

# Business Gifts from Suppliers

## Introduction

UTC purchases supplies and services on the basis of merit, seeking both the best value and stable business relationships with suppliers. Giving business gifts is commonplace and can represent merely a desire to build goodwill. UTC, however, has very restrictive policies governing receipt of business gifts by its employees who have direct purchasing responsibilities. Purchasing decisions must not be influenced by a conflict of interest and must not be tainted even by the appearance of a conflict of interest.

Violations of UTC's policies on business gifts are taken seriously — a business gift which was intended to build goodwill can instead result in the firing of the UTC employee and result in the removal of the supplier from UTC's lists of approved sources. These pages are intended to guide you as a supplier or prospective supplier to UTC (including subsidiaries and affiliates; for ease of reference, these pages use "UTC" as all-inclusive).

UTC employees may not solicit any gift, entertainment, or other gratuity.

UTC 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.

UTC employees who have direct purchasing responsibilities, including employees in the purchasing department and employees designated otherwise as performing a purchasing function, may accept only (a) beverages, light snacks and business meals served during business meetings held at the facilities of suppliers, (b) business meals when in travel status, (c) promotional or advertising items having a truly nominal value, such as ball caps or pads of paper, and (d) any other business gift or thing of value 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.

These rules are intended to be restrictive. In addition to these "black letter" rules, suppliers must avoid offering or giving business gifts to any UTC employee which could create an appearance of impropriety. If you have questions regarding UTC's policies on gifts, call UTC's Vice President, Business Practices at (860) 728-6484.

A "business gift" is anything of value given as a result of a business relationship, where the recipient does not pay a fair market value. A business gift can be in any form - for example, dinner in a restaurant or club, tickets to the theater, a discount not available to the general public, or an art object.

## Who Is a “Supplier?”

The word “supplier” is intended broadly to include anyone having a contract, purchase order, service contract, or other agreement or arrangement for purchase by UTC (including credit card purchases). A “prospective supplier” is, of course, anyone seeking business from UTC.

## How Do I Know which UTC Employees Have “Direct Purchasing Responsibilities”?

Employees who have “direct purchasing responsibilities” include all employees in the purchasing department, such as buyers. It also includes other employees who are designated by the operating unit. 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. The Business Practices/Compliance Officer of the operating unit will have a list of designated employees. If you have a question, call the Business Practices/Compliance Officer of the business unit or UTC’s Vice President, Business Practices at (860) 728-6484.

## Gifts to Family Members of UTC Employees

UTC considers a gift to a spouse or other family member to be a business gift if motivated by or related to a business relationship. Such gifts are subject to UTC policy in the same manner as other business gifts.

## Personal Friendships or Family Relationships

UTC recognizes that gifts can be motivated by personal friendships or family relationships, rather than by business. Some gifts are clearly business gifts — any gift which is deducted for tax purposes or which is paid or reimbursed by a business entity is clearly a business gift. Some gifts are clearly motivated by family relationships — a wedding gift of appropriate value to a sister or other close family member is certainly appropriate. Assessing motivation and the nature of “friendship” in other situations, however, is problematic and discomfoting for all involved. Because “appearances” are important and because the propriety of a gift will be judged with the benefit of hindsight, UTC urges restraint in giving all gifts and strongly discourages all gifts based on personal friendship.

## Gifts During the Holiday Season

Although the holiday season is a traditional time for exchange of gifts, there is no exception in UTC policy which would permit acceptance. UTC encourages the exchange of holiday cards but is opposed to holiday gifts of any kind to any employee from suppliers. If a holiday gift is received from a supplier, UTC routinely returns it or donates it to charity.

## Government Contracts Implications

UTC entities have many direct and indirect contracts with the United States Government. Aside from UTC's policies, a payment, gift, or other thing of value from a subcontractor, vendor, or supplier to a government contractor at a higher tier, when given for the purpose of improperly obtaining or rewarding favorable treatment (a "kickback") is a criminal violation. Under UTC's standard terms and conditions of purchase, a supplier indemnifies UTC for all costs and any other loss suffered as a result of a kickback. The supplier (or prospective supplier) has the ultimate ability to stop a kickback, including those which are solicited. This indemnity is intended to reinforce the message, unambiguously, that kickbacks will not be tolerated and to encourage you to notify UTC if a UTC employee is seeking a kickback.

## A Supplier's Recourse if a UTC Employee Solicits Money or a Gift

UTC prohibits its employees from soliciting a gift from any supplier or prospective supplier. If a UTC employee solicits money or any other gift, call the UTC Ombudsman at (800) 843-8595. Don't acquiesce; don't mistakenly conclude that it is routine and acceptable.

You will be held accountable, and the consequences can be severe.

**“Why the big  
song and dance  
about Ethics?”**

**We're a  
class act.**

**United Technologies Corporation  
Code of Ethics**

One of several UTC posters used throughout the corporation as part of ethics awareness training.



**United Technologies**

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