Account Reconciliations

OVERVIEW	
	▪ The Policy applies to all business units. ▪ Accounts shall be assessed as High/Moderate/Low risk and reconciled on either a monthly or quarterly interval. ▪ Unreconciled differences or discrepancies greater than the reconciliation tolerance should be escalated to the appropriate individual(s).

123.1 Purpose and scope

This Policy provides a guiding set of principles and framework for the account reconciliation process. It applies to all general ledger Balance Sheet Accounts, including all assets, liabilities, and shareholders' equity accounts. This Policy outlines the Company's expectations about the performance of account reconciliations, including:

(a) the expected procedures to review and confirm period end account balance for appropriateness;

(b) the minimum frequency with which all accounts shall be reconciled and reviewed;

(c) the process by which the Company identifies and escalates outstanding aged items and unreconciled differences;

(d) roles and responsibilities

123.2 Definitions

Account reconciliation – The process performed by the Preparer to verify the integrity of balance sheet account balances on the Company's general ledger. It requires comparing the general ledger account balance with a subledger, subsystem, or supporting documentation (e.g., statements, reports, etc.) to verify that the balances are correct and accurate, investigating thoroughly any discrepancies that are identified, and taking proper corrective actions to resolve these discrepancies.

Preparer - Individual assigned to perform the account reconciliation in accordance with company policy.

Reviewer - Individual assigned to ensure that the account reconciliation has been prepared correctly and that corrective action, if necessary, is identified and completed.

Reconciliation Tolerance – The threshold used during the accounting reconciliation process to determine if an unreconciled or unexplained difference should be escalated.

Reconciling Item – An identified difference between the general ledger and a subledger, subsystem, or supporting documentation, or the components that comprise an account balance. The reconciling item should be appropriate given the nature of the account reconciliation and the timing of the item.

Unreconciled/Unexplained Difference – The unreconciled/unexplained difference between the general ledger account balance and the subledger, subsystem, or supporting documentation.

123.3.1 Account Reconciliation

Reconciliation is the process of validating the account balance by comparing the general ledger balance to a subledger, subsystem, or supporting documentation. The supporting documentation determines whether the ending balance is comprised of components defined as appropriate for that account. The reconciliation process also identifies differences between the general ledger and subledger, subsystem, or supporting documentation. The account reconciliation should provide sufficient details to enable an experienced individual to understand the nature (e.g., bank reconciliation, account analysis, etc.), timing (i.e., for the period ended), and results (e.g., were there any unreconciled/unexplained difference, etc.) of the account reconciliation process.

Supporting documentation could include third-party statements (e.g., bank statements, invoices, confirmations, etc.), system-generated reports (e.g., subsidiary ledger), or calculation & analysis (e.g., accruals, judgments and estimates, third party valuations, etc.). The supporting documentation should detail the components that make up the balance in the account reconciliation, and the sum of the components should equal the balance in the account. Generally, a roll forward (beginning balance + journal entries/activity = ending balance) is not proper support, nor does it qualify as an account reconciliation.

An <u>account is considered reconciled</u> when the general ledger balance matches the subledger, subsystem, or the supporting documentation, all significant reconciling items are identified and supported, and unreconciled/unexplained differences include an action plan for resolution. Reconciliations should be completed in a timely manner in accordance with guidelines provided by Corp and Regional finance teams. Significant unreconciled/unexplained differences should be resolved prior to finalizing the month-end closing process, especially for external quarterly, mid-year, and annual reporting periods.

An <u>account is considered unreconciled</u> when a reconciling item is not supported, an unreconciled/unexplained difference exists that exceeds the reconciliation tolerance set for the account, the supporting documentation is no longer current, the reconciliation is not performed following the time frame outlined in the Policy, or no supporting documentation exists for the reconciliation.

