

BUSINESS COURTESIES

April 24, 2009

Purpose This document sets forth the guidelines on providing or receiving gifts, gratuities, entertainment, meals, refreshments, and other items of value, also known as business courtesies.

Definitions This section defines acronyms and/or terminology used in this procedure.

Acronym or Term	Definition
Business Associate	<p>Any person or entity that has, or is actively seeking to establish, a business relationship with Northrop Grumman, including, but not limited to, the following:</p> <ul style="list-style-type: none">• a supplier• subcontractor• consultant• customer• team member• joint venture partner

Acronym or Term	Definition
Business Courtesy	<p>A gift, gratuity, entertainment, or other favor provided to or by a business associate for which fair market value is not paid by the employee or the company.</p> <p>A business courtesy may be a tangible or intangible benefit such as meals, drinks, recreation, door prizes, honoraria, transportation, lodging, discounts, promotional items, or use of a donor's time, materials, facilities, or equipment.</p>
Family Member	<p>One of the following:</p> <ul style="list-style-type: none">• parent (father or mother)• spouse (wife or husband)• sibling (sister or brother)• child• domestic partner• parent or child of domestic partner• grandparent• grandchild• in-law (father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law)• and step-relations (stepfather, stepmother, stepsister, stepbrother, stepchild, half sister, half brother)
Government Official	<p>A U.S. federal, state, or local government employee or appointed or elected official, including a military officer.</p>
Foreign Official	<p>A government employee or appointed or elected official from a country other than the United States, including a military officer.</p>

General

Northrop Grumman competes in the marketplace on the basis of product quality, service, price and other similar competitive factors. The company does not seek to gain or exert any improper advantage or influence through the use of business courtesies. Similarly, the company does not want to give even the perception that the impartial judgment of its employees may be compromised by offers of business courtesies.

In those limited instances where providing or receiving a business courtesy is appropriate, moderation is to be exercised and such business courtesies are not to be frequent or lavish.

Because even the appearance of impropriety can erode public confidence in the company and in the procurement process, this procedure affirms required standards of conduct and practices with respect to all company transactions.

Employees and/or family members may exchange gifts with a business associate if a gift is given under circumstances which make it clear that the gift is motivated by a family relationship or personal friendship rather than an employee of Northrop Grumman. Acceptance of such gifts may disqualify the employee from making any decisions regarding that business associate or their respective company/employer. Employees are required to disclose the receipt of all gifts received over \$20 on [Form C-196](#), Disclosure of Conflicts of Interest and Certificate of Standards of Business Conduct.

Extending Business Courtesies to Business Associates Other Than Government or Foreign Officials

Entertainment of, making gifts to, and extending other business courtesies to present and prospective business associates other than government or foreign officials by company employees is permitted only when all of the following criteria are met:

- The business courtesy is ordinary and customary in the context.
 - The business courtesy is not frequent or lavish as measured by reasonable standards in the relevant business community.
 - The cost of the business courtesy is appropriately reported to the company and is properly reflected on the books and accounts of the company.
 - Every effort has been taken to ensure the use or receipt of the business courtesy by the receiving party is not contrary to any applicable law or regulation or known policy or practice applicable to the business associate.
 - The business courtesy has a value less than \$100 unless the prior written approval of the Law Department and cognizant Ethics and Business Conduct Office has been obtained
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**Receiving
Business
Courtesies by
Company
Employees
from Business
Associates**

Company employees must not only make fair and impartial decisions in performing their duties in the best interests of the company; they must also avoid any conduct that would create an impression that decisions may be influenced by providing the employee a business courtesy.

Business courtesies may never be solicited from a business associate, nor should the employee engage in any conduct that would create an impression that receipt of a business courtesy could in any way influence the employee's actions regarding a business decision, now or in the future.

Even in the limited instances under this procedure where acceptance of a business courtesy is permitted, it must be moderate and not frequent or lavish.

A general rule is that an employee may not accept a business courtesy from a business associate. Exceptions consist of the following:

- Employees and their family members may accept a promotional item from business associates with a maximum market value of \$20. Examples include key chains, holiday cards, ball point pens, and commemorative plaques.
- Employees may accept meals and refreshments offered at a business associate's cafeteria or facility where business is being conducted. Note: Employees must not accept any meals or refreshments that are frequent or lavish or that are offered outside of the business associate's cafeteria or facility under this exception.
- Employees may accept business courtesies in connection with commercial transactions that are unrelated to federal, state, or local government contracts and subcontracts upon prior written approval from the cognizant Ethics and Business Conduct Office and the Law Department. In addition, when conducting business with foreign officials, it may be appropriate to accept a customary gift to avoid an awkward or embarrassing situation for both the foreign official and the Northrop Grumman employee. In this situation, the employee may accept the gift on behalf of the company; as such, the gift belongs to the company. It is important to ensure that any business courtesy offered or received is not frequent, lavish and does not influence, or appear to influence, any business decision.

Receiving Business Courtesies by Company Employees from Business Associates (continued)

If a business associate offers a business courtesy to a Northrop Grumman employee that is not permissible under this procedure, it must be declined at the time the offer is made.

If a business courtesy is received, e.g., via mail, delivery, etc., the business courtesy must be returned unless it is perishable. If the business courtesy is perishable, the employee must contact immediate management or the cognizant Business Conduct Officer to determine the appropriate disposition of the business courtesy. In either instance, the employee must send a letter to the business associate indicating that acceptance of the business courtesy by the employee would be contrary to Northrop Grumman policy and request that the business associate refrain from providing such business courtesies in the future.

Receipt of any business courtesy as outlined within this section of this procedure, other than promotional items with a market value less than \$20, and must be disclosed on Form C-196.

Extending Business Courtesies to Government Officials

Government officials are subject to often widely varying rules, depending on the governmental agency or branch of government involved, regarding acceptable gifts and other business courtesies.

Providing any business courtesy to a government official that they are prohibited by law from accepting can result in severe adverse consequences to the company, including civil or criminal penalties, termination of contracts and disqualification from participation in procurements. A business courtesy must never be provided to a government official without the prior written approval of the cognizant Ethics and Business Conduct Office or the Law Department.

Note: Business courtesies and other expenditures on behalf of foreign officials shall not be made without the prior written approval of the Law Department and in accordance with [CO No. A312A](#), Business Expenditures for Foreign Officials.

Roles and Responsibilities

The table below identifies the stakeholders and their responsibilities.

Key Stakeholder Position Title	Responsibility
Ethics and Business Conduct Office and the Law Department	Provide guidance to employees as required regarding the receipt, extension and/or disposition of business courtesies as required and by this procedure.

References**Procedures**

CO No. A101, Northrop Grumman Command Media System
CO No. A312A, Business Expenditures for Foreign Officials

Topical Manuals

None

Work Instructions

Summary of Government Branch Rules and Regulations

Forms/Checklists

Form C-196, Disclosure of Conflicts of Interest and Certificate of Standards of Business Conduct