

**BAE SYSTEMS TECHNICAL SERVICES
ACCOUNTING PROCEDURES
TR-001**

CORPORATE TRAVEL POLICY

Policy

It is the policy of BAE SYSTEMS Technical Services Inc. to enable employees to conduct business, on behalf of the Corporation at locations other than where they are normally assigned, without financial loss for expenses incurred during such travel. BAE SYSTEMS Technical Services will reimburse employees for all reasonable expenses incurred while traveling at the request of the Corporation in accordance with this policy and the Joint Travel Regulations and the Federal Acquisition Regulations.

Scope

This policy is to incorporate travel and relocation expenses for employees of BAE SYSTEMS Technical Services. Divisions within BAE SYSTEMS Technical Services may have separate and unique procedures specific to their applicable contracts. However, all procedures will be based on and comply with policies and accounting instructions established by the TS Corporate office. All procedures will be kept current as business conditions warrant.

Travel Orders

A travel order must be completed by the employee/travel coordinator and then approved and dated by the supervisor prior to travel being performed. This is required for insurance purposes. The approved travel order, whether for regular or extended travel, is to be submitted with the employee's first expense report sent to the Accounting office for processing. Where the travel order is part of a cash advance, a copy may be submitted with the expense report.

Travel advances may be obtained using the American Express Corporate card. If an employee does not have an American Express card they can obtain a cash advance. However, the employee should apply for an American Express card at that time. The VP of Finance, or his designee, must approve all cash advances.

The following information must be documented on the Travel Order:

1. Traveler name and Employee ID number.
2. Start and End date of travel.
3. Destination or multiple destinations with corresponding dates if applicable.
4. Mode of transportation, i.e. air, POV, rental car, etc.
5. Employee's and Approver's signatures and dates.

Travel Status

Travel status is defined as the time period when an employee is officially on company travel for company business. Travel status begins when an employee departs from their assigned Technical Services (TS) facility or their residence, and ends upon return to their permanent TS facility or residence.

Corporate American Express Program

The Corporate American Express card is issued solely for the purpose of authorized company travel by its employees. **Personal use of the card is not permitted.**

Employees who travel should have the Corporate American Express Card (AMEX card). Each Department is responsible for determining that employees who travel be issued a card. These cards will be used for cash advances for travel, lodging, rental cars, meals and other incidental expenses. This will be the only card permitted for employees to charge company travel expenses if such expenses are submitted for reimbursement. Air and rail transportation costs, as well as the corresponding fees, will be charged to the employee's card, and then diverted to a corporate billing account for payment. All other expenses incurred by the employee for company authorized travel will be collected and billed to the employee via the "AMEX card".

The AMEX card will be issued through the VP of Finance office and mailed directly to the employee. Upon termination of employment, the card is to be returned to the VP of Finance Office and the account will be cancelled. All questions concerning the employee's American Express Card should be directed to American Express Customer Service. If the employee still needs assistance after speaking to AMEX, contact the VP of Finance Office.

ATM Withdrawals (Cash Advances for Travel)

The American Express card will provide automated teller machine (ATM) features for cash withdrawals. Since the card is more widely accepted, the cash withdrawal is limited to \$250 during a given seven (7) day rolling period not to exceed \$1,000 per month. For the nearest ATM location call 1-800-CASH-NOW. The ATM cash advance limit can be increased on an as needed basis, i.e. international travel. Requests for increased limits must be approved by the employee's manager and provided to the VP of Finance office giving the amount and the length of time of the request.

ATM withdrawals will be permitted for authorized company travel expenses only. The ATM fee is billed to the employee's Amex card. Failure to adhere to the ATM withdrawal policy will result in suspension of the American Express card. Receipts for any bank charges should be included on the travel expense statement for reimbursement.

Reservations

Travel arrangements are to be arranged through the American Express Reservations office or through the Corporate Travel Online (CTO) booking tool. International travel, car and hotel only reservations are to be made through the traditional Amex office. All other travel may be procured through the Amex office or CTO.

An American Express representative can be reached during the business hours of 7:30 a.m. to 5:00 p.m. EST at 1-800-499-3575 or 512-927-2767 for domestic travel and 512-927-8020 for international travel. For after hours or emergency travel services, American Express Travel may be reached at 1-800-847-0242. The access code is F8Y0 and is noted on the traveler's itinerary. When contacting the emergency travel services number, the traveler must provide the company code (FL) and the access code of F8Y0 (as noted on their itinerary). **Note:** There is a fee charged to TS for use of the "after hours" number. Therefore, it is important that this number be used **only** for those reservations (and changes to) that can not wait until the next day's normal operating hours of the Reservations Office. All changes to itineraries procured through the Reservations office need to be done through Amex in Austin at the numbers above.

