



MTS SYSTEMS CORPORATION – Procedure

TITLE:**Corporate Travel and Expense Reimbursement****NUMBER:**
FIN-008.01**REVISION:**
3**EFFECTIVE DATE:**
7/15/2014**PAGE:**
1 of 18

1.0 PURPOSE

To provide a comprehensive procedure for MTS employees traveling or incurring expenses under our Travel and Entertainment (T&E) Program while conducting Company business.

2.0 SCOPE

This procedure applies to MTS Test and Corporate employees, contractors and consultants in North America traveling for the benefit of MTS unless other contractual terms are approved by MTS.

3.0 DEFINITIONS

Business Meals - Business meals are defined as any meal involving more than one person. (See section 5.11)

Company – MTS Systems Corporation

FAR “Federal Acquisition Regulations” – the body of laws that govern the U.S. Federal Government's procurement process.

LDFR – the airfare class which is the quoted lowest customer standard coach

Unallowable Costs - any cost that, under the provisions of any pertinent law, regulation, or contract, cannot be included in prices, cost-reimbursements, or settlements under a U.S. Government contract to which it is allocable (see FIN-012 for specific information pertaining to unallowable costs)

4.0 POLICY

MTS will reimburse ordinary and necessary business travel and entertainment expenses. Every individual has a responsibility to follow the guidelines of this procedure.

The Travel and Expense Reimbursement procedure is designed to ensure that travel and entertainment expenses are incurred and processed in a compliant, cost-effective, efficient and consistent manner.

5.0 PROCEDURE

5.1 DESIGNATED TRAVEL AGENCY

- **Designated Agency.** MTS's designated travel agency is to be used for booking all airline, hotel and car rentals. MTS has travel agents on-site during normal business hours in the Eden Prairie facility to ensure timely and quality service when making travel arrangements.
- **Reservations.** See the MTS intranet under “Travel” for information on the designated travel agency.



MTS SYSTEMS CORPORATION – Procedure

TITLE:**Corporate Travel and Expense Reimbursement****NUMBER:**
FIN-008.01**REVISION:**
3**EFFECTIVE DATE:**
7/15/2014**PAGE:**
2 of 18

5.2 CORPORATE CREDIT CARD

- An employee traveling on Company business will be issued a corporate credit card. This credit card does not offer revolving credit. Therefore, all monthly billing statements must be paid in full upon receipt.
- **Liability.** The corporate credit card holder is ultimately liable for all charges to their card. MTS will provide reimbursement directly to the corporate credit card provider for all charges that are approved through MTS' expense management system. The corporate credit card holder is responsible for the payment of all other charges.
- **Use of Credit Card.** The corporate credit card is required to be used for all business expenses. Cash should only be used in locations where a credit card is not accepted. All airline charges are removed from the employee's credit card billing statement and are charged directly to MTS. The corporate credit card should not be used to charge personal expenses.
- **Cash Advances.** Cash advances may be accessed through any Plus System or VISA network ATM or Member Bank worldwide with use of the employee's corporate credit card. There is a transaction fee that is reimbursable when submitting your expense report.
- **Travelers Checks.** Travelers Checks may be purchased at a local bank with the use of the employee's corporate credit card.

5.3 TRAVEL APPROVALS

Prior to booking, travel approval is required. Approval is necessary to ensure a full understanding of benefits that will result from the travel expense. Objectives, agendas, and anticipated outcomes should be identified for all categories of travel. Wherever feasible and economically practical, required visits to locations in the same geographical location should be combined into a single trip. Employees should see the Travel Home Page for a flow chart of the approval process outlined below.

Categories of Travel

- A. Inter-company** (i.e. travelling to another MTS site). The sending manager is involved in understanding the objectives of the travel, reviewing agendas and agreeing with anticipated outcomes prior to booking.
- B. Customer**
 - **Pre-sale.** Sending manager will verify appropriateness of request in relation to roles/responsibilities of employee (e.g. for Test business, on a pursuit team).
 - **Project Support.** Project Engineering manager will verify trip is part of project budget. No pre trip approval is required when traveling for project support.
 - **Field Service –** Field Service manager will confirm trip necessity and budget. No pre trip approval is required when travelling within their local geographic region.



MTS SYSTEMS CORPORATION – Procedure

TITLE:**Corporate Travel and Expense Reimbursement****NUMBER:
FIN-008.01****REVISION:
3****EFFECTIVE DATE:
7/15/2014****PAGE:
3 of 18**

- C. **Tradeshow, Conference, User Group.** To eliminate overlapping of resources, employees should refer to the shared travel site where employees self-identify attendance in tradeshow and conferences. The names of attendees should be included on the Travel Planning form.
- D. **Supplier.** In order to ensure consistent management of our suppliers, both the sending manager and procurement manager must approve travel to existing or potential suppliers.
- E. **All Other.** Other types of travel (e.g. FSE travel and FAM travel per call plans) will require review and approval by sending manager.

