

Finance Policy & Procedure Guide

Company: Konecta

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Introduction & Governance Framework

This document serves as the definitive source for all financial policies, procedures, internal controls, and compliance mandates at Konecta. Its primary objectives are to ensure the integrity of financial data, safeguard company assets, optimize operational efficiency, mitigate financial risk, and enforce strict adherence to all applicable statutory and regulatory requirements. This guide is mandatory for all employees, contractors, and agents who initiate, approve, record, or report financial transactions on behalf of the company.

The Chief Financial Officer (CFO) is the ultimate owner of this document. Any exceptions to these policies require pre-approval in writing from the CFO or their designated delegate. This is a controlled document; the version stored within the Konecta ERP system supersedes any printed or locally saved copies.

1.1 Philosophy of Financial Stewardship

At Konecta, every employee is a steward of company resources. We are committed to:

- **Transparency:** All financial activities must be documented and traceable.
 - **Accountability:** Individuals are personally accountable for the transactions they authorize and execute.
 - **Prudence:** Company funds must be spent responsibly, with a focus on value and return on investment.
 - **Compliance:** We operate within the letter and spirit of the law in all jurisdictions.
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1. Payroll & Compensation Management

This section provides a comprehensive framework for all aspects of employee remuneration, ensuring consistency, fairness, and legal compliance.

1.1 Payroll Administration Policies

- **Pay Cycle & Schedule:** Konecta operates on a semi-monthly pay cycle. The payroll period runs from the 1st to the 15th, and the 16th to the last day of each month. Employees are paid on the **15th** and the **last day of each month**. If a payday falls on a weekend or a recognized public holiday, payment will be issued on the preceding business day.

- **Payment Method:** Direct deposit is the standard and mandatory method of payment for all employees. Pay stubs, detailing gross pay, deductions, and net pay, are available electronically via the self-service portal in the ERP system by 9:00 AM on payday.
- **Timekeeping & Approval:** Non-exempt (hourly) employees must record their work time daily in the designated time-tracking system (e.g., Kronos / ERP module). Supervisors must review and electronically approve all timesheets by **12:00 PM on the Monday** following the end of the pay period. Late approvals will delay payment for affected employees.
- **Payroll Corrections & Disputes:** Any discrepancy in pay must be reported in writing to the HR/Payroll department within 30 days of the pay date. Corrections will be processed in the next available payroll run. For overpayments, Konecta will work with the employee to establish a reasonable repayment plan.

1.2 Allowances & Stipends Framework

The following allowances are provided to cover work-related expenses and are treated as taxable income unless otherwise specified by law.

- **Transportation Allowance:** A fixed monthly allowance of [\$150] is provided to eligible employees based on their commute distance and role. This is not intended to cover daily commuting but rather for required travel between worksites during the workday.
- **Communication Allowance:** A fixed monthly stipend of [\$75] is provided to employees whose roles require substantial use of personal mobile phones and internet for business purposes. This is a flat-rate allowance and does not require submission of itemized bills.
- **Professional Development Allowance:** Each employee is eligible for an annual allowance of [\$1,200] for pre-approved professional development, including courses, certifications, and conference attendance. Unused amounts do not roll over.
- **Home Office Stipend:** For full-time remote employees, a one-time stipend of [\$500] is available to set up a home office. An annual reimbursement of [\$100] is also available for maintenance costs.

1.3 Statutory & Voluntary Deductions

- **Mandatory Deductions:** Konecta is legally obligated to withhold and remit:
 - Federal and State/Provincial Income Tax
 - Social Security / FICA contributions
 - Medicare contributions
 - Unemployment insurance premiums
 - Any other court-ordered garnishments or levies.
- **Voluntary Deductions:** The following deductions are made only with explicit, written authorization from the employee:

- Employee portion of health, dental, and vision insurance premiums.
- 401(k) or RRSP contributions.
- Employee Stock Purchase Plan (ESPP) contributions.
- Repayments for company advances (e.g., for relocation).