The Corporate Travel Online (CTO) is an online booking tool that can be used to procure travel at a reduced fee compared to the traditional office. Below is a link to the user guide for this too. New employees need to notify either their travel coordinators or the accounting office before arranging travel with this tool. All CTO reservations are done through the EFC (Electronic Fulfillment Center) in Montreal Canada. Any changes to itineraries procured through CTO need to be directed through the Montreal office at 1-866-981-2591, 24 hours a day, 7 days a week.

http://at.na.baesystems.com/corporate/manuals/BAE_CTO_UserGuide.doc

While on travel status, employees are responsible for notifying their travel coordinator of all changes required or made to their original itinerary.

Lodging, Meals and Incidental Expenses

Costs incurred for lodging, meals, and incidental expenses shall be considered to be reasonable and allowable only to the extent that they do not exceed on a daily basis the maximum per diem rates in effect at the time of travel as set forth in the Joint Travel Regulations (JTR), the Federal Acquisition Regulations (FAR) and this travel policy. A listing of these per diem rates is available at <http://www.dtic.mil/perdiem/perdiemrates.html>.

Costs for lodging as well as other travel costs for common carriers, rental cars, mileage for personal car use, tolls, business parking, and taxis for business purposes are subject to the Federal Acquisition Regulations (FAR), the JTR and this or any divisional policy under Technical Services. Original receipts are required for all amounts to be reimbursed.

Definitions

- 1) Maximum Per Diem Rate: The combined total of the lodging rate and the M&IE rate.
- 2) Lodging Rate: The allowable amount of lodging costs excluding taxes for CONUS (domestic) and including taxes for OCONUS (foreign) travel.
- 3) M&IE Rate: The allowable cost of meals and incidental costs.
- 4) The following are reimbursable as a miscellaneous expense:
 - a. Excess baggage expenses
 - b. Services of guides, interpreters and drivers
 - c. Use of computers, printers, fax machines and scanners
 - d. Storage of property used on official business
 - e. Hire of conference center room or hotel room for official business
 - f. Telegrams, cablegrams or radiograms
 - g. Fees for money orders or certified checks.
 - h. Commissions on conversion of foreign currency
 - i. Foreign country exit fees
 - j. Charges for inoculations that cannot be obtained through a federal dispensary
 - k. Tips for transportation services
 - l. Conference registration fees
 - m. Energy surcharge and/or resort fee
 - n. Nonrefundable room deposits, forfeited rental deposits or prepaid rent, and early check out penalties when TDY is changed or cancelled.
 - o. Passport and/or Visa fees, costs of photographs for passports and visas, and cost of birth health and identity certificates.
 - p. Expenses for laundry, cleaning and pressing of clothes are reimbursable as a miscellaneous expense for domestic travel only. However, you must incur a minimum of 4 consecutive nights lodging to qualify for this reimbursement.

Lodging Costs

Employees are expected to reserve lodging, excluding taxes, at a rate equal to or lower than the per diem lodging rate for each city or locality. Lodging should be located in the city the business is being conducted where possible. Lodging rates can only be exceeded and allowable if unusual or special circumstances create a situation that limits the ability to acquire lodging within the maximum allowable lodging rates. Reimbursement for lodging will be on a single occupancy basis unless otherwise provided on the Travel Authorization

Approval for exceptions, where possible, should be obtained prior to departure. All amounts over the JTR ceiling rates are to be considered unallowable unless the exception is allowed within the JTR and FAR

The following are situations where an exception may be allowed when the cost of lodging exceeds the allowable lodging rate. A justification form with appropriate signatures is required to be submitted with the expense report for all amounts over the JTR that are not charged to unallowable, and the employee is asking for reimbursement.

