

Supplier Travel and Expense Reimbursement Policy

U.S. Addendum - Issued April 2012

Purpose

The purpose of this policy is to provide suppliers with information, direction and guidance related to travel and out of pocket expenses. It establishes responsibilities, use of preferred providers, expense reporting and reimbursement practices.

Scope

This policy applies to all Allegion suppliers. Our sectors, divisions, business units or geographic regions may elect to have a more restrictive policy, but may not be less restrictive.

Principles

We have a Code of Conduct that confirms our commitment to ethical behavior and full compliance with the laws, rules and regulations of the jurisdictions in which business is conducted. Our suppliers and their agents are also expected to conduct business with integrity and honesty. Any and all forms of illegal or inappropriate activity, including, but not limited to corruption, fraud, misrepresentation, extortion, embezzlement or bribery, are strictly prohibited. Records and invoices submitted for reimbursement, shall be complete, accurate and truthful, and shall meet applicable standards and requirements. Failure to comply with this policy may result in non-reimbursement of expense, discontinuance of current project, termination of existing contracts and/or removal from the supplier database.

Since this policy cannot cover every situation a business traveler may face, suppliers should use their best judgment when traveling on business related to our projects and make expense decisions with our best interests in mind and in a manner consistent with the spirit of the policy.

Global Travel Policy

Suppliers should neither gain nor lose financially due to approved business-related travel. Travel expenditures should be consistent with business needs. All travel expenses over \$1,000 must be pre-approved in writing by our Project Manager.

If a preferred travel or meeting service provider is in place, they should be used at all times, unless not available or a lower-cost provider is available. Using the travel portal, Project Managers will be able to identify providers and the lowest logical cost available. Any exception must be documented when submitting the expense reimbursement invoice.

When deciding to hold a meeting or conference, lower-cost alternatives should be explored first, such as teleconferencing or videoconferencing.

A. Air Travel

- i. Supplier must travel coach class on all flights. Business class travel is allowed on point to point flights that are 10 consecutive hours or more in flying time. Flying time is defined as actual hours in the air and excludes ground time and connections or combined flight times on multi leg travel. .
 - a. For intercontinental travel, a traveler is authorized to fly one-way in Business Class if they are going directly from the airport to immediately attend a meeting.
- ii. Reservations should be made at least 14 days in advance as practical to take advantage of any applicable discounts. Travelers are expected to choose lower-cost options such as nonrefundable tickets, connections and alternate airports when appropriate to meet business requirements. Tickets purchased in advance should be invoiced when the charge appears on the credit card statement.
- iii. The traveler is required to take the lowest logical airfare available at the time of reservation according to our policy guidelines. Lowest logical fare is defined as a flight with one connection within two hours of arrival/departure request time. All travelers must utilize preferred air carriers unless a lower fare is available, i.e., low cost carriers. Low cost carriers when practical should be considered, as they are deeply discounted airfares.
- iv. Priority boarding, seat selection, cabin upgrades, overweight bags and lounge access fees are non-reimbursable expenses.
- v. Tickets for travel where available, will be issued as electronic tickets. The designated travel agency will provide the traveler with an itinerary/invoice via email and this should be used as the official receipt for the trip.
- vi. Checked baggage fees should be avoided. Most airlines now charge fees for checked baggage and size requirements. For shorter trips, consider a smaller bag that will fit in the overhead. Enroll in frequent flyer programs. By establishing yourself as a frequent traveler and earning status levels of Gold or higher in most cases you will be exempt from paying checked baggage fees.
- vii. Exchange fees are non-reimbursable. Most airlines have domestic ticket exchange fees. If you want to return home earlier than planned, check the airline's standby policy. In many cases you can switch to an earlier flight on your return trip on the day of travel for no additional charge or confirm an earlier flight within 12 hours for a reduced fee. Policies vary by airline so call the agency or check with the airline directly at the airport.

B. Hotels

- i. Hotel rooms should be single room with a private bath in our preferred hotel when available. If the location does not have a preferred hotel the hotel should be moderately priced.

- ii. It is the responsibility of the traveler to understand the cancellation policy of the hotel they have reserved. If a traveler must change or cancel a reservation, the appropriate contact must be made to avoid incurring no-show penalties. If a reservation is canceled after the cancellation deadline, the normal charge is often one full night's stay. No-show charges incurred for failing to notify the designated travel service provider or the hotel are the responsibility of the traveler and are not reimbursable, unless there was an extenuating circumstance.
- iii. Upon check-in, travelers should always verify that the room rate is the rate confirmed on the itinerary.