1.4 Overtime, Shift Differentials & Premium Pay

- **Eligibility & Authorization:** Overtime compensation applies only to non-exempt employees. All overtime work **must be pre-approved in writing** by the employee's Department Head. Working overtime without authorization is prohibited and may result in disciplinary action, though employees will still be compensated for all hours worked.
- **Overtime Calculation (Based on a 40-hour workweek):**
 - **Weekday Overtime:** Hours worked over 8 in a single day are paid at 1.5x the regular hourly rate.
 - **Weekly Overtime:** Hours worked over 40 in a standard workweek are paid at 1.5x the regular hourly rate.
 - **Weekend Work (Non-Overtime):** Work on a Saturday is paid at 1.25x the regular rate. Work on a Sunday is paid at 1.5x the regular rate.
 - **Public Holidays:** All hours worked on a recognized public holiday are paid at 2.5x the regular hourly rate.
- **Shift Differentials:** Employees working a designated "swing shift" (e.g., 3 PM - 11 PM) receive a premium of [\$1.50] per hour. Employees working a "night shift" (e.g., 11 PM - 7 AM) receive a premium of [\$2.50] per hour.

1.5 Comprehensive Salary Structure & Job Grading

Konecta utilizes a graded salary structure to ensure internal equity and market competitiveness. Each role is assigned a grade based on factors like complexity, responsibility, and required experience.

Example Structure:

- **Grade A1 (Junior Analyst):** Pay Band: [\$45,000 - \$60,000]. Components: 95% Base Salary, 5% Variable Bonus.
- **Grade B2 (Mid-Level Software Engineer):** Pay Band: [\$70,000 - \$90,000]. Components: 90% Base Salary, 10% Variable Bonus.
- **Grade C3 (Senior Manager):** Pay Band: [\$110,000 - \$140,000]. Components: 85% Base Salary, 15% Variable Bonus.
- **Grade D4 (Director):** Pay Band: [\$160,000 - \$220,000]. Components: 75% Base Salary, 25% Variable Bonus.

1.6 Bonus & Commission Plans

- **Eligibility:** Employees must be active and have completed their probationary period at the time of payout to be eligible.
- **Non-Sales Performance Bonus:** The annual bonus pool is funded based on company-wide EBITDA performance. Individual payouts are determined by the achievement of pre-defined, SMART (Specific, Measurable, Achievable, Relevant, Time-bound) goals, weighted 50% on company performance and 50% on individual performance.
- **Sales Commission Plan:**
 - **Commission Calculation:** Calculated as a percentage of the net revenue from closed deals, net of returns and allowances. Tiered rates may apply (e.g., 5% on first [\$500k], 7% on revenue above [\$500k]).
 - **Payment Schedule:** 50% of the commission is paid in the month after the deal is signed and the initial payment is received. The remaining 50% is paid upon final project delivery or after the customer's success milestone is achieved.
 - **Clawback Clause:** Commissions are subject to clawback if a customer defaults on payment within 90 days of the sale.
- **Spot Bonus Program:** Managers can recommend a one-time spot bonus of up to [\$2,500] for exceptional performance, subject to Director and HR approval.

1.7 Travel & Expense Reimbursement Policy

- **Guiding Principle:** Employees are expected to spend company funds as judiciously as their own. The company will reimburse employees for all reasonable, necessary, and appropriately documented business expenses.
- **Required Documentation:** Every expense report must be accompanied by a **detailed, itemized receipt** (not a credit card slip). The report must clearly state the **business purpose**, the **names of all attendees** (for meals), and the **project/department to be charged**.
- **Spending Limits (Per Diem & Accommodation):**
 - **Travel Meals:** [\$75] per day for domestic travel; [\$100] per day for international travel. Itemized receipts required for any single meal over [\$25].
 - **Hotel Accommodation:** Maximum of [\$250] per night for major metropolitan areas; [\$180] per night for other cities.
 - **Air Travel:** Economy class for flights under 4 hours. Business class is permitted for international flights exceeding 6 hours, with pre-approval from a Director.
- **Non-Reimbursable Expenses (Partial List):**
 - Personal entertainment (movies, minibar, in-room movies)
 - Traffic fines, parking tickets, or car wash services
 - Travel insurance (except for mandated international travel)

- Clothing or toiletries
 - Spousal or family travel costs, unless pre-approved as part of a relocation.
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2. Financial Operations & Procedures

This section details the standard operating procedures for core financial activities, from procurement to payment.