Approval Process

- A. **Complete Travel Planning form (Employee).** The Travel Planning form is completed by the employee. Attach necessary supporting justification for trip.
- B. **Review and Sign-off Travel Planning Form (Immediate Supervisor).** The immediate supervisor reviews the travel request to confirm a good business reason exists for the expense. Items reviewed include:
 - objectives of the travel
 - agendas
 - anticipated outcomes
 - confirms other approving managers understands and agrees with the travel
 - confirms budget and where travel will be charged (i.e. funding cost center/job number)
- C. **Final Approval (Immediate Supervisor).** The traveler then obtains final sign-off from their immediate supervisor.
- D. **Travel Booked (Travel Department).** Once the traveler receives approval, they ask the Travel department to complete the booking, finalize the itinerary and send it to the traveler

5.4 NEW BUSINESS TRAVELERS

A new traveler will need to obtain a corporate credit card and prepaid phone card. Applications for these can be obtained on the MTS intranet under "Travel." The traveler should also complete a Frequent Travel Profile, which can be obtained from the designated travel agency.

5.5 CREDITS, REFUNDS AND REBATES

It is MTS's policy to comply with FAR 31.201-5 Credits by ensuring that the applicable portion of any income, rebate, allowance, or other credit relating to any allowable cost and received by or accruing to the contractor shall be credited to the U.S. Government either as a cost reduction or by cash refund. The intent is to refund any amounts within the next billing cycle or within 30 days of determination that funds are due the U.S. Government whichever comes first.

5.6 RECEIPT REQUIREMENTS



MTS SYSTEMS CORPORATION – Procedure

TITLE:**Corporate Travel and Expense Reimbursement****NUMBER:**
FIN-008.01**REVISION:**
3**EFFECTIVE DATE:**
7/15/2014**PAGE:**
4 of 18

Receipts for airfare, train, car rental, lodging, business meals and entertainment are required regardless of cost. All other expenditures require receipts for any expense of \$25 or more. Itineraries, e-Tickets and e-Invoices must be included for all airfare charges. Acceptable documentation for reimbursement of business meals includes detailed restaurant register receipt. Credit Card statements are not acceptable documentation for reimbursement.

If a receipt is lost or unobtainable, the traveler must include a reason for the missing receipt, details of the expenditure and the business purpose of the expenditure on the expense report. These occasions are expected to be rare. Excessive numbers of missing receipts may result in non-reimbursement and/or disciplinary action.

5.7 AIR TRAVEL

- A. Reservations.** Due to the significant cost of air travel, employees are strongly encouraged to schedule flight reservations as far in advance as possible. All air travel arrangements are to be made through the designated travel agency to ensure that the Company minimizes the total cost of air travel.
- B. Group Travel.** Employees should use their judgment when it is necessary for several employees from the same business unit or management team to travel to the same destination. It is preferred that not more than 2 employees traveling in this capacity travel together on the same flight.

When a group of 10+ MTS employees are traveling to the same destination, the travel agents should be notified no later than 30 days prior to departure, as group discounts apply. The employees can be from various departure locations.

- C. Fare Class.** The lowest fare routing (LDFR), which is the quoted lowest customary standard coach, economy or equivalent fare during normal business hours will be booked for travelers except when such accommodations:
- Require circuitous routing
 - Require travel during unreasonable hours
 - Excessively prolong travel
 - Result in increased costs that would offset transportation savings
 - Are not reasonably adequate for the physical or medical needs of the traveler
 - Are not reasonably available to meet business requirements.

In some cases, LDFR may require one or more stops. The travel agent will contact the traveler with the available fares for flights departing around the requested time. If the traveler does not accept the LDFR, the travel agent is authorized to call MTS's Travel Manager to reaffirm MTS procedure.

Corporate Officers and Executives at the Senior Vice President level and above may authorize direct flights which are not LDFR and travel in a class other than LDFR.



MTS SYSTEMS CORPORATION – Procedure

TITLE:**Corporate Travel and Expense Reimbursement****NUMBER:**
FIN-008.01**REVISION:**
3**EFFECTIVE DATE:**
7/15/2014**PAGE:**
5 of 18

- D. Fly America Act.** MTS will adhere to the Fly America Act as outlined in FTR 301-10, FAR 47.403 and FAR 52.247-63. In general, the Fly America Act requires U.S. Government contractors to use U.S. flag air carriers when available, if the cost is to be paid by the government. If a U.S.-flag air carrier cannot provide the international air transportation needed or if the use of U.S.-flag air carrier service would not accomplish an agency's mission, foreign-flag air carrier service may be deemed necessary.
- E. Award Miles.** Travelers can accumulate and use award miles that result from business travel for their personal use. However, travelers may not request a particular airline unless the fare is consistent with the LDFR referenced above.
- F. Airline club memberships.** MTS will not reimburse employees for airline club memberships.
- G. Baggage.** In the event that baggage is lost or delayed upon arrival, a lost baggage claim must be processed immediately with the airline. The airline may provide reimbursement for certain expenses. The traveler should inquire with the airline regarding the procedure to get reimbursement for expenses. MTS has lost luggage insurance when using the corporate credit card. The employee may contact US Bank to file a claim. MTS will reimburse the employee for reasonable clothing and sundry expenses required to perform their job that were not reimbursed by the airline. However, the cost to MTS should not exceed \$500.00 without prior written approval from a supervisor.
- H. Cancellations, Voided, Unused or Stolen Tickets.** At times, travel may be cancelled due to weather or scheduling changes by the transportation provider. In the event of a trip cancellation, the traveler should contact the designated travel agency regarding the process to obtain a refund or use the ticket for a future travel date.

