

The Giving and Receiving of Business Gifts

What is UTC's definition of a "business gift?"

A "business gift" is anything of value given or received as the result of a business relationship and for which the recipient does not pay fair market value. A gift can be in any form. For example: food, theater or sporting event tickets, discount or "all expense paid" trips, promotional items and golf green fees — to name a few — can all be considered business gifts.

When can business gifts be given/received?

In each area of the world where UTC does business there are generally accepted customs regarding the exchange of business gifts — both with respect to the type and value of the gift and with respect to the manner or protocol of exchange.

UTC policy generally permits the giving (and receiving) of business gifts that are customary business courtesies and are reasonable in value and frequency. This is a flexible standard and intended to accommodate the range of circumstances worldwide: however, the concepts underlying the standard (“customary”, “courtesies”, “reasonable value”, and “reasonable frequency”) must be viewed against objective standards. Each of these concepts in effect is a limitation — business gifts should be infrequent tokens of esteem.

A business gift is never permitted if:

- prohibited by law or regulation;
 - prohibited by more stringent UTC policies applicable to business relationships with U.S. Government employees (see UTC’s Policy Statement on Business Ethics and Conduct in Contracting with the United States Government) or applicable to UTC employees in purchasing or related functions;
 - prohibited by known policies of the employer of the intended recipient;
- or
- intended to improperly influence, or would have the appearance of improperly influencing, the recipient.

Business gifts that a UTC employee intends to give must be reported to the employee's supervisor, whether or not reimbursement is sought from UTC. If the cost is reimbursable by UTC, the full cost must be identified in the employee's expense report, together with the name and business relationship of the recipient. Supervisors are responsible for assuring strict adherence to UTC policies on business gifts.

Business gifts received by a UTC employee must be reported to the employee's supervisor, except for:

- food and beverage consumed at a business function;
 - entertainment (e.g., sporting events or theater having a value of less than \$100) when the UTC employee is in travel status;
- or
- a business gift having a retail value of \$50 or less.

For the purpose of measuring value, the \$50 limit will be applied to each person separately, but the value of a function will be aggregated for each person. For example, cocktails, dinner and theater on the same evening are considered a single function.

UTC considers a gift to a spouse or 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. This applies both to giving and receiving business gifts.

Aside from these restrictions, additional limitations apply to employees who have direct purchasing responsibilities. This includes all employees in the purchasing department and others, if designated by the business unit such that the affected employees can be readily identified. The additional designations include, for example, employees who are supplier quality assurance representatives, employees responsible for source selection, or employees authorized to make purchases directly from suppliers. 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 truly nominal value, such as ball 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 or 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.

The propriety of a business gift is dependent in part upon its nature. In general, there should not be a problem with food or beverages consumed at a business function, and there should not be a problem with unsolicited gifts of a promotional nature, such as pens, calendars, and the like, which bear a company logo or advertising. As a general rule, business gifts having a total retail value of U.S. \$50 or less would not be objectionable and need not be reported to supervision. At the other extreme, business gifts ordinarily should not exceed a retail value of \$100, although it is recognized that there will be instances where a more expensive gift may be appropriate. In any event, the cost and nature of business gifts should always be commensurate with the circumstances (e.g. accepted practice or custom, and the business relationship and position of the recipient).

UTC considers that business gifts received are for the benefit of the Corporation. The cognizant Business Practices/Compliance Officer (“BPO”) will determine the proper disposition of a business gift received, having a value of more than \$50 (other than food/beverage consumed, entertainment, flowers or the like).

The BPO will consider the practicality of allowing the gift to be retained in the recipient employee’s work area. In some cases, the BPO may conclude that the gift should be returned. In other cases, the BPO may have the gift donated to a charitable or community service organization.

Business relationships with the U.S. government agencies and departments and the Congress are tightly controlled by laws and regulations. UTC policy forbids offering or giving anything to a government employee unless clearly permitted by government regulations and flatly prohibits anything to a government employee in a procurement function. 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. Questions should be referred to your BPO or entity legal counsel.



United Technologies

United Technologies Corporation
United Technologies Building
Hartford, CT 06101