2.1 Procurement & Purchase Order System

- **Three-Way Match:** Konecta employs a strict "three-way match" control for all procurements. Payment is only issued after the following three documents are matched and verified:
 1. **Purchase Order (PO):** The authorized commitment to buy.
 2. **Packing Slip/Proof of Delivery:** Evidence that goods were received.
 3. **Supplier Invoice:** The request for payment.
- **Delegated Financial Authority (DFA):**
 - **Managers:** Can approve purchases up to [\$2,500] per transaction.
 - **Directors:** Can approve purchases up to [\$10,000] per transaction.
 - **VPs:** Can approve purchases up to [\$50,000] per transaction.
 - **CFO/CEO:** Required for any single transaction exceeding [\$50,000].
- **Sourcing & Competitive Bidding:** For any single-source procurement over [\$15,000], a written justification for sole sourcing must be provided. For procurements over [\$50,000], a minimum of three competitive bids must be solicited and evaluated.

2.2 Annual Budgeting & Forecasting Process

- **Strategic Top-Down Guidance:** The executive team provides top-down revenue and profitability targets based on the company's strategic plan.
- **Bottom-Up Departmental Budgeting:** Department heads are responsible for building detailed budgets using the official template, justifying headcount, operational expenses (OpEx), and capital expenditures (CapEx).
- **Budget Review & Consolidation:** The Finance department consolidates all departmental budgets, identifies discrepancies, and works with departments to align their budgets with strategic targets.
- **Monthly Re-Forecasting:** A rolling forecast is updated monthly. Department heads must review their actual spend versus budget and provide a revised forecast for the remainder of the year, explaining key variances.

2.3 Accounts Payable & Invoice Approval Workflow

1. **Invoice Intake:** All vendor invoices must be sent directly to [invoices@konecta.com] or entered via a vendor portal in the ERP system.
2. **Invoice Processing:** The AP team logs the invoice, verifies its authenticity, and matches it to an open PO and proof of receipt.
3. **Approval Routing:** The invoice is electronically routed to the appropriate budget owner (based on the PO) for approval. Approvers have 3 business days to review.
4. **Payment Scheduling:** Approved invoices are scheduled for payment based on their net terms to optimize cash flow. Early payment discounts are pursued whenever economically advantageous.

2.4 Vendor Management & Payment Policy

- **Vendor Onboarding:** All new vendors must complete a W-9/W-8BEN form and a vendor setup form. A risk assessment, including a check for sanctions and negative media, is performed for vendors with an expected annual spend over [\$25,000].
- **Payment Terms:** Standard terms are Net 30. We actively seek to negotiate 2% discount for Net 15 terms where possible.
- **Payment Methods:** Primary method is ACH bank transfer. Wire transfers are used for international vendors and require an additional approval step.

2.5 Petty Cash & Imprest Fund Management

- **Fund Establishment:** Designated petty cash funds are established with a fixed float of [\$300] per fund. The fund custodian is personally responsible for the security and accuracy of the fund.
- **Reimbursement Process:** To replenish the fund, the custodian submits a "Petty Cash Replenishment Request" form with all original receipts attached. The sum of the cash in the box plus the total of the receipts must always equal the fixed float amount ([/\$300]).
- **Surprise Audits:** The Finance department will perform unannounced cash counts and reconciliations quarterly.

2.7 Fixed Assets & Capitalization Policy

- **Capitalization Threshold:** Any single asset with a purchase price of [\$2,500] or more and a useful life of greater than one year is capitalized on the balance sheet.
- **Depreciation:** Fixed assets are depreciated on a straight-line basis over their estimated useful lives (e.g., Computers: 3 years, Office Furniture: 5 years, Software: 2 years).
- **Asset Tagging & Tracking:** All capitalized assets are tagged with a unique barcode and recorded in the fixed asset register. A physical inventory count is performed annually.

