

# Worldwide Gift and Entertainment Policy

## I. INTRODUCTION

Business gifts and entertainment on a modest scale are commonly used to build goodwill and strengthen working relationships among business associates. Providing or accepting occasional meals, small company mementoes and tickets to sporting and cultural events may be appropriate in certain circumstances. Occasionally, it may also be appropriate to accept or provide offers involving travel for business events with our business associates. However, if offers of gifts, entertainment or travel are frequent or of substantial value, they may create the appearance of, or an actual, conflict of interest or illicit payment.

Eaton has developed this policy to help employees make the right decisions when providing or accepting gifts, entertainment or travel while conducting business on behalf of Eaton. The policy covers the following:

- Accepting Gifts
- Accepting Entertainment
- Accepting Travel
- Gift Giving
  - Non-Government Officials
  - Government Officials
- Providing Entertainment
  - Non-Government Officials
  - Government Officials
- Providing Travel to Government Officials
- Gift and Entertainment Disclosure Procedure

## II. SCOPE

This Policy applies to all employees, officers and directors of Eaton and its subsidiaries and affiliates worldwide. Eaton business units may, at their discretion, establish more stringent country-specific limits, but not less.

## III. POLICY

### Accepting Gifts

Eaton recognizes that it is customary for some of its suppliers, customers and other business associates to occasionally give small gifts to those with whom they do business. It is important, however, that these gifts do not affect an employee's business judgment, or give the appearance that judgment may be affected. Accordingly, Eaton and its employees must be very careful when it comes to accepting gifts. As a general rule, Eaton employees may accept gifts

from suppliers, customers or other business associates outside Eaton, provided the gift:

- does not create the appearance (or an implied obligation) that the gift giver is entitled to preferential treatment, an award of business, better prices or improved terms of sale;
- would not embarrass Eaton or the gift giver if disclosed publicly;
- if valued US\$100 or above (even if promotional in nature), is reported to and approved by the recipient's first and second level reporting managers and disclosed under the Gift Disclosure and Reporting Tool;
- does not exceed any specific limits established by local management; and
- would not prevent the recipient from awarding Eaton's business to one of the gift giver's competitors

The following gifts are never appropriate:

- gifts of cash, or cash equivalent (such as gift cards or gift certificates);
- gifts that are prohibited by local law;
- gifts given as a bribe, payoff or kickback (e.g., in order to obtain or retain business, or to secure an improper advantage, such as securing favorable tax treatment);
- gifts the recipient knows are prohibited by the gift giver's organization;
- gifts given in the form of services or other non-cash benefits (e.g., the promise of employment); and
- gifts that could not be given in return to Eaton under similar circumstances.

The cumulative annual value of all gifts an employee may receive from any one gift giver cannot exceed US\$250 unless disclosed under the Gift Disclosure and Reporting Tool and approved by the applicable Regional President, or, in the case of North America, by the functional, geographic or business unit Vice President.

Employees who receive a gift at an event of a ceremonial nature (e.g., a customer outing or a commemoration of a business transaction) that might not be appropriate under these guidelines, but is impractical or offensive to refuse, may accept the gift and then promptly report it to their supervisor. The employee and supervisor can then discuss the appropriate response.

Eaton employees must never ask for gifts, gratuities or other items that benefit them personally, regardless of value. Employees are expected to exercise good judgment in accepting gifts from suppliers, customers or other business associates outside Eaton. Employees should talk to their supervisor when in doubt as to whether a gift is appropriate.