C. Car Rental

- i. Before renting a car, evaluate the use of a rental car against other less expensive means of transportation. The use of taxis, airport shuttle services and courtesy transportation is encouraged. Conversely, car rental is often a less expensive alternative to taxis, car service or personal mileage exceeding 100 miles per day.
 - a. For travel less than 100 miles/day, traveler may utilize their own vehicle and received mileage reimbursement. Mileage rate for business mileage based on current IRS business mileage rates on the date incurred. Current rate can be found on IRS website at www.irs.gov
 - b. Roundtrips greater than or equal to 100 miles/day should rent a car. If a traveler elects to use their personal vehicle, the maximum reimbursement is 100 miles.
- ii. Travelers may rent a mid-size car (in the US)/ class-C (in Europe) from our preferred car rental providers when other means of local ground transportation is unavailable or more costly. When four or more people are traveling together, a larger car is appropriate.
- iii. Rental cars must be returned with a full tank of fuel to avoid paying refueling service fees. It is not recommended that travelers take the refueling option at the time of rental.
- iv. Travelers must adhere to the Allegion Driver Safety Policy.
 - a. License – Drivers must have in their possession a valid motor vehicle license issued by the state or local governing body responsible for driver licensing. This license must be appropriate for the size and class of vehicle they are operating.
 - b. Traffic Laws - Drivers must abide by all local, state, and federal motor vehicle regulations, laws and ordinances.
 - c. Impaired Driving - Drivers may not operate a vehicle at any time, when their ability is impaired, affected, or influenced by alcohol, illegal drugs, medication, illness, fatigue or injury.
 - d. Vehicle Safety (Seat) Belts - The driver and ALL OCCUPANTS must wear safety belts when operating or riding in vehicle on Allegion business. The driver is responsible to ensure all passengers are wearing their safety belts.
 - e. Electronic Devices - Drivers must utilize hands-free devices with mobile telephones while driving. Drivers may not engage in texting or reading while driving. Electronic devices such as GPS units, laptop computers, personal data assistants (palm pilots), fax machines, etc. must not be handled while driving. Drivers are required to pull off the road and park at a safe location before handling these devices. In addition, radar detectors, laser detectors, or similar devices may not be used at any time.
 - f. NOTE: The above requirements must be followed unless specifically prohibited by local law.
- v. Any costs related to damage of rented vehicle, parking or speeding tickets and towing fees are not reimbursable.

D. Ground Transportation

- i. Travelers will be reimbursed for reasonable travel costs to and from the airport or airport parking. If airport parking is necessary, supplier must use long term parking facilities. Additional costs for short term, valet or covered parking are not reimbursable.
- ii. The least expensive reasonable mode of transportation should be used whenever possible, including but not limited to free hotel shuttle services.
- iii. Use of personal automobiles is appropriate when less expensive than any public form of transportation. In the United States, the traveler will be reimbursed on a per-mile basis at the current IRS allowable rate for miles traveled from their regular work location. Rates reimbursed will be established by Allegion using established governmental guidelines and are subject to change based on economic conditions. Local management will determine this rate outside the United States.
 - a. When several are traveling using one personal car, reimbursement will be allowed only to the person whose car is used.
 - b. Traveler will not be reimbursed for travel between their homes and regular work location.
 - c. Travel time will not be considered in the determination of time worked by Supplier unless mutually agreed to in writing in advance of such travel.
- iv. We will reimburse traveler for out-of-pocket expenses such as highway tolls and parking fees incurred while operating a vehicle for our related business travel. Gas purchases for personal vehicles are not reimbursable if the traveler is reimbursed on a per-mile basis.

E. Incentive Programs

- i. Travel incentive points earned by travelers while traveling on business related to our project may be retained by the traveler for personal use as long as we do not incur incremental costs to support these programs (i.e., costs above the lowest logical airfare). Monetary rebates and coupons/vouchers for free travel services received, represent a price discount and must be submitted with the business travel expense report. We will not reimburse travelers for the value of frequent flyer miles used for upgrades or to obtain tickets.

F. Meals & Entertainment

- i. Allegion will reimburse travelers for reasonable and customary meal expenses during a business trip. Meals en route and at the assignment locations are reimbursable when they are reasonable, considering the location and circumstances. The U.S. guidelines for reasonable are
 - a. Dinner \$40.00
 - b. Lunch \$14.00
 - c. Breakfast \$12.00Outside the U.S. local business procedures and/or local country regulations are to be followed regarding receipts and per diem regulations
- ii. Suppliers should not pick up meals for our employees at any time.

G. Telephone Charges

- i. Expenses for business phone calls related to our project while traveling are reimbursable
- ii. Necessary personal calls made while traveling on approved business are reimbursable but should be reasonable in duration.

H. Spouse/Companion Travel

- i. Spouse or companion travel expenses (air, hotel, ground transportation and meals) are not reimbursable.

