

# FOREIGN CORRUPT PRACTICES ACT



Foreign Corrupt Practices Act  
*Test Yourself*

**Northrop Grumman** is committed to acting with integrity and to the highest standards of ethical conduct in all that we do. Our products, whether provided to U.S., foreign, government or commercial customers, are offered and eventually selected on the basis of quality, service and price. We abide by the laws of the United States and other countries where we conduct business. We conduct our business in an open and above-board manner, and we do not seek any improper influence - nor will we tolerate even the appearance of such influence.

All company employees and anyone authorized to conduct international business on behalf of the company anywhere in the world must do so ethically and in accordance with the company's values and Standards of Conduct ("Values") and the U.S. Foreign Corrupt Practices Act (FCPA). This pamphlet is designed to familiarize you with the FCPA and the company's related policies and procedures. Any questions regarding the FCPA or the information in this pamphlet should be directed to your business conduct officer (BCO) or to the Law department.

## FCPA

The Anti-Bribery Provisions of the FCPA prohibit bribery of foreign government officials to obtain new or maintain existing business, or to obtain any improper business advantage. In addition, to prevent the concealment of any such bribes or improper payments, the Accounting Provisions of the FCPA require that all of the company's financial transactions must be recorded accurately and in reasonable detail in the company's books and records, and that adequate internal accounting controls must be implemented to detect and prevent FCPA violations.

A "foreign government official" is defined broadly to include anyone who is employed by a foreign government, including civil workers, military officers, diplomats, legislators, foreign political party members and candidates, as well as employees of public international organizations, such as NATO, the U.N., or the World Bank. Employees of foreign state-owned entities may be considered foreign government officials, as well as individuals, regardless of nationality, who serve as advisors, consultants or agents of foreign governments. For questions regarding the FCPA, or who is considered a foreign government official, consult **Corporate Procedure No. A312** and your assigned legal counsel.

## FCPA Anti-Bribery Exception & Affirmative Defenses

### I. Exception: Facilitation Payments

The FCPA provides a narrow exception to the Anti-Bribery Provisions prohibition for certain payments made to foreign government officials—known as "facilitation payments". Facilitation payments are small expediting or "grease" payments made to foreign government officials to facilitate or expedite the performance of a routine, non-discretionary governmental action that a Government foreign official is already obligated to perform, such as issuing certain permits, licenses, visas, mail, or utilities hook-ups. Facilitation payments do not include any decision by a foreign government official to award new business or to continue business with a company.

Northrop Grumman highly discourages facilitation payments and employees must avoid them to the maximum extent possible. No facilitation payment may be made by anyone in the company without prior written approval from the Law department, except in cases involving the health or safety of the employee. Even in cases involving health or safety, employees are required to notify their BCO and the Law department as soon as practical afterwards. For more information, consult **Corporate Procedure No. A312**.

### II. Affirmative Defenses:

The FCPA also provides two affirmative defenses that can be used to defend against alleged violations of the FCPA Anti-Bribery Provisions for business courtesies provided to foreign government officials that are: (1) Reasonable and bona fide, and related to the promotion, demonstration or explanation of products or services, or the execution or performance of a contract with a foreign government or agency, or (2) Allowable, pursuant to the written laws of the country in question.

"Business courtesy" covers anything of value offered to a foreign government official, including meals, gifts, lodging, transportation, and entertainment, as well as charitable contributions, donations and sponsorships. Before offering any business courtesy to a foreign government official, **Corporate Procedure No. A312A** requires employees to obtain Law department approval. Thus, consult **Corporate Procedure No. A312A** and your assigned legal counsel for guidance and relevant forms to ensure that the proposed business courtesy is lawful under applicable U.S. and foreign laws.

## FCPA APPLICATION

The FCPA applies to all U.S. citizens, residents, and companies (U.S./foreign) that are established under U.S. law. The FCPA also applies to all companies (U.S./foreign) that trade on the U.S. stock market, as well as any person, regardless of nationality, who violates the FCPA while in U.S. territory. U.S. parent companies may be liable for the acts of their foreign subsidiaries if the U.S. parent authorized or ratified the FCPA violation.

Companies may also be penalized if they order, authorize or assist anyone to violate the FCPA, including outside third parties who support a company's international sales efforts. Thus, prior to tasking, directing or retaining the services of any such third parties, including sales agents, consultants, distributors, teaming partners or joint venture partners, consult **Corporate Procedure No. A301** and your assigned legal counsel.

As with the company's Standards of Business Conduct, the FCPA and **Corporate Procedure No. A312** extends to the company's officers, directors, employees, consultants or agents, and to our U.S. and foreign subsidiaries, as well as anyone who acts on behalf of the company or its subsidiaries in any capacity.