## Accepting Entertainment

Business entertainment (e.g., meals, tickets to the theatre or a sporting event) can play an important role in strengthening working relationships among business associates. Accordingly, Eaton employees may accept business entertainment offered for legitimate business purposes, such as building goodwill and enhancing relationships with customers or suppliers, provided that it complies with these guidelines. Specifically, accepting entertainment from Eaton suppliers, customers or other business associates outside Eaton is permitted only if such entertainment:

- is allowable under Eaton's Worldwide Travel and Expense Policy;
- is infrequent;
- is reasonably related to a legitimate business purpose (e.g., accompanying a customer or supplier to a local theatre/sporting event or attending a business meal);
- is not given as a bribe, payoff or kickback (e.g., in order to obtain or retain business, or to secure an improper advantage);
- does not create the appearance (or an implied obligation) that the gift giver is entitled to preferential treatment, an award of business, better prices or improved terms of purchase;
- is in good taste and occurs at a business appropriate venue;
- is reasonable and appropriate in the context of the business occasion;
- would not influence, or appear to influence, the employee's ability to act in the best interest of Eaton; and
- complies with any specific limits established by local management

The following is *never* appropriate:

- entertainment that can be viewed as excessive in the context of the business occasion;
- "adult" entertainment or any sort of event involving nudity or lewd behavior;
- entertainment that the recipient knows the gift giver is not permitted to give; and
- entertainment that is otherwise prohibited by local management.

Employees should talk with a supervisor when in doubt as to whether an event, location or expenditure is appropriate.

Finally, note that these entertainment guidelines apply to situations in which the host is present. Tickets to sporting or cultural events provided to Eaton employees and not attended by the host are really "gifts," not "entertainment," and should be viewed under the gift guidelines above.

## **Accepting Travel**

Infrequently, it may be appropriate for customers, suppliers or other business associates outside Eaton to pay for travel-related expenses for Eaton employees. As these situations are rare, offers to pay for travel and/or related expenses from third parties must be: a) reviewed and approved by the first and second level reporting managers; and b) disclosed under the Gift Disclosure and Reporting Tool.

In reviewing the travel request, the first and second level reporting managers should consider a number of factors, including whether:

- the primary purpose of the travel is business-related;
- the class of travel is appropriate in the business context;
- the proposed expenditures comply with United States and local laws and customs; and
- the itinerary minimizes side trips and avoids tourist or vacation destinations.

Note that Eaton will not usually approve travel expenses for spouses or children, and will never approve trips that appear to be provided in exchange for business or improper advantage.

## **Gift Giving (Non-Government Officials)**

Occasionally, offering gifts to third parties may be appropriate to strengthen relationships or comply with local customs. Accordingly, Eaton permits such gifts, provided they comply with these guidelines. Specifically, Eaton employees may offer gifts to suppliers, customers or other business associates outside Eaton for legitimate business purposes, such as building goodwill and strengthening working relationships (e.g., holiday or ceremonial presentations, service anniversaries, or retirement), provided the gift:

- is valued under US\$100 (preference should be given to merchandise of a promotional nature, such as the items listed on the Eaton Company Store website);
- if valued US\$100 or above, is approved by the gift giver's first and second level reporting managers and accurately expensed as a gift under Eaton's Worldwide Travel and Expense Policy;
- would not embarrass Eaton or the recipient if disclosed publicly; and
- does not exceed any specific limits established by local management.

The following gifts are *never* appropriate:

- gifts of cash, or cash equivalent (such as gift cards or gift certificates);
- gifts that are bribes, payoffs or kickbacks (e.g., gifts given in order to obtain or retain business, or to secure an improper advantage);
- gifts that are prohibited by local law;
- gifts the gift giver knows are prohibited by the recipient's organization;
- gifts given in the form of services or other non-cash benefits (e.g., the promise of employment); and
- gifts to family members of customers, suppliers or other business associates outside Eaton.

The cumulative annual value of all gifts an employee may provide to any one recipient cannot exceed US\$250 unless accurately expensed as a gift under Eaton's Worldwide Travel and Expense Policy and approved by the applicable Regional President, or, in the case of North America, by the functional, geographic or business unit Vice President. Employees are expected to exercise good judgment in offering gifts to suppliers, customers or other business associates outside Eaton. Employees should talk to their supervisor when in doubt as to whether an event, location or expenditure is appropriate.