If the traveler has unused tickets, they must inform the designated travel agency in order to get a credit for the purchased ticket. The designated travel agency will process a credit application for MTS after it verifies with the airline that the ticket was not used. Credits may take as long as 120 days to be processed.

Payment of Airfare. All airline charges will be charged to the employee's corporate credit card. The billing is subsequently removed from the employee's credit card and billed directly to MTS. Expense reports must be submitted with supporting documentation for the airline charges to be allocated to the appropriate cost center or job number.

5.8 INTERNATIONAL TRAVEL

- A. Visa Requests.** The designated travel agency must process all visa requests for international travel as they have the information necessary to determine the visa requirements for a specific country. Visa applications should be requested as soon as it is determined that travel to a country which requires a visa is necessary.
- B. Canada Passport Requirements.** Canada now requires a passport or equivalent to enter the U.S. by land, air or sea. The NEXUS card gives U.S. citizens pre-approval when entering Canada at all [participating NEXUS air, land and marine ports of entry](#). The NEXUS Card satisfies [Western Hemisphere Travel Initiative \(WHTI\)](#) requirements; it proves identity and citizenship and thereby acts as a substitute for a passport for entry into Canada.



MTS SYSTEMS CORPORATION – Procedure

TITLE:**Corporate Travel and Expense Reimbursement****NUMBER:**
FIN-008.01**REVISION:**
3**EFFECTIVE DATE:**
7/15/2014**PAGE:**
6 of 18

- C. Passport Requirements.** A passport is required to enter all foreign countries. Per U.S. Government regulations, the passport must be valid for at least 6 months beyond the date of travel. It typically takes 4 weeks to process a passport application. Applications should be handled locally at the appropriate U.S. Government Service Center. In an emergency, the designated travel agency can process and expedite passport applications. Two forms of identification, including a certified birth certificate, and two photos are required.
- D. Travel warnings.** For travel warnings issued by the State Department, reference <http://travel.state.gov/travel>.

5.9 LODGING

- A. Reservations.** Hotel reservations for all locations must be arranged through the designated travel agency to enable MTS to benefit from the corporate rate program. The corporate standard for hotel accommodations is a reasonably priced single room at a business-class hotel. Deluxe hotels should not be used unless a standard hotel is not available. All hotel reservations for MTS trade shows should be coordinated through the MTS Marketing Department.
- B. Confirmations and Guarantees.** After making the requested hotel reservation, the designated travel agency will provide a confirmation receipt to the traveler. This confirmation will guarantee the room rate and arrival time. If the hotel charges a different rate than the quoted rate, the discrepancy should be communicated to the designated travel agency upon return from the trip. If the hotel does not have the reservation and will not accept the confirmation receipt, call the designated travel agency emergency number (see the MTS intranet under "Travel") for assistance. Generally, if a guaranteed reservation was made and a room is unavailable, the hotel will work with the traveler to find a room at another local hotel.
- C. Cancellations.** If travel plans change such that a hotel room is no longer required, the reservation must be cancelled to avoid paying for some or all of the reservation. Cancellations can be made through the designated travel agency or directly with the hotel. In either case, the name of the contact person, date and time of the call and a cancellation number should be documented as proof of cancellation.
- D. Promotional Programs.** Travelers may take advantage of promotional programs offered by hotels as long as they do not result in any additional expense to the Company.
- E. Payment for Lodging.** All lodging expenses must be paid directly by the traveler through the use of the employee's corporate credit card.

Per IRS requirements, an itemized receipt or invoice must be submitted with any expense report for lodging, regardless of dollar amount. If employees share a room, they should claim only the amount they actually paid with separate receipts. If one employee charges the entire room cost, the other employee's name should be referenced.

Phone calls, meals, laundry and other services charged to the room should be separately claimed for reimbursement in the appropriate classification on the expense report if incurred on behalf of MTS business and within the guidelines of this procedure.



MTS SYSTEMS CORPORATION – Procedure

TITLE:**Corporate Travel and Expense Reimbursement****NUMBER:**
FIN-008.01**REVISION:**
3**EFFECTIVE DATE:**
7/15/2014**PAGE:**
7 of 18

5.10 AUTOMOBILES

If renting a vehicle is more convenient and less expensive than other modes of transportation to a destination, then the traveler may rent a vehicle.

