

Improper Payments

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[Code of Ethics](#)

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A. SUMMARY

UTC will compete vigorously and fairly for business, and solely on the merits of its competitive offerings. We will not bribe anyone to obtain or retain business, or secure any other advantage, nor tolerate anyone to do so for our benefit, in any market – public or private – anywhere. We intend this policy to be broadly construed and strictly applied.

B. APPLICABILITY

This Policy applies to UTC, including its subsidiaries, divisions and other controlled business entities (“operating units”), and all employees thereof, worldwide. Unless the context indicates otherwise, references to UTC include all operating units and their employees.

UTC will obligate its business partners to comply with this Policy in the conduct of business with, on behalf of or for the benefit of UTC, through appropriate contractual agreements, warranties and representations.

This Policy against bribery applies to anything of value, including without limitation cash, credits, discounts, gifts in any form or other beneficial actions. It also applies to gifts or favors for family members or friends of the person whose favor is sought, charitable donations to his/her favored causes or institutions or political contributions.

C. POLICY

1. UTC will not offer, promise, authorize, make or condone providing anything of value to any person, whether a public official or an officer or employee of a private entity, to induce him/her to act or refrain from acting with respect to his/her official duties, if doing so may result in UTC obtaining or retaining business, or gaining an improper business advantage.
2. UTC policy does not prohibit legitimate political contributions to candidates, office holders, or political parties that are consistent with national, state and local laws in an operating unit’s home country. But otherwise legal political contributions or payments to employees of political parties are prohibited if the purpose is to obtain or retain business or to secure any improper advantage. UTC funds and assets will not be used for illegal political contributions or for any other unlawful purpose or in any manner that is in conflict with this Policy. Any proposed political contributions must be reviewed in advance in accordance with [Corporate Policy Manual - Section 5](#).
3. UTC policy permits, indeed encourages charitable contributions that are consistent with national, state and local laws in an operating unit’s home country. But otherwise legal charitable contributions are prohibited if the purpose is to obtain or retain business or to secure any improper advantage. Operating unit charitable contributions must be reviewed in advance in accordance with [Corporate Policy Manual – Section 11](#).

4. Except for U.S. Government officials, who are subject to special rules, expenses that are directly related to promoting, demonstrating, explaining, or certifying UTC's products or services, or that are directly related to executing or performing a contract, may be properly reimbursable. But reimbursed expenses may only include the reasonable cost of transportation, meals, lodging and incidental entertainment for the business guest(s). Expenses of family members or third parties not required for the conduct of legitimate business will not be reimbursed. Reimbursement will be made only to the individual's employer on the basis of an itemized invoice pursuant to a clear contractual obligation or appropriate written agreement, and never directly to the individual. All reimbursed expenses must be accurately and properly recorded. Consult in advance with the Business Practices Officer and operating unit Counsel to ensure reimbursement of such expenses is proper.
5. Except for U.S. Government officials, who are subject to special rules, business gifts that are customary and reasonable in frequency and value are generally permitted. But a gift is never permitted if intended in exchange for favorable treatment or if prohibited by the policies of the recipient or his/her employer. Business gifts must comply with the standards and reporting requirements prescribed in the UTC Code of Ethics Supplement **"Giving and Receiving Business Gifts."**
6. Services of a Non-Employee Sales Representative shall be engaged only under a written agreement entered into and administered in accordance with Corporate Policy Manual – **Section 48A**. No payments shall be made except in accordance with the terms of an approved written agreement.
7. New or renewing agreements defining relationships with joint venture partners (including all equity-based or contractual joint ventures and teaming agreements), dealers, distributors, value-added resellers, subcontractors, or any other business partners whose activities assist or further the sale of UTC products, directly or indirectly, will contain appropriate warranties and representations that UTC's counterparty has read and understands this Policy and the related UTC standards referenced herein; agrees that all joint venture activity will fully comply; and warrants and represents that all activity the counterparty may itself conduct with, on behalf of or for the benefit of UTC will fully comply. Operating units will review existing joint venture or similar relationships that are not subject to renewal, and take any necessary actions to assure that the agreements defining the relationship are timely modified to incorporate the same standards. In order to facilitate incorporation of these standards in joint ventures where UTC lacks control, it is acceptable for the board of directors of the venture annually to adopt the substance of this Policy and the related standards as policy for the joint venture.
8. UTC will not use or employ anyone to assist it in its marketing efforts if it would create a conflict of interest that cannot be resolved through disclosure and waiver, recusal or other means consistent with all applicable laws and the UTC Code of Ethics.
9. UTC will not establish an undisclosed or unrecorded fund or asset for any purpose.

10. No false or artificial entries will knowingly be made in UTC's books and records for any reason. No payment on behalf of UTC will be approved or made with the intention or understanding that any part of such payment is to be used for any purpose other than that described by the documents, books and records supporting that payment.

