company's operations. This reconciliation typically occurs monthly.

The company holds a significant amount of stock inventory control department has a responsibility to manage risk and economic benefit by ensuring optimal inventory accuracy.

### ii. Demand Planning and Replenishment

The demand projection is formulated by analysing Historical Monthly Sales Trend, including key factors such as monthly sales figures, historical peak sales, seasonal influences (e.g., mega sales), changes in country compliance (e.g., ASTM 2057-23), and other considerations for seasonal forecast sales, accounting for changes in ocean freight rates.

If the warehouse experiences stock depletion, prompt replenishment is initiated to ensure continuous product availability.

The replenishment strategy is guided by a formula derived from Sales Trends, ensuring a strong and timely inventory planning process based on location.

- Inventory Planning Based on Location:
  - ➢ 3PL Warehouse/Platform: 2 months
  - ➢ GIT: 2 months
  - ➢ Factory Warehouse: 1-3 months

This approach shall provide for an efficient and strategic replenishment process, aligning with commitment to maintaining optimal stock levels across different locations in supply chain.

### 3. AUTHORISATION POLICY

The policy for authorizing the yearly provision and revaluation then adjustment of stock is to be approved after a review according to chart of authority as in **Appendix A.**

### 4. PROCEDURE

**Data Accuracy and Integrity:**

Ensuring that the data entered into inventory systems, including product code, quantities, warehouse location, and values, is accurate. Validating data integrity by cross-referencing between our ERP system and 3PL warehouse's platform.

**Identification of Discrepancies:**

Investigating and resolving discrepancies between our ERP system recorded and actual inventory level at 3PL warehouse's platform.

**Communication:**

Establishing clear communication channels through variety of medium available for reporting discrepancies and initiating further corrective actions.

**Documentation and Record-Keeping:**

Maintaining detailed records of reconciliation activities, including procedures followed, discrepancies identified, and corrective actions taken. Providing a historical record for audit purposes and continuous improvement.

5. <u>**CONCLUSION**</u>

The policy for inventory reconciliation outlines the procedures, frequency, and responsibilities for carrying out these verifications. Reconciliations should occur with the methods of verifying inventory by comparing our ERP system with platform's system, and the steps to be taken in case of any discrepancies found during the reconciliation process.

Effective inventory reconciliation policies help to identify and address issues such as data entry errors and other factors that can impact the accuracy of inventory records. This, in turn, contributes to better financial management and improves inventory accuracy.