A. Reservations. All reservations must be arranged through the designated travel agency. MTS has negotiated rates with vendors depending on the location of the rental. All car rental expenses will be paid directly by the traveler through the use of the employee's corporate credit card.

B. Authorized Rental Car Classes. The following car classes are authorized for use. In the event that a different car class is required, such as when a large group is traveling together, an explanation of the circumstances must be included with the expense report.

Class A – Economy
Class B – Compact
Class C – Intermediate

C. Rental Expense. The traveler is responsible for the costs of operating the vehicle and will be reimbursed through the expense reporting process. MTS will reimburse the traveler for:

- Daily rental charges
- Mileage charges
- Gasoline charges*
- Toll charges
- Parking charges

*Please note, rental car agencies charge a premium to refill the gas tank. Therefore, it is more cost-effective to refill the car before returning it to the rental agency.

D. Insurance. MTS carries auto insurance through its insurance carrier as well as through the corporate credit card program. Therefore, travelers should decline insurance coverage when renting vehicles in the U.S. and Canada. In all other countries, including Mexico, collision, loss and damage insurance must be purchased for a rental vehicle.

E. Cancellations. If a reservation must be cancelled, the traveler should contact the designated travel agency.

F. Accidents. Should an automobile accident occur while using a rental car, the traveler must report the incident to the MTS Travel Manager within 24 hours.

G. Promotional Programs. Travelers may take advantage of promotional programs offered by rental car agencies as long as they do not result in any additional expense to the Company.

H. Other Ground Transportation. MTS considers other modes of ground transportation to include taxis, shuttle, rail, and personal automobile. Each form of transportation is reimbursed through the expense reporting process. Each expense report must indicate the date, amount, and purpose and be accompanied with appropriate receipts.



MTS SYSTEMS CORPORATION – Procedure

TITLE:**Corporate Travel and Expense Reimbursement****NUMBER:
FIN-008.01****REVISION:
3****EFFECTIVE DATE:
7/15/2014****PAGE:
8 of 18**

- Taxis are an acceptable mode of transportation to and from the airport and within metropolitan city areas.
- Shuttle services are an acceptable mode of transportation to and from the airport and when cost-effective from hotels to the business destination.
- Rail service is an acceptable mode of transportation to and from or between two cities where the cost is lower than the comparable airfare.

I. Personal Automobile Use. Where it is considered appropriate, a traveler may use his or her personal automobile for business travel. It is appropriate when it is less expensive than the other modes of transportation and it can save the traveler time. If a personal auto is used for long trips, prior authorization must be obtained from the traveler's supervisor and MTS Travel Manager. Use of a traveler's personal vehicle (car, truck, van) is reimbursable for:

- Company business travel
- Round trips to airport, railroad stations or other transportation centers
- Travel between Company locations

- **Mileage.** Reimbursement will be for the shortest commonly traveled routes. Local business travel excludes mileage normally travelled from the employee's residence to their primary work location. It is the responsibility of the traveler's manager approving the expense report to review the reasonableness of mileage claimed on the expense report.
- **Tickets/Fines.** MTS does not reimburse for parking tickets, towing charges, traffic fines or moving violations. Costs for repairs or damages to a traveler's private auto while traveling on Company business are not reimbursable.
- **Parking.** Reasonable overnight parking charges will be allowed when the employee is away from his/her home location. The employee should consider the cost advantage of ground transportation, mileage reimbursement or long-term overnight parking.
- **Insurance.** It is the responsibility of the owner of the car to make sure there is adequate insurance on the personal automobile.
- **Reimbursement.** The traveler will be reimbursed for the business use of his or her vehicle based on the federal IRS mileage rate. This mileage rate covers normal "wear and tear" of the vehicle and gasoline. The current rate can be found on the MTS intranet under "Travel." If two employees travel together in a personally owned automobile, only the owner/operator of the car is eligible for mileage reimbursement. The submitted expense report shall clearly state the business purpose and miles driven.

J. Company Provided Automobiles. For those positions in which the use of an automobile is frequent and vital to the success of carrying on the responsibilities of the job, MTS will provide either a leased car or a monthly allowance. See policy HR-010 for the Executive Car Allowance Program or the MTS intranet under "Travel" for the lease vehicle program including information on additional reimbursements associated with leased vehicles.

VERIFY REVISION BEFORE USE
PRINTED COPY IS NOT CONTROLLED

Proprietary – Use pursuant to instruction per MTS Systems Corporation



MTS SYSTEMS CORPORATION – Procedure

TITLE:**Corporate Travel and Expense Reimbursement****NUMBER:**
FIN-008.01**REVISION:**
3**EFFECTIVE DATE:**
7/15/2014**PAGE:**
9 of 18

5.11 MEALS AND ENTERTAINMENT

Business meals and related expenses are fully reimbursed if incurred for a specific business benefit or there is a reasonable expectation of a benefit to be derived by MTS. This also includes entertainment in the home. The costs are reimbursed based on actual receipts.