D. RESPONSIBILITIES

1. The UTC Senior Vice President and General Counsel is the senior responsible official for matters arising under this Policy.
2. The President or chief executive of each principal business unit will establish and maintain an internal control program sufficient to assure compliance by all operating units with this Policy and all implementing policies and procedures.
3. The Director, UTC Internal Audit will perform or provide for periodic audits of improper payments compliance, sufficient to provide reasonable assurance that operating unit internal control programs are adequate.

E. PROCEDURES

See Appendix A. The UTC Senior Vice President and General Counsel is authorized to prescribe and amend Appendix A as deemed necessary to foster and assure compliance with this Policy and U.S., international or non-U.S. national or local laws pertaining to improper payments and business corruption.

F. REFERENCES

- [Section 5 – Government Relations](#)
- [Section 7 – Conflicts of Interest](#)
- [Section 11 - Charitable & Philanthropic Contributions](#)
- [Section 17 – Agreements for Consulting & Other Professional Services](#)
- [Section 34 – Compliance Programs](#)
- [Section 44 - Industrial Cooperation & Economic Offset](#)
- [Section 48A – Non-Employee Sales Representatives](#)

G. REVIEW

The UTC Senior Vice President and General Counsel will review this policy bi-annually. (Last reviewed – December 2009)

APPENDIX A

A. Introduction

Bribery and related forms of corrupting influence on public and private markets are prohibited by a patchwork of U.S., international and foreign laws. The United States and its largest trading partners have adopted a multilateral convention (the OECD Convention) requiring each country to enact laws prohibiting bribery in international business dealings in public markets and to mandate accounting protocols making it easier to detect corrupt activities. In the United States, this convention is implemented by the Foreign Corrupt Practices Act (“FCPA”), originally enacted in 1977; similar laws are in effect in the U.S.’s largest trading partners, and virtually every country in the world prohibits private payments to public officials for any purpose, even so-called “facilitating payments” to expedite routine, ministerial actions. In a number of countries, public laws address corruption in private markets, and in many countries private rights of action for damages are also available to aggrieved competitors for unfair competition.

Although the legal landscape of business corruption remains a patchwork, the trend to prohibit corrupt payments in both public and private markets is clear. This trend is plainly in the best interest of all. When markets demand honest competition based on timely delivering high-quality, best-performing products and services at a price which constitutes the best overall value for the customer, efficiency is enhanced and innovation stimulated; corruption is a hidden tax on both.

For these reasons, UTC has chosen a single global policy that is both broader and simpler than the current legal regime, and decidedly in the best interest of markets everywhere; we will not bribe anyone, directly or indirectly, to gain business advantage.

A payment need not be received personally by a decision-maker in order to be corrupting, and thus improper. Nor is our policy limited to the actions of UTC employees. UTC may be legally accountable, and the reasons for our policy are equally implicated, when a third party such as a sales representative, distributor, or joint venture partner makes or causes a corrupting payment. Careful selection of business partners (including, but not limited to: joint venture partners, subcontractors, distributors, and sales representatives), due diligence, contractual prohibitions and continuing audit and oversight are required to prevent such activities related to UTC business insofar as we are able.

B. Annual Representation Letters

Annually, UTC’s Senior Vice President and General Counsel will obtain a written representation from each of the following persons in each UTC business unit, subsidiary or other controlled entity, that he/she has read and understands this Policy, and (a) to his or her best knowledge and belief, there have been no bribes paid or other violations, or (b) he/she is aware of matters that may constitute a violation of this Policy:

1. All employees required to execute the annual conflicts of interest survey pursuant to the criteria prescribed in paragraph C.2 of Exhibit 1 to Corporate Policy Manual - Section 7; and
2. Any other elected or appointed directors and officers of UTC and its operating units not required to execute the annual conflicts of interest survey (including non-employee minority directors of joint ventures).

For directors and employees over whom UTC has the power of removal, certification is a condition of employment. Refusal to certify will be investigated to provide reasonable assurance that the refusal is not based upon knowledge of improper payments. The responsible operating unit Counsel must document the nature and extent of such investigation.

Representations will cover the entire fiscal year of the entity and are to be made and effective as of the end of the calendar year. They will be provided electronically, or otherwise forwarded in sufficient time to be received by the UTC Senior Vice President and General Counsel not later than ninety days after the end of the calendar year. Signed copies of the representation letters or their electronic equivalents will be retained by the entity and furnished upon request to UTC's independent public auditors and/or UTC Internal Audit.

In order to facilitate participation by non-employee minority directors in UTC-majority controlled joint ventures, it is acceptable for the board of directors of the venture annually to adopt this Policy for the joint venture by a resolution which also affirms that each director has no knowledge of any violations during the period covered; provided, that all directors approve and sign the resolution annually.

Respondents are required to report any issues that have not previously been documented and formally reported to the Business Practices organization or to the UTC or operating unit Legal Department. The cognizant Business Practices Officer, in coordination with operating unit Counsel, is responsible to contact each respondent who reports awareness of matters that may, in his/her perception, constitute a violation of this Policy and assure that such matters are appropriately reviewed, investigated and addressed.