

# RESEARCH & DEVELOPMENT COST ALLOCATION POLICY

## RESEARCH & DEVELOPMENT COST ALLOC

Polar Dynamics Robotics, Inc.

*Effective Date: January 1, 2024*

*Document Version: 2.0*

*Policy Number: FIN-RD-2024-001*

### 1. PURPOSE AND SCOPE

1. This Research & Development Cost Allocation Policy (the "Policy")

2. This Policy applies to all R&D activities related to the Company's au

## **2. DEFINITIONS**

1. "Direct R&D Costs" means costs directly attributable to specific res

a) Labor costs for engineering and technical personnel

b) Materials and components used in prototyping

c) Testing equipment and facilities

d) Third-party research services

e) Patent and intellectual property registration costs

2. "Indirect R&D Costs" means overhead and support costs that bene

a) Research facility overhead

b) Administrative support

- c) Shared equipment depreciation
- d) Quality assurance programs
- e) Research management costs

### **3. ALLOCATION METHODOLOGY**

#### **1. Direct Cost Allocation**

- 1.1. Project-specific costs shall be allocated directly to the relevant project
- 1.2. Labor costs shall be allocated based on documented time tracking
- 1.3. Material costs shall be assigned to specific projects using the Cost

#### **2. Indirect Cost Allocation**

- 2.1. Indirect costs shall be allocated using a three-tier methodology:
  - a) Tier 1: By facility usage (40% weighting)

b) Tier 2: By headcount allocation (35% weighting)

c) Tier 3: By project complexity factor (25% weighting)

### 3. BlueCore(TM) Platform Allocation

3.1. Costs related to the core platform development shall be allocated

a) 60% to cold-environment navigation systems

b) 25% to power management systems

c) 15% to general platform improvements

## 4. CAPITALIZATION CRITERIA

1. R&D costs shall be capitalized when meeting all of the following criteria

a) Technical feasibility of completion has been established

b) Intent and ability to complete development is demonstrated

- c) Commercial viability has been validated
- d) Resources to complete development are available
- e) Ability to measure costs reliably exists

2. All other R&D costs shall be expensed as incurred.

## **5. REPORTING AND DOCUMENTATION**

### **1. Project Tracking**

1.1. All R&D projects shall be assigned unique identifiers in the Comp

1.2. Monthly cost allocation reports shall be generated and reviewed b

### **2. Documentation Requirements**

2.1. All cost allocations must be supported by:

- a) Detailed time records

- b) Purchase orders and invoices
- c) Project milestone documentation
- d) Technical feasibility assessments
- e) Commercial viability analyses

## **6. REVIEW AND APPROVAL**

1. The R&D Cost Allocation Committee shall review this Policy annually
2. Material changes to allocation methodologies require approval from
  - a) Chief Financial Officer
  - b) Chief Technology Officer
  - c) Chief Robotics Officer
  - d) VP of Engineering

## **7. COMPLIANCE AND AUDIT**

1. Internal Audit shall review R&D cost allocations quarterly.
2. External auditors shall validate allocation methodologies annually.

## **8. EFFECTIVE DATE AND AMENDMENTS**

1. This Policy is effective as of January 1, 2024.
2. Amendments to this Policy must be approved in writing by the Executive Committee.

APPROVED BY:

Victoria Wells

Chief Financial Officer

Date: December 15, 2023

Marcus Chen

Chief Technology Officer

Date: December 15, 2023

Dr. James Barrett

Chief Robotics Officer

Date: December 15, 2023