A. Business Meals. Business meals are defined as any meal involving more than one person. Requests for reimbursement of business meal expenses must include an itemized receipt and be supported by a detailed description of the business purpose, names of all guests, (including their company or government affiliation) and a meeting agenda, where applicable. The amount of alcoholic beverages must be reported separately to comply with U.S. Government accounting policies and procedures. When more than one MTS employee is present, it is the responsibility of the most senior ranking employee in attendance to pay for any expenses incurred.

B. Personal Meals. Personal meals will be reimbursed when traveling for MTS based on actual expenses.

Travelers should use their discretion to ensure meal expenses are reasonable. A reasonable expense could be defined as a meal at a restaurant comparable to where one would go for a casual meal at home. A glass or two of wine or beer would be reasonable, 10 glasses or a rare bottle of wine would not. Ordering the most expensive entrée on the menu may be reasonable on occasion but would be excessive on a daily basis. The amount of alcoholic beverages must be reported separately to comply with U.S. Government accounting policies and procedures.

When traveling for a single day, a reimbursement for breakfast and dinner may be claimed if the distance between the traveler's home base and the work site is greater than 40 miles.

C. Tips. It is customary to tip for meals. The maximum reimbursable tip amount as a percent of the meals value is 20%.

D. Entertainment. Employees will be reimbursed for authorized entertainment expenses. Examples of such expenses include:

- Sporting events
- Theater or movie events
- Trade show entrance fees
- Activity events such as golf, tennis, etc.
- Entertainment of customers at employees home

Expense reports must include documentation of the attendees, date, amount, and business purpose. Receipts must be submitted with all entertainment expenses regardless of dollar amount.

Entertainment of customers at employee's home. Reasonable expenses incurred when entertaining customers at the employee's home will be reimbursed with appropriate supporting documentation.

5.12 TELEPHONE/INTERNET



MTS SYSTEMS CORPORATION – Procedure

TITLE:**Corporate Travel and Expense Reimbursement****NUMBER:**
FIN-008.01**REVISION:**
3**EFFECTIVE DATE:**
7/15/2014**PAGE:**
10 of 18

Travelers will be reimbursed for business phone calls that are considered necessary, have a business purpose, and are documented on an itemized bill. Personal calls are allowed within a reasonable limit to keep in touch with family. Telephone usage with an air phone is prohibited except under emergency situations. All telephone usage should be documented on an expense report with an explanation for any unusual charges.

- A. Prepaid Calling Cards.** Prepaid calling cards can be obtained on the MTS intranet under “Travel.” The selection of a phone card is to be made by the traveler based on travel and usage patterns.
- B. Use in Hotels.** Travelers should avoid the use of telephones in hotels since they charge double rates or more for calls, especially international calls.
- C. Internet.** MTS will reimburse a traveler who needs access to the internet at their hotel to download email messages. The charges should be itemized on a hotel bill and be reasonable and customary.

5.13 TRAVEL ASSISTANCE AND INSURANCE

- A. Travel Assistance Program.** Worldwide travel assistance programs are available for employees on domestic or international travel and encompass a variety of emergency medical assistance, personal services and pre-travel information. Included in the services are medical referrals and monitoring, medical evacuation, language interpretation and passport requirements. These programs are administered by Human Resources. Additional information on the programs, including identification cards, can be found on the HR website under “*Your Benefits & Compensation>Employee Assistance & Travel Assistance*”.
- B. Life and Accident.** Employees are provided with business travel accident (BTA) insurance coverage for accidental injury or death while traveling on MTS business. Specific coverage information is available from the HR-Benefits Department. An additional \$500,000 of limited travel accident insurance is provided by the corporate credit card while traveling on a common carrier, provided the entire airfare was charged to the employee’s corporate credit card. Personal travel flight insurance is a discretionary expense and is not reimbursable.
- C. Car Rental.** See Section 5.10.E.
- D. Luggage.** Luggage insurance is provided when tickets are purchased with the employee’s corporate credit card.
- E. Personal and Company Property.** MTS is not responsible for lost or damaged personal property during business travel. Any claim should be submitted to the traveler’s personal insurance carrier for reimbursement. MTS self-insures Company property used when traveling up to \$50,000. Claims in excess of this amount should be submitted to the Corporate Treasurer.

5.14 EXTENDED TRAVEL REIMBURSEMENT

MTS will compensate eligible employees traveling both domestically and internationally on Company business for extended periods.



MTS SYSTEMS CORPORATION – Procedure

TITLE:**Corporate Travel and Expense Reimbursement****NUMBER:**
FIN-008.01**REVISION:**
3**EFFECTIVE DATE:**
7/15/2014**PAGE:**
11 of 18

- A. Eligible employees.** To qualify for the extended travel reimbursement, an employee must have traveled in excess of 30 nights in a rolling 12 month period previous to the date of travel. The employee must be gone at least three nights per trip to qualify for the 30 night cumulative basis.
- B. Employees not eligible.** The following employees are not eligible for the extended travel reimbursement.
- Employees who are at salary levels SAM 18 and above, including all Executive (Vice President) levels.
 - Sales Engineers.
 - Field Service Engineers if not on special assignments outside their normal territory.
 - An employee on a regular assignment at a location other than home base.
 - An employee receiving other special compensation.
- C. Compensation Options**
- **Option 1:** An employee will be compensated based on the following schedule calculated for each individual trip. Any return to the employee's home base is considered the end of that trip.

