

Liba Laboratuvarları A.Ş

Petty Cash Procedure

June 8, 2020

1. PURPOSE AND SCOPE

Liba Laboratuvarları A.Ş. (together referred as “Liba” or “the Company”) has a safe that is used to facilitate daily activities, to ensure cash flow, and to complete low-volume transactions when other payment methods are not viable. In this regard, with the Petty Cash Procedure (“the Procedure”), Liba aims to use the safe box properly and safely, to manage it effectively, and to provide internal oversight over cash transactions.

This Policy applies to all Liba employees, starting with the Petty Cash Custodians.

2. DEFINITIONS

The terms, words, and expressions used in this Policy are to derive their meaning from the effective laws and regulations unless their definition is provided under this section.

Cash Request Form: Refers to a standard form that must be filled in if cash, valuables, and/or valuable documents are requested from the Cash Register.

Petty Cash Custodians: Refers to the person or persons authorized by the General Manager to manage daily cash transactions.

Safe: Refers to the steel cabinet that is used to store money, valuables, and /or valuable documents, and is located in the Accounting Department.

3. GENERAL PRINCIPLES

Risks such as fraud or the abuse of Company assets may arise as a result of uncontrolled cash transactions. Liba aims to implement a control mechanism to mitigate risks that establishes confidence over the use of cash and cash accounting records. Accordingly, all employees must comply with the general principles.

Liba may hold cash or valuable documents in the safe to respond to daily necessities.

Petty Cash Custodians must evaluate the amounts to be kept at the safe as part of the company's commercial activities, and must strive to keep only the minimum amount of cash needed.

Unauthorized persons cannot make transactions using the safe even it is within the knowledge of the Petty Cash Custodian. The person or persons who can make transactions other than the Petty Cash Custodian are determined by the General Manager. Authorization cannot be made by the Petty Cash Custodian without the approval of the General Manager.

Petty Cash Custodian must ensure that all payments and collections made from the safe are recorded. Transactions must not be made without supporting documents, and related documents must be kept for the relevant legal period. All cash transactions must be recorded with their date, amount, accounting code, and description in a clear and logical way.

The safe shall not be used for employees' the personal benefit.

A maximum of 10,000 TL may be kept in the safe, and intermediary financial institutions must be preferred in collections resulting from the Company's activities. Any collection and payment in excess of 7,000 TL (total or partial) must be made through a financial institution, and the transaction must be recorded with documents issued by the institution.

***Example:** In the same day, (A) A.Ş., made separate purchases from (B) Ltd. Şti., costing 1.000 TL, 3.000 TL, 3.500 TL and 500 TL respectively. Since the total cost incurred in one day exceeded the limit of 7,000 TL by 3,500 TL, collections and payments related to these transactions are required to be made through an intermediary financial institution as dictated by the Policy.¹*

Collections from the Cash Register can only be made outside of working hours, on public holidays, in the event that banks have an infrastructure problem regarding money transfers, etc. They can be performed when banks cannot be used as intermediaries. If the cash limit is exceeded due to collections, cash collected must—preferably on the next business day—be transferred to the Company bank account.

If the legal obligations are stricter than those in this Procedure, effective laws and regulations must be followed.

4. PROCESS

The below process must be followed in regards to petty cash transactions:

1. A Cash Request Form must be filled for Liba employees' cash needs relating to professional or personal reasons. It must be watched that no cash or valuable documents are deposited before a Cash Request Form is filled. The Cash Request Form must be approved by the Unit Manager of the employee requesting cash.
2. The below information must be specified in the Cash Request Form:
 - Request date
 - Requester
 - Amount requested
 - Reason for request
 - Signature of the requester
 - Signature of the Unit Manager of the requester
 - Signature of the Petty Cash Custodian
3. If the advance payment given to an employee is higher than the cost of purchased goods or services, the excess amount must be returned within 5 working days, and

¹ Please see Tax Procedure Law General Communiqué (Serial No: 459) for more information.

the relevant accounting records must be corrected by the Petty Cash Custodian by adding the amount received to the previously filled Cash Request Form. In the event that the excess amount is not returned, advance payments may be deducted from the salary of the concerned employee.

4. As per the principle of the segregation of duties, it should be ensured during cash transactions that the person who performs the transaction and the person who accounts the transaction should be different.
5. In the event that the Petty Cash Custodian fails to come to work for reasons such as sickness and annual leave, the Back-up Petty Cash Custodian, previously determined by the General Manager, shall perform cash transactions.
6. The General Manager is responsible for cash transactions when neither one of the Petty Cash Custodians are present.
7. The Petty Cash Custodian performs cash counts on a daily basis and ensures the reconciliation of the registered amount and the cash amount. A manager authorized by the General Manager or the General Manager performs a surprise cash count three times a year.
8. Counting deficiencies and surpluses identified in cash counts must be checked in the relevant accounting logs, differences must be reasonably understood, and an investigation must be commenced if the cause is not identified.²
9. As decided by the Board, the Petty Cash Custodian is to be held directly responsible for cash deficiencies without an identified cause.

5. SECURITY OF THE CASH REGISTER

Matters to consider for the security of the safe:

- The safe must be kept locked during and after working hours.
- Keys of the safe must only be available to the Petty Cash Custodians and must not be handed over to anyone else. Relay of the keys to another Petty Cash Custodian must be documented and made within the knowledge of the General Manager.
- The Petty Cash Custodian is responsible for securing of the keys they are entrusted with.

6. AUTHORITIES AND RESPONSIBILITIES

As all employees are required to comply with this Policy, it is the responsibility of the General Manager and the Compliance Officer to ensure the enforcement of this Policy.

The violation of the policy constitutes an important disciplinary offense and may result in disciplinary actions requiring verbal or written warnings, or the termination of employment.

In the event of witnessing behaviors that violate this policy, employees may report to;

- libaetikhatti@liba.com.tr
- The Compliance Officer, or

² Please see Liba Laboratuvarları A.Ş. Whistleblowing Policy for more information.

- The General Manager.

This Policy is periodically reviewed by the Compliance Officer in line with evolving legal obligations and Company processes.