2.8 Treasury & Cash Management

- **Cash Flow Forecasting:** A 13-week rolling cash flow forecast is maintained and updated weekly to ensure liquidity.

- **Bank Account Management:** All bank accounts must be centrally managed by the corporate treasury function. Bank account reconciliations are performed within 3 business days of month-end.
 - **Investment Policy:** Surplus cash is invested only in low-risk, highly liquid instruments (e.g., money market funds, treasury bills) as per the board-approved investment policy.
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3. Financial Compliance, Reporting & Internal Controls

This section outlines the mandatory compliance requirements and the control framework designed to protect the company.

3.1 Tax Compliance Framework

- **Income Tax:** The finance team is responsible for the preparation and timely filing of all federal, state, and local income tax returns, including estimated tax payments.
- **Sales & Use Tax / VAT:** We are required to collect and remit sales tax/VAT in all jurisdictions where we have a tax nexus. The taxability of our products and services is determined by our tax advisor and configured in our billing systems.
- **Transfer Pricing:** For inter-company transactions across borders, a formal transfer pricing policy based on the "arm's length principle" is documented and followed to comply with OECD guidelines and local laws.

3.2 Internal Financial Controls (Key Components)

- **Segregation of Duties (SoD):** This is a fundamental control. The following duties must be separated among different individuals:
 - **Authorization:** Approving a transaction.
 - **Custody:** Having physical control over the asset.
 - **Record Keeping:** Recording the transaction in the books.
 - **Reconciliation:** Periodically verifying records against independent sources.
- **Management Review & Authorization:** Enforcing the Delegated Financial Authority (DFA) matrix for all expenditures.
- **IT General Controls:** Controls over program development, program changes, and access to programs and data. This includes regular user access reviews.

3.3 Financial Reporting Standards & Schedule

- **Basis of Accounting:** Konecta prepares its financial statements in accordance with Generally Accepted Accounting Principles (GAAP).
- **Reporting Package:** The monthly and annual reporting package includes:

- Income Statement (with variance analysis vs. budget and forecast)
- Balance Sheet
- Statement of Cash Flows
- Departmental P&L Reports
- Key Performance Indicator (KPI) Dashboard (e.g., CAC, LTV, Gross Margin %)
- **Reporting Timeline:**
 - **Preliminary Month-End Close:** Day 3 of the following month.
 - **Final Management Accounts:** Distributed to the leadership team by Day 5.
 - **Board of Directors Package:** Distributed by Day 10.

3.4 Internal & External Audit Protocols

- **Internal Audit:** The Finance department, in conjunction with a third-party internal audit firm, conducts periodic audits of high-risk processes (e.g., revenue recognition, procurement, payroll). Audit findings are reported directly to the Audit Committee of the Board.
- **External Audit:** Konecta engages a "Big 4" auditing firm to perform an annual independent audit of its financial statements. The audit opinion is included in the company's annual report.
- **Whistleblower Policy:** Konecta maintains an anonymous and confidential hotline, managed by a third party, for employees to report any suspected fraudulent or unethical financial activities.

3.5 Debt Covenant Compliance

If the company has outstanding debt, the Finance department is responsible for monitoring and maintaining compliance with all loan covenants (e.g., Debt-to-Equity ratio, Interest Coverage ratio, minimum cash balances). Covenant calculations are prepared quarterly and submitted to lenders on time.

Conclusion & Acknowledgment

This Finance Policy & Procedure Guide is a cornerstone of Konecta's commitment to operational excellence and financial integrity. All employees with financial responsibilities are required to read, understand, and adhere to these policies.

I, [Employee Name], acknowledge that I have received, read, and understood the Konecta Finance Policy & Procedure Guide (v2.0). I agree to comply with all policies and procedures contained within this document and understand that violation of these policies may result in disciplinary action, up to and including termination of employment.

Signature: _____

Printed Name: _____

Employee ID: _____

Date: _____

Finance Department Contact:

Email: finance@konecta.com

Portal: [Link to ERP Finance Module]

Whistleblower Hotline: [Link or Phone Number to Anonymous Service]