\$75 per night for the first 7 nights of a trip
\$100 per night for the 8th – 14th night of a trip
\$150 per night for the 15th night and beyond

An extension of a business trip to include a weekend for personal reasons would not be eligible. Any compensation received will be considered taxable income to the employee and will be reported on the employee's annual W-2 income statement.
 - **Option 2:** If the trip is expected to exceed 30 days, the employee may elect to have the spouse and children accompany him/her rather than receive compensation as defined above. Under this option, MTS will pay the lowest available round trip airfare for the family. The employee will be reimbursed for lodging at the prevailing single rate. Any compensation received will be considered taxable income to the employee and will be reported on the employee's annual W-2 income statement.
- D. Receiving Compensation.** To obtain compensation under Option 1, an Extended Travel Check Request must be completed and submitted to the Payroll Department (see FIN-008.01A). To receive compensation under Option 2, the expenses must be submitted on an expense report with proper approvals and required supporting documentation (i.e. receipts as well as a completed Extended Travel Check Request form). It is the responsibility of the employee's supervisor to approve all trips, track eligibility and submit the proper documentation to Payroll.

5.15 OTHER TRAVEL EXPENSES



MTS SYSTEMS CORPORATION – Procedure

TITLE:**Corporate Travel and Expense Reimbursement****NUMBER:**
FIN-008.01**REVISION:**
3**EFFECTIVE DATE:**
7/15/2014**PAGE:**
12 of 18

- A. Irregular Business Travel.** Irregular business travel is defined as any business trip that combines some elements of MTS business with personal time and travel by the traveler. Examples include extending a business trip by a few days for some personal time before, during or after the trip, re-routing to include destinations not consistent with MTS trip purpose, or business travel with family. An irregular business trip may occasionally benefit MTS and the traveler. Prior to planning a trip, the traveler must document the “irregular” aspect of the trip and get manager approval. The signed memo should be included with the applicable expense report. It is the traveler’s responsibility to pay for any additional cost resulting from irregular travel arrangements.
- B. Travel to Organizational Meetings.** All travel-related costs associated with attending organizational meetings are to be reported as travel expense.
- C. Family/Spouse Travel.** Travel expense of a traveler’s family or spouse is not reimbursable unless covered under Section 5.14.
- D. Recruiting.** As part of the recruiting process it may be necessary for a candidate to travel during the interviewing phase. In this case, travel should be pre-approved by an authorized HR generalist. Reimbursements can include:
- Airfare
 - Hotels
 - Meals

If the candidate has accepted an offer and travels subsequent to the acceptance, the travel reimbursement can be subject to tax as income to the prospective employee and reported on their annual W-2 income statement.

5.16 OTHER REIMBURSABLE EXPENSES

Other business expenses which will be reimbursed include, but are not limited to:

- Corporate credit card fee for cash advances due to business travel needs.
- Collision, loss and damage insurance for vehicle rental in all countries except U.S. and Canada.
- Postage incurred on behalf of MTS.
- Airport taxes and baggage charges.
- Parking fees and toll charges.
- Dry cleaning and laundry when business trip exceeds seven (7) consecutive days.
- Recommended inoculation costs associated with entry into a foreign country.
- Passport photos and travel check commissions.
- Business gifts under \$100 per recipient if supported by receipts.
- Business, trade, technical and professional memberships with proper approval according to the Delegation of Authority policy (FIN-003).
- Department and Regional Field Service Engineer home office rental reimbursement.
- Expenses incurred for employee-related activities for the following:
 - In-plant recognition for 10, 15, 20, 25, etc. years of service in accordance with established practices (i.e., cake, coffee, etc.).



MTS SYSTEMS CORPORATION – Procedure

TITLE:**Corporate Travel and Expense Reimbursement****NUMBER:**
FIN-008.01**REVISION:**
3**EFFECTIVE DATE:**
7/15/2014**PAGE:**
13 of 18

- In-plant recognition for “extraordinarily meritorious” service to the Company which has prior approval by a Sr. Business Leader (as defined by the Delegation of Authority policy (FIN-003).
- Expenses associated with an MTS business meeting, which has prior approval from a manager.
- Spot Awards per MTS’s Reward & Recognition policy. See the HR web page for more details on this program.