Account reconciliations can generally be grouped into the following reconciliation types:

- bank/cash reconciliation
- reserve/management judgement/estimate reconciliation
- general ledger to subledger reconciliation
- account analysis reconciliation
- intercompany account reconciliation

Excel-based account reconciliation templates have been developed and are included in the Appendix of this policy. The Excel-based templates can be used in the absence of a formal account reconciliation tool (e.g., Oracle ARCS).

123.3.2 Account Reconciliation Tolerances

For purposes of reconciling accounts, the Company strives to have all accounts fully reconciled with no unreconciled or unexplained differences. However, temporary differences may arise from time to time. The Preparer should use the following tolerance to assess unreconciled differences or unexplained differences:

Account Value	Threshold
$0 to $1M USD	The lesser of 10% or $50K USD
$1M + USD	The lesser of 5% or $500k USD

The account will be considered reconciled if the unreconciled or unexplained difference is below the account reconciliation tolerance. The Preparer should escalate all amounts greater than the account reconciliation tolerance to the Reviewer in a timely manner to ensure appropriate resolution.

For management judgments and estimates (e.g., allowance for doubtful accounts, inventory obsolescence, warranty reserve, etc.), these thresholds should be used as a guide. A difference between the supporting calculation and general ledger balance could be permissible, subject to management's judgement and reasonably supported explanation. Consideration should be given to the dollar value of the difference, the business unit's overall size, and the nature of the account.

123.3.3 Account Risk Rating Framework & Reconciliation Frequency

For purposes of this Policy, the Company has defined an account risk rating framework to define the minimum frequency with which an account shall be reconciled and prioritization of when accounts shall be reconciled during the month-end closing process. In consultation with Regional Finance Leadership, business units should consider if accounts shall be reconciled on a more frequent basis or at a higher prioritization for operational purposes. Any deviations that reduce the frequency of the account reconciliations from the minimum policy requirements require approval by Regional and Corporate Finance Leadership.

Accounts shall be assessed as High, Moderate, or Low risk based on the inherent risk factors listed below. The account risk rating, in conjunction with, other qualitative factors shall be assessed to determine the frequency with which an account shall be reconciled. Accounts shall be reconciled either on a monthly or quarterly basis. All accounts designated for monthly reconciliation shall be reconciled by the 15th business day of the following month. Accounts designated for quarterly reconciliation shall be reconciled by the 15th business day of the following month.

Analysis of the risk ratings and reconciliation frequency shall be assessed annually by management and reassessed more frequently as needed. Examples of when reassessment may be required include in the event of an acquisition, divesture, significant changes in account balance values, or a significant change in the account's nature or composition.

Accounts shall be assessed as High, Moderate, or Low based on management's consideration of the following inherent factors:

(a) financial statement line value

(b) degree of management judgment and estimate

(c) complexity of accounting

(d) susceptibility of fraud

(e) disclosure requirements

(f) prior year audit adjustments/control findings

(g) volume of transactions / activity

Generally, accounts assessed as **high-risk** should be reconciled each month before submitting financial results to the Regional and Corporate Accounting teams to ensure there are no material issues that would impact the Company's financial information. Generally, this would be within five business days following month-end.

Accounts that should generally be reconciled within the first five business days include:

(a) significant reserves, allowances, and provisions for larger business units

(b) inventory related accounts

(c) IFRS 16 lease-related accounts (e.g., RoUA, current and long-term lease liabilities, etc.)

(d) accruals/liabilities related to management estimates (e.g., restructuring, professional fees, etc.)

Generally, accounts assessed as **moderate risk** should be completed each month and may be reconciled after submitting financial results to the Regional and Corporate Accounting Teams. Generally, these reconciliations should be completed by the 15th business day following month-end.

Accounts that should generally be reconciled by the 15th business day following month-end include:

(a) significant reserves, allowances, and provisions

(b) cash / bank / credit card accounts[1]

(c) accounts locked for manual posting or associated with a sub-ledger (e.g., account receivable trade, account payable trade, inventory auto account, GRIR, etc.) [2]

(d) other accounts receivable and accounts payable not locked for manual posting or associated with a subsidiary ledger (e.g., non-trade receivables, other accounts payable, etc.)