## APPENDIX A

**SYNERGY HOUSE FURNITURE GROUP**
**Chart Of Authority**          Issued 29 April 2022

# = Authorizer
R = Confirmation before approval
I = Inform

| | Frequency | Executor | HOD/Requestor | Warehouse Manager | Shipping Manager | E-Marketing Manager | Marketing Manager | Operation Manager | Purchasing Manager | HR Manager | Design & Development Manager | QC Manager | Finance Manager | Business Unit Head | Marketing Director | Assistant Group Accountant | Group Accountant | Executive Directors | Executive Directors | Board | PROCESS OWNER |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **CAPEX** | | | | | | | | | | | | | | | | | | | | | |
| CAPEX <RM3m | adhoc | Warehouse/Operation | 1 | | | | | | | | | | I | | | 2 | 3 | 4 | 4 | | Operations / Business Development Manager |
| CAPEX >RM3m | adhoc | Warehouse/Operation | 1 | | | | | | | | | | 2 | | | 3 | 4 | 5 | 5 | 6 | Operations / Business Development Manager |
| CAPEX (>1m) deviation above budget > 10% | adhoc | Warehouse/Operation | 1 | | | | | | | | | | 2 | | | 3 | 4 | 5 | 5 | | Operations / Business Development Manager |
| ASSET Divestment <RM3m (Incl. Disposals, demolition, Transfer, Temporary Discontinuation) | adhoc | Warehouse/Operation | 1 | | | | | | | | | | I | | | 2 | 3 | 4 | 4 | | Operations / Business Development Manager |
| ASSET Divestment >RM3m (Incl. Disposals, demolition, Transfer, Temporary Discontinuation) | adhoc | Warehouse/Operation | 1 | | | | | | | | | | I | | | 2 | 3 | 4 | 4 | 5 | Operations / Business Development Manager |
| IT CAPEX | adhoc | IT / Finance | 1 | | | | | | | | | | 2 | | | 3 | 4 | 5 | 5 | | IT Manager |
| **INVENTORY** | | | | | | | | | | | | | | | | | | | | | |
| Stock take Adjustment -FG/PM/Raw Mat (Warehouse) <RM20k | monthly | Warehouse / Operation | | 1 | | | | | | | | | 2 | | | 3 | | | | | Warehouse Manager/Operations Manager |
| Stock take Adjustment -FG/PM/Raw Mat (Warehouse) >RM20k | monthly | Warehouse / Operation | | 1 | | | | | | | | | 2 | | | 3 | 4 | 5 | 5 | | |
| Stock take Adjustment - FG / Raw Mat (3rd party) <RM20k | monthly | Operation | | 1 | | | | | | | | | 2 | | | 3 | | | | | |
| Stock take Adjustment - FG / Raw Mat (3rd party) >RM20k | monthly | Operation | | 1 | | | | | | | | | 2 | | | 3 | 4 | 5 | 5 | | Warehouse Manager/Operations Manager |
| Stock scrap/downgrade/Adjustment - FG/PM/Raw Mat | Adhoc | Warehouse / Operation | | 1 | | | | | | | | | 2 | | | 3 | 4 | 5 | 5 | | Warehouse Manager/Operations Manager |
| Purchases Return goods | adhoc | Procurement / Warehouse | | 1 | | I | | 3 | I | | | 2 | | | I | 4 | | | | | Warehouse Manager/Operations Manager |
| Sales Returned goods Receipts <RM30k (For B2C export, warehouse is not involve) | adhoc | Marketing | | I | | | 1 | I | | | | | 3 | 2 | | | | | | | |
| Sales Returned goods Receipts >RM30k (For B2C export, warehouse is not involve) | adhoc | Marketing | | | | | 1 | I | I | | | 2 | 4 | 3 | | 5 | 6 | 7 | 7 | | Warehouse Manager/Operations Manager |
| **PURCHASES & PAYMENT** | | | | | | | | | | | | | | | | | | | | | |
| Vendor ( PO & non PO) Approval (Payment Term >60 days) | adhoc | Purchaser | | | | | | | 1 | | | | I | | | I | 2 | 3 | 3 | | Purchasing Manager |
| Vendor ( PO & non PO) approval (Payment Term <60 days) | adhoc | Purchaser | | | | | | | 1 | | | | I | | | 2 | 3 | 4 | 4 | | Purchasing Manager |
| Service Contract | yearly/adhoc | Purchaser | 1 | | | | | | | I | | | | | | | 2 | 3 | 3 | | Purchasing Manager |
| External Consultancy Engagement | adhoc | End User | 1 | | | | | | | | | | | | | | 2 | 3 | 3 | | HOD |
| Approval of PO- Non Production material Non CAPEX | daily | Purchaser | 1 | | | | | | 2 | | | | | | | I | I | 3 | 3 | | Purchasing Manager |
| Approval of PO < 50K - Sample Raw Materials & Packaging materials | daily | Operation | | | | | | 1 | | | | | I | | | | | | | | Purchasing Manager |
| Approval of PO > 50K - Sample Raw Materials & Packaging materials | daily | Operation | | | | | | 1 | | | | | I | | | 2 | 3 | 3 | | | Purchasing Manager |
| Approval of PO - Finished Goods (<500k) | daily | Operation | | | | | | 1 | 2 | | | | I | | | | | | | | Purchasing Manager |
| Approval of PO - Finished Goods (>500k) | daily | Operation | | | | | | 1 | 2 | | | | I | | 3 | 4 | | | | | Purchasing Manager |
| Approval for PO cancellation or revision | adhoc | Operation | | | | | | 1 | 2 | | | | 3 | | | | | | | | Purchasing Manager |
| Advance/Downpayment - PO/non-PO | adhoc | Purchaser | | | | | | | 1 | | | | I | | | 2 | 3 | 3 | | | Purchasing Manager |
| Invoice Approval - Non PO (must be accompanied by 2 approvals) | daily | End User | 1 | | | | | | | | | | 2 | | | 3 | 4 | 4 | | | Finance Manager |
| Urgent payment - Adhoc (should be minimised) | adhoc | Finance | 1 | | | | | | | | | | 2 | | 3 | 3 | 4 | 4 | | | Finance Manager |
| Credit Note (supplier related) < RM10,000 | adhoc | Operation | | | | | | 1 | | | | | 2 | | 3 | | | | | | Marketing Manager / Director |
| Credit Note (supplier related) > RM10,000 | adhoc | Operation | | | | | | 1 | | | | | 2 | | | 3 | 4 | 4 | | | Marketing Manager / Director |
| **T&E** | | | | | | | | | | | | | | | | | | | | | |
| Travel Requisition-Overseas OR Local Trip (by Air) | adhoc | department | 1 | | | | | | | 2 | | | | | | 3 | 3 | | | | HOD |
| T&E: Staff Claim | daily | department | 1 | | | | | | | 2 | | | | | 3 | | | | | | HOD |

