

Business Ethics and Conduct in Contracting with the United States Government

Introduction

The basic tenet underlying the Corporate Principles published in 1976 by United Technologies Corporation (UTC) is that UTC and its employees will always conduct themselves at the highest level of ethics, morality and social responsibility.

In our business with the government of the United States, this basic tenet takes on added significance. We have, as always, an obligation to our customers and our shareowners to deliver the best product for the best value. When we accept government contracts or subcontracts, we have an added obligation to the public and to the nation to ensure that we administer those contracts and deliver our products and services in a manner that fully complies with government contracting laws and regulations, as well as our own high standards of integrity and quality.

This Policy Statement applies to all UTC organizations that perform contracts for the government of the United States. It applies equally to direct contracts with the government and to subcontracts in which our products and services are being directly or indirectly procured by others under contract with the government of the United States.

All UTC employees have a vital interest in compliance with this Policy Statement. Compliance will assure the continuance of UTC's reputation for integrity and fair dealing. Violations will damage that reputation and will reflect on employees at every level of the organization.

Within each operating unit of the Corporation, the chief executive has the overall responsibility for implementing, monitoring and enforcing this Policy Statement. UTC employees are responsible for ensuring that their own conduct, as well as the conduct of those who report to them, complies with this Policy Statement. In addition, employees are encouraged to report violations to the Corporation. Such reporting usually should be to their immediate supervisor through the normal management channels or to the unit Business Practices/Compliance Officer. Alternative, confidential reporting mechanisms are available. Employees may contact their local Ombudsman or the Corporate Ombudsman directly on the toll-free line (800-843-8595), or utilize UTC's (or their local) confidential, two-way, written procedure called *DIALOG* to express or discuss concerns, problems, and questions or share information with the highest management levels of the Corporation. Employees may use any of these mechanisms to report violations of this Policy Statement without fear of retribution for using them.

Violations of this Policy Statement can be the basis for dismissal or disciplinary action by UTC and may also result in prosecution by the government under the laws of the United States.

The laws and regulations governing contracting with the government impose requirements not traditionally associated with purely commercial business transactions. For example, it is a criminal violation — a felony — knowingly to make a false claim or false statement to the government. Violations of these and other statutes can subject us to damaging litigation, reduction of negotiated contract prices, suspension of UTC’s eligibility to receive government contracts, and debarment from doing business with the government. Violations also may subject the Corporation and its individual employees to civil lawsuits or criminal prosecution, with possible resultant fines, debarment or suspension, and prison sentences.

1. Our policy is to deliver quality products and services to the government at fair and reasonable prices.
2. We are committed to compliance with the letter and spirit of government contracting laws and regulations.
3. Government information that is national security classified shall not be accepted from any source, either directly or indirectly, in circumstances where there is reason to believe that the release is unauthorized.
4. We are prohibited by statute from soliciting or obtaining a competitor’s proprietary information or the government’s source selection information. UTC will not seek or accept, directly or indirectly, proprietary or source selection information regarding any government procurement. Following contract award, such information may be sought through requests made directly to the government, such as a request under the Freedom of Information Act.
5. Our employees shall not prepare any government solicitation, specification or evaluation criteria and anonymously or surreptitiously submit it to the government.

6. We are frequently required to submit accounting and other records to the government as a basis for payment on existing contracts and in support of estimates on future contracts. It is our policy to charge all labor and material costs accurately to the appropriate account, regardless of the status of the budget for that account. Improproprieties, such as charging labor or material costs improperly or to the wrong account, charging direct contract effort to an overhead or indirect account, and falsification of time cards or other records will not be tolerated.
7. We are required to submit cost or pricing data to the government and to certify that it is current, accurate, and complete. The definition of data that must be disclosed is very broad and includes not only facts but also management decisions, estimates (based on verifiable data), and other information that a reasonable person would expect to affect the negotiations. Our policy is full disclosure of complete and accurate cost and pricing data that is current up to the date of agreement on price.
8. We submit proposals to the government for reimbursement of costs. It is our policy to request reimbursement only for costs which are reasonable in amount and which are clearly allowable under government regulations, or as to which we have a good-faith belief that the costs are allowable. For example, alcoholic beverages, promotional items (including models, souvenirs and gifts), donations, or entertainment are expressly unallowable. Detailed guidance on cost allowability can be found in UTC's Employee Guide entitled "Allowability of Costs on U.S. Government Contracts."
9. We are often required to certify compliance with quality control specifications and testing requirements for our products. Our policy is to deliver goods that meet all contract requirements and give the customer the highest degree of confidence in our products. Improproprieties, such as failure to conduct required testing, or manipulation of test procedures or data, will not be tolerated.
10. Government rules on gifts and gratuities (broadly defined to include entertainment and business meals) are very restrictive. Employees shall not offer or give a gift or gratuity to any government employee, except where clearly permitted by applicable government regulations (for example, 32 Code of Federal Regulations Part 40). Guidance with respect to the applicable regulations can be obtained from the operating unit Business Practices/Compliance Officer. Furthermore, employees shall not offer or give, directly or indirectly, anything to a government employee who is a procurement official or who performs a procurement function except: (a) beverages at a business meeting, (b) light snacks for a business meeting where government employees in travel status are in attendance, and (c) promotional items displaying the company logo and having a truly nominal value, such as baseball caps or pads of paper. Any exceptions must be approved in writing by the UTC Vice President, Business Practices.