(e) intercompany balances[3] (e.g., receivables, payables, notes, loans, dividends, etc.)

(f) property, plant, and equipment related accounts

(g) debt-related accounts

Generally, accounts assessed as **low-risk** should be completed each quarter and may be reconciled after submitting financial results to the Corporate Accounting Team. Generally, the reconciliations should be completed by the 15th business day following quarter-end.

Accounts that should generally be reconciled by the 15th business day following quarter-end include:

(a) reserves, allowances, and provisions for <u>smaller business units</u> with <u>insignificant</u> account balances

(b) investment accounts

(c) intangible assets (e.g., goodwill, customer lists, etc.)

(d) income tax-related accounts (e.g., deferred tax assets, deferred tax liabilities, current income tax payable, etc.)

(e) sales tax and VAT related accounts

(f) other routine, insignificant accounts (e.g., prepaids, misc. payroll withholding related accounts, etc.)

(g) equity-related accounts

Account reconciliations should be independently reviewed at least quarterly, unless critical segregation of duties conflicts warrant a more frequent review. The Reviewer should confirm the reconciliation was performed properly and any unreconciled/unexplained differences are sufficiently identified and resolved in a timely manner. The Reviewer should complete their review prior to commencement of the following month-end close. Any deviations in the review frequency require approval by Regional and Corporate Finance Leadership.

[1] During the close process (i.e., Days 0 – 5), the cash accounts should be reviewed to ensure cash is materially stated properly. The formalization of the bank/cash/credit card accounts should be completed as soon as reasonably possibly after the submission of the financial statements to the Regional/Corporate teams.
[2] During the close process (i.e., Days 0 – 5), the other accounts locked for posting or associated with a sub-ledger should be reviewed to ensure the account is materially stated properly. The formalization of the account reconciliations should be completed as soon as reasonably possibly after the submission of the financial statements to the Regional/Corporate teams.
[3] Intercompany balance should be reconciled during the close process (i.e., Days 0 – 5) or as soon as reasonably possible after the submission of the financial statements to the Regional/Corporate teams.

123.3.4 Unreconciled/Unexplained Difference Identification and Escalation

Unreconciled/unexplained differences are identified through the account reconciliation process.

Unreconciled/unexplained differences greater than the account reconciliation tolerance should be resolved by the Preparer as soon as practically possible and/or escalated to the Reviewer for consideration. The Reviewer should assist in resolving the unreconciled differences as soon as practically possible and/or escalate the item to the Business Unit Controller and/or Regional CFO for consideration.

For each identified unreconciled/unexplained difference greater than the account reconciliation tolerance, a remediation or action plan should be developed to address the item (e.g., reclassify the item to the correct balance sheet account, write-off the item to the appropriate P&L account, etc.).

Unreconciled/unexplained differences greater than the account reconciliation tolerance should be resolved as soon as practically possible and/or escalated to the Reviewer for consideration. The Reviewer should assist in resolving the unreconciled differences or discrepancies as soon as practically possible and/or escalate the item to the, Business Unit Controller and/or Regional CFO for consideration.

123.3.5 Roles and Responsibilities

The following outlines the roles and responsibilities of the individuals involved in the account reconciliation process:

(a) Preparer –

- Prepare the reconciliation
- Collect supporting documentation
- Reconcile subledger, subsystem, or supporting documentation to the general ledger balance
- Identify unreconciled differences and discrepancies
- Resolve and/or escalate unreconciled or unexplained differences to the Reviewer

(b) Reviewer –

- Review/approve reconciliation
- Ensure all accounts are reconciled according to their assessed risk
- Resolve and/or escalate unreconciled or unexplained items to the appropriate level

(c) Business Unit Controller, and/or Regional CFO –

- Assist in the review and timely remediation of unreconciled or unexplained items, as needed. Ensure any material unadjusted differences are properly disclosed to Corporate Finance and properly/sufficiently reflected in financial statements prepared in connection with the publication of quarterly reports.