- a. Where special circumstances create a situation that causes excess lodging rates. Examples are special events such as a World's Fair that causes hotel rates in a particular area to be inflated or seasonal changes such as prime time in a resort area that cause higher rates. Another example is where lodging within the allowable rate is sold out and the only available lodging is at a rate higher than the allowed rate. The employee/travel coordinator is responsible for completing a justification form in this situation.
- b. If a situation exists where a formal business meeting or seminar is being held at a hotel where the rate exceeds the allowable rate, excluding taxes, then an exception may be granted if it can be demonstrated that staying in another hotel other than where the meeting is conducted would substantially detract from the benefit of the meeting. The employee/travel coordinator is responsible for preparing and completing the justification form and getting the appropriate signature to submit with the expense statement to Accounting. Business meetings, which are allowable exceptions, are defined as formal meetings with a planned agenda. These meetings must include non-TS personnel and must be conducted at a hotel being used primarily as the meeting site or as a central location for conducting business within the immediate area of the hotel
- c. Staying at the same hotel with a customer for the convenience of incidental or informal meetings is not an allowable exception unless authorized and requested in writing by the customer or the employee's supervisor. This written authorization must be provided to the VP of Finance before any exception can be approved.

Meals and Incidental Expense

An employee beginning travel status by leaving either their residence or permanent (TS) facility is entitled to 75% of the M&IE rate that applies to the first business location of travel. If travel is scheduled to more than one location, the employee is entitled to the M&IE rate of the first business location until arrival at the second business location. The employee will be entitled to the M&IE portion of the second location based on the M&IE segment they arrived in. An employee returning home or to their permanent TS facility is entitled to 75% of the M&IE rate that applies to the last location where the employee had an overnight stay.

Meals and incidental expenses (M&IE) are divided into three segments per day. Domestic and International Meals are apportioned as follows: 50% Dinner and 25% for breakfast and Lunch. The incidental rate is separate and should be added daily.

Regular transportation stopovers, including changing planes or stopping for personal business, do not affect the allowable M&IE. In such instances, the employee continues to be allowed the M&IE rate that applied to the last location where the employee had an overnight stay.

Occasionally, a stopover occurs due to unforeseen circumstances (e.g., airport closing) and the employee is required to obtain lodging. In such circumstances, the employee is entitled to the M&IE rate for that locality and will continue under that rate until arrival at the next business location or the end of travel status.

While on travel status, if an employee pays for their meal and other TS employees, the following rules apply:

- a. If the meal was for business purposes such as the continuation of a business meeting, the employee should seek reimbursement via travel expense statement. The employee must submit the receipt and the names of the attendees with their reimbursement request to accounts payable. The employee paying for the meal and other employees at the meal should reduce their M&IE portion for that segment the meal was eaten in. The employee who paid for the meal should note on their travel expense statement the names of all employees who attended the meal.
- b. If the meal was for non-business purposes and the employee paid for the meal only as a friendly gesture, they are not eligible for reimbursement over the amount of M&IE allowable in the segment the meal was eaten.

Additionally, when an employee is provided a meal as a part of a meeting or symposia, the employee should reduce their M&IE portion for that segment the meal was eaten in.

M&IE for 1-Day Travel

Employees on one-day travel (in excess of 12 hours) are entitled to 75% of the applicable M&IE rate.

M&IE for New Hires/Relocation

Newly hired employees or employees who are relocating are entitled to M&IE and other travel related expenses in accordance with the travel policies prescribed for an employee on regular travel. Because of potential tax implications, travel advances for relocation or new hires must have the prior approval of the VP of Finance or his designee.

Air Travel

All Air travel reservations are to be made by the American Express traditional office or by the Corporate Travel Online Booking Tool (CTO) to provide the lowest customary airfare without creating undue hardships to the employee. Traveling employees and their respective travel coordinators are expected to use sound business judgment in the use of air coach, tourist class or similar accommodations to the extent consistent with the successful and economical accomplishment of the mission for which the travel is being made.

Employees who travel extended distances are entitled to an upgrade to business class as provided in the JTR and FAR regulatory statutes. Business class travel costs that do not meet the JTR and FAR statutes regarding the travel time spent should be separated and the excess cost over regular coach fare should be considered an unallowable cost, but may be reimbursed to the employee if proper approvals are obtained.

It is management's stated intention that all employees who travel extended distances shall be prepared to promptly execute their work requirements immediately following the completion of air travel. This implies that all employees will be fully rested and be able to effectively discharge their responsibilities at a reasonable and practical efficiency level when they arrive at their destination. To achieve this performance objective without placing excessive hardship on the employee the company believes that it is reasonable and warranted that

employees under government regulations are entitled to an upgrade to business class if the total one-way duration of flight time is greater than 10 hours. Business travel is permitted provided that the majority of the travel time spent is outside the employee's normal working hours. Authorization for business class travel must be obtained from the individual managing the contract terms, a Director, or a Vice President and is consistent with program budgets and contract terms. Stopovers for changing planes do not interrupt the 10 hours requirement. Where the flight is interrupted and overnight lodging is required, business class is not permissible. Travel costs that do not meet the current JTR travel time requirement, but are greater than 10 hours, must be separated and costs in excess of coach class fare are unallowable. These costs are reimbursable to the employee if appropriate approvals are obtained.

