

Gifts and Gratuities

November 30, 2005

Purpose:

To provide a clear statement as to what is and what is not permitted under Northrop Grumman Corporation policies and U.S. and foreign laws.

Definitions:

gift - A gift includes any gratuity, favor, discount, entertainment, hospitality, loan, forbearance, or other item having monetary value. It includes services as well as gifts of training, transportation, local travel, lodgings and meals, whether provided in-kind, by purchase of a ticket, payment in advance, or reimbursement after the expense has been incurred.

provide - Provided by a Northrop Grumman employee at no charge to the other party. If market value is paid by the other party, the gift is acceptable.

Principles:

Relevant policies may be found in the Standards of Business Conduct, Corporate Policy CP A8, Business Practices, and Corporate Procedure CO F244A, *Business Conference, Entertainment, and Hospitality Expenses*.

Overall

Employees may not offer, promise, or incur expenditures that are intended to affect, or reasonably be interpreted to influence or affect, the impartiality of government personnel, domestic and foreign customers, or others with whom company personnel come in contact in the course of doing business.

Employees meeting with customers or suppliers must conduct themselves so that no undue influence can be inferred. They must also pay their fair share of expenses in accordance with this procedure.

Process/ Responsibilities:

U.S. Government Laws and Regulations

As a general rule, no federal government employee may solicit or accept, directly or indirectly, any gratuity, gift, favor, entertainment, loan, or anything of monetary value from anyone who:

- Has or is seeking to obtain government business with the employee's agency.
- Conducts activities that are regulated by the employee's agency.
- Has interests that may be substantially affected by the performance or nonperformance of the employee's official duties. Certain limited exceptions are authorized in agency regulations.

Criminal statutes prohibit:

- The offering or giving, directly or indirectly, anything of value to any public official for or because of any official act performed or to be performed.
- Corruptly offering or giving, directly or indirectly, anything of value to any public official (or person selected to be a public official) with intent to:
 - Influence any official act.
 - Influence a public official to commit or aid in commission of any fraud on the U.S.
 - Induce public official to do or omit to do any action in violation of his/her lawful duty.

The statutes provide for fines and/or imprisonment.

References cited may not be applicable to all locations; use site specific documents in these instances.

Northrop Grumman Policies and Procedures:

“As a general rule, business courtesies such as gifts, entertainment, services or favors should not be offered to any actual or potential government customer or representative”. “Our policies, procedures and practices are designed to prevent even the appearance of such influence”. (*Standards of Business Conduct-Relationships with Customers*, page 5)

It is Northrop Grumman policy to support and comply with the guidelines imposed by the U.S. government, foreign governments and other Corporations on their personnel with regard to interactions with Northrop Grumman as our customers, suppliers and teammates.

The following paragraphs and associated matrix provide guidance for Northrop Grumman employees in their interactions with various government personnel, customers, suppliers and teammates.

U.S. Government Executive Branch Customers

As a general rule, Northrop Grumman employees may not offer business courtesies such as gifts, entertainment, services or favors to any actual or potential U.S. government customer or representative. The following exceptions apply:

Modest Items of Food and Refreshments

Items such as soft drinks, coffee and donuts, offered other than as part of a meal may be provided. See Table A177-01. **(1)**

Meals, Transportation, Lodging, Entertainment, Gifts and Hospitality Suites

Unsolicited Gifts

Unsolicited gifts (including meals, transportation, lodging, or entertainment) having an aggregate value of \$20.00 or less per occasion provided such items do not in aggregate exceed \$50.00 in a calendar year, may be provided. Although it is the responsibility of the government employee to track and monitor these thresholds, no Northrop Grumman employee shall knowingly provide entertainment, meals and/or transportation exceeding the \$20.00 individual or \$50.00 annual limit. If accompanied by spouse/family member on any given occasion, the total amount for the gift cannot exceed the \$20.00 restriction. **(2)**

If the \$20.00 exception does not apply and government employees will be participating in working lunches and dinners where alternate arrangements would be clearly impracticable, the government employees are required to reimburse the company for the meal.

- Prior to providing such meals, the company employee will make appropriate arrangements for the government employee to reimburse the Company for the meal. The company employee shall clearly advise the government employees of the cost of such meals and the arrangements for them to make reimbursement.
- A “straight arrow” box will be provided in which the government employee may place their reimbursement payments. The Company employee will collect the reimbursed funds from the “straight arrow” box and turn them in to the cashier no later than the first working day after their collection (unless other local documented arrangements are made).

Foreign Areas

Meals may be provided to U.S. government executive branch personnel in a **foreign area** provided all of the following guidelines are met:

- Market value does not exceed government area per diem rate; and
- Foreign citizen or foreign company representative must be present; and
- Attendance is related to government employee's official duties.

Widely Attended Gatherings

Free attendance (including meals) may be provided under certain circumstances at **widely attended gatherings** and other events (prior review with Legal is required):

- When a government employee is assigned to participate as a speaker or panel participant or otherwise to present information on behalf of a government agency at a conference or other event, the offer of free attendance at the event on the day of his/her presentation is permissible when provided by the sponsor of the event
- When a government employee's attendance at an event is in the interest of the government agency because it will further agency programs and operations, the government employee may accept an unsolicited gift of free attendance at all or appropriate parts of a widely attended gathering under the following circumstances:
 - Of mutual interest to a number of parties from the sponsor of the event; or
 - If more than 100 persons are expected to attend the event and the gift of free attendance has a market value of \$285.00 or less, from a person other than the sponsor of the event.
- A government employees participation at a widely attended gathering requires a determination from the government employees agency.
- Free attendance may include the waiver of fees or the provision of food, refreshments and entertainment furnished to all attendees as an integral part of the event.
 - It does not include travel expenses, lodging, and entertainment collateral to the event or meals taken other than in a group setting with all other attendees.
 - If spouse is invited, market value of the gift includes the cost of the spouse's attendance as well as the employee.