5.17 NON-REIMBURSABLE EXPENSES

Business expenses which will not be reimbursed include, but are not limited to:

- Personal air travel.
- Optional flight travel insurance.
- Optional automobile rental insurance for the U.S. and Canada.
- Optional and/or supplemental medical insurance.
- Telephone calls of a personal nature other than to immediate family.
- Purchases of inventory, production materials or capital equipment.
- Purchases of services including, but not limited to, contract labor and consulting. These purchases should be coordinated through Purchasing or HR (for contract labor).
- Home expenses such as childcare, lawn maintenance, snow removal or expenses related to plants or animals.
- Healthcare expenses (should be submitted to personal insurance provider; any out of pocket expenses are not covered).
- Gifts to third parties exceeding \$100 per recipient unless pre-approved in writing
- Gifts to employees for Christmas, birthday, etc.
- Barber, hair stylist, manicurist, and masseur.
- Briefcases, luggage, computer cases or personal use items
- Personal entertainment expenses such as reading materials, airline headsets, movie rentals, theater tickets, sporting events, museums, etc.
- Repairs, maintenance or insurance on personal vehicles.
- Traffic fines or court costs.
- Airline club membership dues.
- Health club dues.
- Personal medicine and toiletries.
- Personal meal, lodging and travel expenses incurred by family members, except as provided in Section 5.14 for extended travel.
- Personal property lost or stolen while traveling.

5.18 EXPENSE REIMBURSEMENT

Expenses for travel on official MTS business are reimbursed to employees through MTS’ expense management system. See the intranet under “Travel”. Expenses incurred by consultants and contractors should be billed to MTS and submitted to Accounts Payable for reimbursement.

- A. Required information.** Reimbursement of all bona fide travel and entertainment expenses incurred by a traveler in connection with the active conduct of MTS business must have the following information to properly conform to MTS policy and Federal Income Tax regulations.



MTS SYSTEMS CORPORATION – Procedure

TITLE:**Corporate Travel and Expense Reimbursement****NUMBER:
FIN-008.01****REVISION:
3****EFFECTIVE DATE:
7/15/2014****PAGE:
14 of 18**

- Date, time and destination of departure and arrival.
- Method of transportation.
- Purpose of trip and/or expenditure.
- Company or organization and person visited.
- Names and titles of individuals present, Company represented, duration of discussion, location of expense and business purpose for all business meals and entertainment expense.
- Detail of each expenditure by date with required supporting documentation. Alcoholic beverages should be separated from the total business meal expense to comply with U.S. Government accounting policies and procedures.

- B. Approval.** All expense reports must be approved by the traveler's manager. It is the responsibility of the authorized approver to ensure the expense report is properly completed, includes the required supporting documentation, and properly distributes cost to project and/or expense accounts. If there are unusual expenses or expenses that exceed policy limits, they must be approved and authorized by the appropriate management personnel.

Expense reports that are missing receipts or approvals will be returned to the traveler.

- C. Expense report deadline.** MTS expects travelers to submit their expense reports no later than 10 business days after completion of a business trip or by the end of the week the expenses are incurred.
- D. Foreign currency transactions.** All expense reports are to be prepared in U.S. Dollars. When traveling to international locations, non-cash expenses are to be charged to the employee's corporate credit card. Those expenses will be reimbursed at the dollar amount charged on the corporate credit card statement. For any cash transactions, a receipt showing the exchange rate conversion must support the exchange rate used.
- E. Expenses allocated to projects or departments.** Check with the applicable project or cost center manager to obtain the correct project or cost center number to charge the expense item. If lump sum expenses, such as transportation charges, are incurred that apply to multiple projects, the amounts should be prorated to each applicable project or cost center.

5.19 EXCEPTIONS

On occasion, an employee may incur an expense that ordinarily is not reimbursable under this procedure. Such unusual expenses may occur due to an accident, an emergency, a sudden change in work schedule or travel plans, etc. Reimbursement for these expenses will be considered on a case-by-case basis. Any unusual items must be supported by a receipt, invoice or similar document. If the item exceeds \$100, the Business Leader's approval is required (or the Disbursement Manager and a Vice President of his/her choosing will review and decide in each case).

5.20 UNALLOWABLE COSTS

Unallowable costs are defined as any cost that, under the provisions of any pertinent law, regulation, or contract, cannot be included in prices, cost-reimbursements, or settlements under a U.S. Government contract to which it is allocable (see FIN-012 for specific information pertaining to unallowable costs). MTS tracks and allocates expenses as either allowable or unallowable through the expense management system.

VERIFY REVISION BEFORE USE
PRINTED COPY IS NOT CONTROLLED

Proprietary – Use pursuant to instruction per MTS Systems Corporation



MTS SYSTEMS CORPORATION – Procedure

TITLE:**Corporate Travel and Expense Reimbursement****NUMBER:**
FIN-008.01**REVISION:**
3**EFFECTIVE DATE:**
7/15/2014**PAGE:**
15 of 18

Unallowable costs are identified systematically and charged to specific unallowable ledger accounts. It is the employee's responsibility to ensure that all expenses are appropriately categorized within the expense management system. It is the Accounts Payable Department's responsibility to ensure appropriate mapping of expense categories to allowable or unallowable ledger accounts.