I. Miscellaneous Expenses

- i. Certain miscellaneous expenses incurred in relation to business travel will be reimbursed. For example, reasonable gratuities paid for services received in the normal course of business travel.
- ii. The following is a list, although not all inclusive, of expenses considered not reimbursable:
 - a. Fines for parking or other traffic violations
 - b. Airline club membership fees, dues or upgrade coupon
 - c. In flight movies, internet or telephone expenses
 - d. Barber/hairstylist or shoe shine/repair expenses
 - e. Magazine or newspapers
 - f. In-room movies and mini bar items
 - g. Personal entertainment, including sporting events
 - h. Health club or fitness facilities fees
 - i. Safe or refrigerator rental during a hotel stay
 - j. Baby-sitting or pet care fees
 - k. Luggage, briefcase or computer bag
 - l. Cell phone accessories or application download fees

Allegion assumes no responsibility for loss or damage to a supplier's personal property during business related travel.

Expense Reporting & Reimbursement

The timely reporting of expenses is important for us to maintain accurate financial records and ensure the items purchased are recorded as expenses in the correct fiscal period. All pre-approved business-related charges and out-of-pocket expenses, whether made by cash or credit card payments, should be invoiced within 30 days of being incurred. Expenses not billed within ninety (90) days of being incurred will not be reimbursed by us.

All invoices for reimbursement of expenses over \$25.00 will be in a format and contain information as required by us. At a minimum, the invoice will include, (i) an invoice number; (ii) a visible company name and "remit to" address that matches the related profile set up in our system; (iii) the purchase order number; (iv) itemization of expenses, (v) copy of a dated receipt showing proof of payment and (vi) any other supporting documentation to substantiate invoiced amount.

We will audit expenses submitted for reimbursement and for expenses that are either inappropriate or not allowed by this policy, will withhold reimbursement.

The use of averages for any type of expenditure or combination of expenses is not permitted. Expenses should be billed for reimbursement exactly as they were incurred, without mark-up.

Itemization on Invoice

Use the following categories to expense credit card or out-of-pocket charges:

- A. *Travel* – includes air, train, boat, etc. Record all ticket information such as date of flight, amount of flight, ticket number, merchant, from/to, and fare basis (such as Coach). This group includes additional Airline fees (i.e. check baggage fee).
- B. *Lodging/Hotels* – Record the actual expense including date, amount, and merchant to record overnight stays while traveling on business. Lodging expenses must include itemized receipt.
- C. *Car Rental* – Record the actual expense including date, rental agreement number, merchant, and class of car. Class of car other than midsize requires an explanation.
- D. *Rental Fuel* – number of gallons purchased and cost per gallon of fuel
- E. *Personal Car Miles* - Record the date, the address of starting location and address of destinations en-route, total of actual miles driven. If you are submitting for personal car mileage, you are not entitled to fuel reimbursement also.
- F. *Ground Transportation* – Record the actual expense for Taxi, Car Service, subway fare or other ground transportation incurred in the normal course of business travel.
- G. *Meals* - Record actual expense plus tip. Meals should be moderately priced and amounts over the reasonable values will require an explanation.
- H. *Meetings* – This group includes all expense associated with a meeting or sales show and includes (Meeting Deposits, Sales Shows/Meeting Services, Equipment Rentals associated with meeting or show, Exhibit set up and take down expenses, and Food and Beverage services). All of these expenses should be pre-approved by the Project Manager.
- I. *Miscellaneous Fees* - Record any other out-of-pocket fees associated with business travel.
 1. *Laundry* – only reimbursable if you are traveling five or more consecutive days on business related to our project.
 2. *Telephone / Communication* - Record any Telephone or other phone related expenses through this category (includes Internet Access, Conference Call minute usage, webcast or NetMeeting access fees).
 3. *Tips/Gratuities* – Record the actual expense for tips or gratuity for services rendered where the tip is the only charge for service.
 4. *Tolls* – Submit actual expenses for tolls incurred while traveling on business.
 5. *Parking* – Submit actual expenses for parking expenses incurred while traveling on business.
 6. *Personal Items* - The purchase of personal items (i.e. shampoo, toothbrush, aspirin, shoes, shirt) while on business travel will not be considered reimbursable.

Receipt Guidelines

Receipt guidelines vary by country. In U.S. and Canada, receipts are required for any transactions greater than \$25. Acceptable receipts include:

1. An airline itinerary / invoice with the ticket number or airline passenger coupon.
2. A hotel folio (which itemizes all room charges, applicable taxes, phone charges, dining room charges, etc.).
3. An auto rental agreement or the transaction record received upon vehicle return.
4. A credit card charge receipt or a restaurant cash register receipt.
5. Restaurant receipt "tear tabs" may not be used as receipt.

China and Mexico - all original government issued receipts are required for all expenses regardless of expense value.

If a receipt is lost, the travelers should make every effort to get a replacement or provide a written explanation of the expense and the reason for the missing receipt. This explanation should be included with the receipts required at the time of expense invoice submission.

Tax Liability

Reimbursement of expenses in certain situations in various parts of the world may result in taxable income to the person traveling and must be reported. The Project Manager approving supplier expense reimbursements must work with the appropriate corporate or sector controller in order to determine any tax liability.