Other Exceptions

There are a few additional exceptions to the general prohibition against gifts. Contact the Law department for further information.

- Awards and honorary degrees.
- Gifts based on outside business or employment relationships.
- Social invitations from persons other than prohibited sources.
- Gifts authorized by supplemental agency regulations.
- Gifts accepted under specific statutory authority.
- Gifts motivated by longstanding personal or family (non-business) relationships are permissible.
- Discounts and similar benefits.

Promotional/Advertising Items

Promotional or of little intrinsic value (generally \$20.00 or less) such as a coffee mug, calendar, greeting cards, plaques, certificates, trophies or similar items intended solely for the purpose of presentation and displaying the company logo is permissible. **(3)**

Foreign Customers:

Meals, entertainment and reasonable gifts may generally be provided to foreign customers who are not foreign officials or officials of state owned companies provided they are permissible under local law. **(4)**

In accordance with Corporate Procedure CO A312A, *Business Expenditures for Foreign Officials*, requests for payment or provision of business courtesies (meals, gifts, lodging, transportation, etc.) for a foreign official (including officials of state-owned companies), foreign political party or party official, or candidate for foreign political office must be submitted to the Law department (international legal group) for pre-approval using Corporate Form C-591, *Request for International Legal Group Approval of Business Expenditures for Foreign Official(s)*.

Law Department (international group) approval is also required for all meals, entertainment and gifts associated with foreign military sale and foreign military financed direct commercial transactions.

Domestic Non-Government Customer, Joint Venture Partner, or Teaming Co-Participants

Meals, entertainment and reasonable gifts may generally be provided to non-U.S. government (domestic) customers, provided they are permissible under the rules of the recipient's employer. Law department approval is also required for all meals, entertainment and gifts associated with foreign military sale and foreign military financed direct commercial transactions. **(5)**

Excluding travel and living associated with foreign military financed contracts, which is prohibited, travel and lodging may be provided if related to contract execution/performance or promotion/demonstration of products. **(6)**

Rules only apply if co-participant is also not a supplier of Northrop Grumman.

Suppliers

In accordance with Corporate Procedure CO A201, *Employee/Supplier Standards of Conduct*:

- Acceptance of meals or refreshments offered at a supplier's cafeteria or facility where business is being conducted is allowed. Gifts or prizes valued at more than \$10.00 offered at such meetings should not be accepted. **(7)**
- An exchange of gifts that is clearly based only upon a personal relationship between an employee and the supplier representative and is not related to company business or the expenditure of company funds is allowed. The relationship must be disclosed to the employee's manager and in writing on Corporate Form C-196, *Certificate on Conflict of Interest Relationships with Suppliers and Standards of Business Conduct*. **(8)**
- Employees may accept gifts/gratuities at supplier hospitality suites provided they are open to the general public and acceptance would not create an appearance of impropriety. **(9)**
- Acceptance of promotional material or samples up to \$10.00 is acceptable. **(10)**

Be Mindful of Appearances

Meals, gifts, transportation, lodging or entertainment acceptance of which could create an appearance of a conflict of interest should be reported to Northrop Grumman for necessary action. **(11)** (ES Ethics Point of Contact for such matters may be reached on the ES OpenLine at (410) 765-1919)

References cited may not be applicable to all locations; use site specific documents in these instances.

Table A177-01. Gift and Gratuity Matrix

Item	U.S. Gov't Customer)		Foreign Customers)		Domestic Customers)		Revenue Share/ Joint Venture/ Teaming Co-Participants**		Suppliers	
	Provide	Receive	Provide	Receive	Provide	Receive	Provide	Receive	Provide	Receive
Coffee & Refreshment	Yes (1)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No (7)
Meals	No (2)	Yes (11)	Yes (4)	Yes (11)	Yes (5)	Yes (11)	Yes	Yes	Yes	No (7)
Transportation	No (2)	Yes (11)	Yes (4)	Yes (11)	Yes (6)	Yes (11)	Yes	Yes	Yes	No
Lodging	No (2)	Yes (11)	Yes (4)	Yes (11)	Yes (6)	Yes (11)	Yes	Yes	Yes	No
Entertainment	No (2)	Yes (11)	Yes (4)	Yes (11)	Yes (5)	Yes (11)	Yes	Yes	Yes	No
Gifts	No (2)	Yes (11)	Yes (4)	Yes (11)	Yes (5)	Yes (11)	Yes	Yes	Yes	No (8)
Hospitality Suites	No (2)	Yes	Yes (4)	Yes	Yes (5)	Yes	Yes	Yes	Yes	No (9)
Promotional Items	Yes (3)	Yes	Yes (4)	Yes	Yes (5)	Yes	Yes	Yes	Yes	No (10)

References

Command Media

CP A8, *Business Practices*

CO A201, *Employee/Supplier Standards of Conduct*

CO A312A, *Business Expenditures for Foreign Officials*

CO F244A, *Business Conference, Entertainment, and Hospitality Expenses*

Forms

C196, *Certificate on Conflict of Interest Relationships with Suppliers and Standards of Business Conduct*

C591, *Request for International Legal Group Approval of Business Expenditures for Foreign Official(s)*

Other

Northrop Grumman Standards of Business Conduct