It is MTS's policy to strictly adhere to the FAR interpretation of unallowable costs. Some frequently incurred travel expenses that are typically deemed unallowable are:

- Costs in excess of per diem rates – expenses subject to a per diem rate are configured within the expense management system to assign up to the per diem rate to an allowable ledger account and any excess to an unallowable ledger account.
- Alcoholic Beverages – any amounts for alcohol are classified as such by employees in the expense management system and charged to an unallowable ledger account.
- Business Class airfare – the traveler is responsible for indicating the additional costs (above LDFR) associated with any Business Class airfare within the expense management system. This amount is then charged to an unallowable ledger account.
- Extended Travel Reimbursement – Extended travel reimbursement is processed through the Payroll Department with amounts paid charged to a separate unallowable ledger account

6.0 POLICY OWNER / RESPONSIBILITIES

6.1 Corporate Finance. Responsible for the implementation, interpretation, and maintenance of the policy (the policy owner).

6.2 Travelers. Travelers are responsible for accurately and responsibly reporting all travel and entertainment expenses including appropriate classification of expense categories and allocability to specific cost elements. Reimbursement requests must be reported in both a timely manner and in accordance with this procedure. Travelers must exercise good judgment as a representative of MTS and certify that travel and resulting costs are necessary to accomplish MTS' business. Any failure to comply can result in the suspension from the T&E program and disciplinary actions ranging from non-reimbursement to termination of employment. Periodic audits will be performed to ensure the traveler is in compliance with the procedure.

6.3 Approver(s). Approvers include Sending managers, Receiving managers, Project Engineering managers, Operations managers, Regional Sales managers, Functional managers and Procurement managers. Each Approver has responsibility in reviewing the purpose of the business trip and agreeing that a business justification for the cost exists. Approvers are responsible for ensuring the expense report is properly completed, includes the required supporting documentation, and properly distributes cost to the appropriate project and/or expense accounts. Guidelines to help the Sending managers understand what to look for in a justifying a business trip include:

- Discuss and verify the business need
 - A. Review the agenda
 - B. Review the length/cost of the trip compared to the planned meetings and expected outcomes. Is the length appropriate? Might a video conference be a more cost effective option?
 - C. Discuss the roles of others traveling for the same purpose

VERIFY REVISION BEFORE USE
PRINTED COPY IS NOT CONTROLLED

Proprietary – Use pursuant to instruction per MTS Systems Corporation



MTS SYSTEMS CORPORATION – Procedure

TITLE:**Corporate Travel and Expense Reimbursement****NUMBER:**
FIN-008.01**REVISION:**
3**EFFECTIVE DATE:**
7/15/2014**PAGE:**
16 of 18

- D. Explore possibilities for conducting other business on this trip
 - Confirm that budget is available.
 - Confirm that the other approver(s) agree with and approve the planned trip
 - Review the traveler's workload; how will it be impacted by the trip, and what coverage plans have been organized?
 - Verify that the traveler has read and understood the Company travel procedures.
 - Manage the traveler's total travel time for the year to ensure it aligns with the job description.

6.4 Travel department. Responsible for booking the most cost effective travel arrangements in accordance with the procedure.

6.5 Accounts Payable department. Responsible for the implementation, maintenance, compliance, auditing, and payment processing of reimbursement in accordance with the procedure. Additionally, responsible for annual review of the travel policies and procedures including a risk assessment, appropriate revisions, and valid mapping of expense categories to allowable and unallowable ledger accounts

6.6 Human Resources department. Responsible for interpretation of the compensation aspects of the procedure.

6.7 Payroll department. Responsible for implementation, maintenance, compliance, auditing, and payment processing of Extended Travel Reimbursements.

6.8 Finance. In preparation for the annual Incurred Cost Submission, the Government Accountant, in conjunction with the Compliance Department, is responsible for a review of travel cost for allowability, allocability, and adherence to MTS policy.

7.0 References

- **FIN-003 Delegation of Authority**
- **FIN-010 U.S. Government Estimating**
- **HR-010 Executive Car Allowance Program**
- **FIN-008-02 Travel by Non-Exempt Employees**
- **OGC-009 Gifts and Business Courtesies**
- **OGC-018 Foreign Corrupt Practices Act Compliance**
- **OGC-018.02 Procedure for Compliance with the Foreign Corrupt Practices Act**



MTS SYSTEMS CORPORATION – Procedure

TITLE:**Corporate Travel and Expense Reimbursement****NUMBER:**
FIN-008.01**REVISION:**
3**EFFECTIVE DATE:**
7/15/2014**PAGE:**
17 of 18

REVISION HISTORY

Rev	Description of Change	Effective Date
2	Changes to payment of corporate card charges. Addition of verbiage for government contractor compliance (unallowable costs, Fly America Act). Removal of pre-trip approvals for project support and various modifications to pre-trip approvals. Removal of lodging and entertainment allowances. Removal of VP approval for expense reports over 60 days old.	7/25/2012
3	Add references	7/16/2014

VERIFY REVISION BEFORE USE
PRINTED COPY IS NOT CONTROLLED

Proprietary – Use pursuant to instruction per MTS Systems Corporation