**APPENDIX B**

| SALES & CUSTOMER | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Existing Customer credit terms and limit | adhoc | Marketing | | | 1 | | | | I | | 1 | | 3 | 4 | 4 | | Marketing Manager / Director |
| New Customer Credit Check and approval | adhoc | Marketing | | | 1 | | | | 2 | | 1 | | 3 | 4 | 4 | | Marketing Manager / Director |
| Bad Debts written off | adhoc | Marketing | | | 1 | | | | I | | 1 | 2 | 3 | 4 | 4 | | Marketing Manager / Director |
| New Quotation/Tender | adhoc | Marketing | | | 1 | | I | | | | 1 | | | 2 | 2 | | Marketing Manager / Director |
| Customer rebate/Commission | adhoc | Marketing | | | 1 | | 2 | | | 3 | 3 | I | I | 4 | 4 | | Marketing Manager / Director |
| Quarterly Price agreement (selling price) | Quarterly | Marketing | | | 1 | | 2 | | | | 1 | | 3 | 4 | 4 | | Marketing Manager / Director |
| Margin < 18% | adhoc | Marketing | | | 1 | | 2 | | | | 1 | 3 | 4 | 5 | 5 | | Marketing Manager / Director |
| Customer Contract with low margin (lower than 18%) and/or extraordinary legal liability beyond standard contracts | adhoc | Marketing | | | 1 | | 2 | | | 3 | 1 | 4 | 5 | 6 | 6 | | Marketing Manager / Director |
| Credit Note (supported with approved Goods return note) | adhoc | Marketing | | | 1 | | | | 2 | | 1 | 3 | 4 | 5 | 5 | | Marketing Manager / Director |
| **HR** | | | | | | | | | | | | | | | | | |
| New Recruitment (below manager level) | adhoc | HOD | 1 | | | | 2 | | | | | | | | | | HR Manager |
| New Recruitment (Manager and above) | adhoc | HOD | 1 | | | | 2 | | | | | 3 | | 4 | 4 | | HR Manager |
| Lay-off | adhoc | HOD | 1 | | | | 2 | | I | | | 3 | 4 | 4 | | | HR Manager |
| Replacement | adhoc | HOD | 1 | | | | 2 | | | | | | | 3 | 3 | | HR Manager |
| Annual Salary/Wage Adjustments/Bonus | yearly | HOD | | | | | 1 | | | | | | 2 | 3 | 3 | | HR Manager |
| Change of Organisation (transfer, redesignation....etc) | adhoc | HOD | 1 | | | | 1 | | | | | | 2 | 3 | 3 | | HR Manager |
| Training Requisition | adhoc | HOD | 1 | | | | 2 | | | | | | | 3 | 3 | | HR Manager |