11. Special restrictions apply to hiring or retaining as an employee or consultant, any government employee (other than secretarial, clerical or similarly graded employees). There are many “revolving door” laws which apply to government employees and restrict their employment outside the government. In some cases, even discussions of possible employment are prohibited. Accordingly, clearance must be obtained from the operating unit or UTC General Counsel (as appropriate) before even mentioning proposed employment to such a current government employee, and before hiring or retaining any such former government employee who left the government within the three previous years. In addition, any plans to employ retired military officers of general or flag rank, or civilian officials having the rank of deputy assistant secretary or above, must be approved by the UTC Vice President, Business Practices.
12. Employees may not accept gifts, entertainment or other gratuities from anyone seeking a contract with or purchase by UTC (in whatever form, including purchase orders or credit card purchases), other than customary business courtesies that are reasonable in frequency and value. (See the policy circular entitled “The Giving and Receiving of Business Gifts” for additional guidance.) Employees may not solicit any gift, entertainment, or other gratuity. Seeking or accepting any payment, gift or other thing of value from a subcontractor, vendor or supplier for the purpose of obtaining or acknowledging favorable treatment under a government contract or subcontract (a “kickback”) is a crime.
13. Aside from the restrictions of paragraph 11, additional limitations apply to those employees who have direct purchasing responsibilities. This includes all employees in the purchasing department and others, if designated by the operating unit such that the affected employees can be readily identified. The additional designations could include, for example, employees who are supplier quality assurance representatives, employees responsible for source selections, or employees authorized to make credit card purchases. Such employees may only accept (a) beverages, light snacks and business meals served during business meetings held at the facilities of subcontractors, vendors, or suppliers, (b) business meals when in travel status, (c) promotional or advertising items having a truly nominal value, such as baseball caps or pads of paper, and (d) any other gift, entertainment, or other gratuity if reported to and approved in writing by the Business Practices/Compliance Officer of the operating unit or by the UTC Vice President, Business Practices.

Guidance with respect to this policy can be obtained from the operating unit Business Practices/Compliance Officer or the UTC Vice President, Business Practices.
14. Employees shall not offer or give entertainment, gifts or gratuities to representatives or employees of higher tier government contractors other than customary business courtesies that are reasonable in frequency and value. Offering or giving any payment, gift, or other thing of value to such a person for the purpose of obtaining or acknowledging favorable treatment (a “kickback”) is a crime.

15. Even though not otherwise prohibited, employees will not offer or give to any representative or employee of a higher tier government contractor any entertainment, gift, gratuity or anything else of value that such representative or employee is known to be prohibited from accepting under the policies of the higher tier government contractor.
16. Consultants performing work related to a government contract or subcontract shall be required by contract to comply with the laws and regulations relating to government contracting and with this Policy Statement. This Policy Statement shall be incorporated in the standard terms and conditions for all such consultant contracts, and each such contract shall expressly provide for termination in the event the consultant violates either the laws or regulations relating to government contracting or this Policy Statement.

All organizations in the Corporation that contract directly or indirectly with the federal government of the United States are required promptly to maintain current, detailed procedures and policies, including an ongoing program of communication and training, to insure compliance with this Policy Statement and with the laws and regulations governing contracting with the government. Such procedures and policies shall expressly designate the department or activity responsible for implementing each element of the detailed policies and procedures.

Administration and Interpretation

1. These policies will be administered by the UTC Presidents Council, with the assistance of the UTC Vice President, Business Practices
2. The UTC Vice President, Business Practices will report periodically to the Audit Review Committee of the UTC Board of Directors.
3. Given the complexities of government contracting laws and regulations, it is recognized that the operating units of the Corporation may have questions as to the interpretation of this Policy Statement.
 - (a) All such questions relating to the charging of material and labor and to the allowability and reasonableness of overhead expenses are to be directed to the unit representative of UTC's Government Accounting Policy Committee (GAPC) which operates under the auspices of the UTC Controller. The GAPC will work closely with the UTC General Counsel and the UTC Vice President, Business Practices, and will look to the UTC Presidents Council for overall policy guidance.
 - (b) All other questions of interpretation are to be directed to unit Counsel who will, as appropriate, work closely with the UTC General Counsel, the UTC Controller, and the UTC Vice President, Business Practices and will look to the UTC Presidents Council for overall policy guidance.
4. The chief executive of each operating unit of the Corporation will designate an operating unit Business Practices/Compliance Officer who will have primary staff responsibility for government contract compliance matters at that operating unit. The operating unit Business Practices/Compliance Officer will have direct access to the chief executive of that operating unit and will be responsible to the UTC Vice President, Business Practices for overall professional supervision.
5. The UTC Director of Internal Auditing will be responsible for establishing and maintaining an audit function to monitor compliance with government contracting laws and regulations and with this Policy Statement.
6. The UTC Vice President, Business Practices and operating unit Business Practices/Compliance Officers, working with and through the respective Legal Departments, will be responsible for the conduct of investigations into suspected violations of this Policy Statement.
7. Operating unit Travel Audit groups will be responsible for reviewing Business Guest Reports for compliance with this Policy Statement. UTC will not reimburse to any of its employees the expense of any entertainment, gift or gratuity provided to others in violation of this Policy Statement.



United Technologies

**United Technologies Corporation
United Technologies Building
Hartford, CT 06101**