Air travel reservations requests should be made as far in advance as possible in order to utilize special fare discounts. However, caution should be taken to ensure the itinerary is as fixed as possible since many discount fares are not refundable or are only partially refundable. All itinerary changes and subsequent additional costs are to be notated on the expense statement and properly charged. E-ticket receipts are not sufficient documentation for air fare expenses. Only American Express or AirWeb itineraries will be accepted as sufficient air fare documentation with expense reports. Exceptions to this policy must be thoroughly explained and requires information equivalent to the approved documentation.

The employee will be reimbursed the lodging, M&IE and car rental expense for a Saturday night stay as long as these expenses and the restricted airfare provide a cost savings from the regular price of a fully refundable ticket.

Personal Property

Technical Services shall not be responsible for loss or destruction of personal property while an employee is traveling on company business.

Rented Automobiles

Automobiles should be rented only when public transportation is unavailable or when its use would be so inconvenient as to make it impossible to meet business schedules. The request for a rented automobile must be notated on the travel order. When two or more employees are traveling together, prior authorization to rent an automobile should be obtained on only one travel order. Reimbursement for such rentals will be allowed only for the distance traveled on TS business. Excessive mileage must be explained and justified on the employee's expense statement.

Mid-size vehicles are used for travel. An explanation as to why a vehicle other than a midsize should be noted on the expense report.

TS employees are to use Hertz Corporation for car rentals. Other car rental agencies should only be used where Hertz is unavailable or when Hertz cannot provide the vehicle required.

Rented automobiles should be thoroughly inspected for damage before acceptance and the rental agent should acknowledge any damage by a notation in the rental agreement. If an employee is involved in an accident of any nature while driving a rented automobile, notification should be made to the rental agency concerned and the VP of Finance Office or Controller's Office as soon as possible. Notification consists of the rental agency accident/damage report and the police report (if any).

Employees involved in an accident because of extreme negligence on their part (e.g., use of alcohol or drugs) are liable and responsible for the damage to the rented automobile and subject to disciplinary action under TS personnel procedures.

Employees should always return a rental car with a full tank of gas. Rental car companies will charge an excessive amount per gallon of gas to fill the car if the car is returned with less than a full tank.

Collision Insurance (Rented Automobiles)

TS is self-insured and requires no insurance other than the Standard Collision Insurance provided in the rental agreement. This applies to rentals within the 48 contiguous states and the District of Columbia. Reimbursement will not be made for additional collision insurance; therefore, care should be taken by the employee not to sign for extra insurance. If the employee signs for extra insurance, that employee is responsible for reimbursing AT for insurance costs.

Insurance is to be taken on all car rentals while on foreign travel.

Personal Car Use

To and From Carrier

All employees are allowed two round trips at the prevailing JTR rate per mile to and from the airport or carrier. If the employee's personal car is left at the airport during the duration of the business trip, the employee will be reimbursed for one round trip plus parking and tolls.

For Distant Travel

All employees will receive mileage reimbursement and applicable toll costs for the use of their personal vehicle for company business. The employee must have a valid driver's license and evidence that the vehicle is properly insured. The use of a private automobile for distant travel must be approved by the cognizant supervisor. Authorization for the use of a private automobile must be approved prior to beginning the trip or reimbursement will not be authorized. Such approval must be reflected on the Travel Order. Reimbursement will be based on the current prevailing rate per mile.

Mileage is determined Rand-McNally Standard Distance Charts to and from destination. The maximum transit time for reimbursement is limited to the number of days required to reach the destination calculated at the rate of 400 miles per day. Parking fees, ferry fees, and bridge and road tolls are reimbursed at actual cost. Employees are reimbursed at the current prevailing rate per mile plus the cost of lodging and M&IE being equal to or less than the cost of lowest available coach airfare.

For reimbursement of expenses, the employee must obtain the cost of the airfare from American Express or through CTO and attach it to their expense statement. This will provide the necessary supporting documentation as to what the cost of the coach airfare would have been at the time of travel.

Special Reimbursements

Employees traveling under contracts that have special provisions regarding allowances for per diem, lodging, and meals are reimbursed in accordance with contractual requirements.

Expense Statements

After returning from any company authorized travel, employees must submit a copy of the travel expense statement or report travel expenses to their travel coordinator within 5 working days after completion of the trip.