## PENALTIES & STANDARDS OF ACCOUNTABILITY

Penalties for FCPA violations are severe for both companies and the employees involved. A company can be fined up to \$2 million per violation. Individuals can be fined up to \$100,000 per violation and imprisoned for up to five years per FCPA violation. Violations of the FCPA may also result in loss of export licenses, suspension from doing business with the U.S. government, shareholder lawsuits, and long-term damage to a company's reputation both in U.S. and overseas. For Northrop Grumman employees, violations of the FCPA will also result in a prompt corporate response up to and including termination of employment.

## STOP SIGNS

The following situations are some (but by no means all) examples of red flags or "stop signs" that should give you pause before proceeding. Notify your BCO or the Law department should you experience any of the following:

- A foreign government official suggests to you that his government would be willing to do business with Northrop Grumman if we hire the sales agent they recommend.
- A foreign government official requests an improper payment or favor in exchange for "doing business" with our company.
- The amount of compensation requested by a sales agent, consultant or other outside third party is more than one would normally expect to pay for the services rendered.
- You are not clear, or may even be suspicious, of the reputation of a sales agent or other outside third party because they are less than forthcoming with information.
- A method of payment is suggested that could be considered unusual for a business transaction, such as: payment in cash, payment through a third party, or payment in a third country.
- A sales agent or consultant has a personal, family or business relationship with a foreign government official.
- You're told bribery is a "way of doing business" in the country in question.
- A sales agent or consultant does not have the credentials or experience you would expect for the services being offered.
- An outside third party makes reference to political or charitable contributions as a way of influencing official action.
- An outside third party employs individuals or firms unknown and unauthorized in writing by Northrop Grumman.

## TEST YOURSELF

The deputy defense minister of a country with which the company has done business before informs you that he would like to visit company facilities in the U.S. Before you invite him and his delegation, which includes his spouse and two aides, to visit the company's headquarters and manufacturing facilities in California, a number of questions must be answered.

	Yes	No
1. Are such trips permitted under the FCPA?	<input type="checkbox"/>	<input type="checkbox"/>
2. Can you extend the invitation without involvement of any other level of management?	<input type="checkbox"/>	<input type="checkbox"/>
3. Should you extend the invitation to the deputy defense minister's spouse? In addition to the business-related trip to California, you would like to arrange for the minister and his delegation to stop in Washington, D.C. for two days on the way.	<input type="checkbox"/>	<input type="checkbox"/>
4. Is such a stop permitted if it is unrelated to company business?	<input type="checkbox"/>	<input type="checkbox"/>
5. Is such a stop permitted if it is related to company business? At dinner one evening, you present the Minister with an expensive crystal American eagle	<input type="checkbox"/>	<input type="checkbox"/>
6. Could such a gift be considered legal under U.S. and foreign law?	<input type="checkbox"/>	<input type="checkbox"/>
7. If legal under U.S. law, does that settle the matter? A foreign government official you meet on a business development trip suggests to you that a business relationship is possible if the company is willing to hire a specific sales consultant and make certain "contributions" to the procurement officials.	<input type="checkbox"/>	<input type="checkbox"/>
8. Do you proceed to task, direct or authorize that sales consultant to represent the company without senior management and Law department involvement?	<input type="checkbox"/>	<input type="checkbox"/>
9. Do you notify your senior management and the Law department of the conversation with the foreign official?	<input type="checkbox"/>	<input type="checkbox"/>

## CORRECT ANSWERS

1. Yes. But all expenses and business courtesies associated with such foreign delegation visits must be reasonable and directly related to the promotion, demonstration or explanation of products or services, or the execution or performance of a contract in order to preserve the affirmative defense under the FCPA.
2. No. Do not proceed to make the invitation without first involving your senior management and obtaining prior written approval from the Law department, pursuant to Corporate Procedure No. A312A. The Law department must ensure the proposed invitation is legal under U.S. and applicable foreign law.
3. No. To the maximum extent possible, you should avoid providing any business courtesies to the spouses and family members of foreign officials. Providing business courtesies to the spouses or family members of foreign officials do not further a business purpose; it creates a negative perception, and there may be no affirmative defense under the FCPA for such courtesies.
4. No. You should not arrange non-business related activities.
5. Yes, subject to the expenses being reasonable, customary and directly related to the business purpose.
6. Yes, it could be. Obtain prior Law department approval pursuant to Corporate Procedure No. A312A.
7. No. The Law department will also consult the laws of the visitor's country to determine permissibility.
8. No. Do not retain the services of any outside third parties to support the company's marketing or sales efforts without first obtaining the approval of your senior management and the Law department, pursuant to Corporate Procedure No. A301.
9. Yes. Immediately notify your BCO or assigned legal counsel of any requests for improper payments or other actions that you suspect are violations of the FCPA and the company's policies.

Questions about the FCPA and related company policies and procedures can be directed to your BCO and the Law department.

Employees with specific concerns that wish to discuss them confidentially should contact either the Law department or the Ethics OpenLine.

More information about the FCPA also can be found on the U.S. Department of Justice Web site at: <http://www.usdoj.gov/criminal/fraud/fcpa/>