### **Gift Giving (Government Officials)**

Eaton employees should be especially careful when offering gifts to government officials. Because the laws of the United States and most other nations prohibit giving anything of value to government officials in order to obtain or retain business or to secure some other improper advantage, it is important to be sure that gifts to these individuals cannot be construed as bribes. Further, government officials often are prohibited by law from accepting gifts, so offering a gift may put the official in an awkward position.

#### *Who is a "Government Official?"*

The term "government official" is a broad one. It includes all employees, at any level, of a government department or agency, whether executive, legislative or judicial. Officers and employees of companies under government ownership or control are also considered "government officials." Thus, the term includes not only individuals such as elected officials, customs and tax inspectors and government procurement officials, but also the employees of state-owned enterprises.

### *What is appropriate?*

Occasionally, giving a gift (such as a ceremonial gift) to a government official may be appropriate to build goodwill and strengthen working relationships. In such cases, giving a gift to a government official is permitted only if:

- the gift is of nominal value (under US\$100) and contains the Eaton logo (e.g., an article of clothing, pen, etc.). Any merchandise purchased from the Eaton Company Store website valued under US\$100 is appropriate. Gifts not containing the Eaton logo OR worth more than the nominal value (US\$100 or more) may only be given with prior written approval of the applicable Regional President, or, in the case of North America, by the functional, geographic or business unit Vice President;
- local laws allow the official to accept the gift; and
- the gift is disclosed under the Gift Disclosure and Reporting Tool.

The cumulative annual value of all gifts you may provide to any one recipient can not exceed US\$250 unless disclosed under the Gift Disclosure and Reporting Tool and approved by the applicable Regional President, or, in the case of North America, by the functional, geographic or business unit Vice President.

Note that the following gifts are *never* appropriate:

- gifts of cash, or cash equivalent (such as gift cards or gift certificates);
- gifts of services or other non-cash benefits (such as promises of employment);
- gifts given as a bribe, payoff or kickback (e.g., in order to obtain or retain business) or to secure an improper advantage, such as securing favorable tax treatment;
- gifts that are prohibited by local law, or that the official is not permitted to accept; and
- gifts to family members of officials.

### **Providing Entertainment (Non-Government Officials)**

Business entertainment (e.g., meals, tickets to the theatre or a sporting event) can play an important role in strengthening working relationships among business associates. Accordingly, Eaton permits business entertainment when done for legitimate business purposes, such as building goodwill and enhancing relationships with customers or suppliers, provided that it complies with these guidelines. Specifically, entertaining suppliers, customers or other business associates outside Eaton is permitted only if such entertainment:

- complies with Eaton's Worldwide Travel and Expense Policy;

- is not a bribe, payoff or kickback (e.g., provided in order to obtain or retain business, or to secure an improper advantage);
- does not create the appearance that Eaton is entitled to preferential treatment;
- is in good taste and occurs at a business appropriate venue;
- is reasonable and appropriate in the context of the business occasion; and
- complies with any specific limits established by local management.

The following is *never* appropriate:

- entertainment that can be viewed as excessive by an objective third party;
- “adult” entertainment or any sort of event involving nudity or lewd behavior;
- entertainment the host knows the recipient is not permitted to accept; and
- entertainment that is otherwise prohibited by local management.

Employees should talk to their supervisor when in doubt as to whether an event, location or expenditure is appropriate.

Finally, note that these entertainment guidelines apply to situations in which Eaton employees are present. Tickets to sporting or cultural events provided by Eaton to suppliers, customers or other business associates outside Eaton at which Eaton employees are not present are really “gifts,” not “entertainment,” and should be viewed under the gift guidelines above.

### **Providing Entertainment (Government Officials)**

Like giving gifts to government officials, entertaining has the potential to be seen as a bribe. As a result, employees must use care when entertaining government officials.

There are situations in which entertaining government officials may be appropriate, such as providing a meal after a tour of an Eaton facility or accompanying an official to an occasional sporting or cultural event. Entertaining government officials is permitted only if the entertainment:

- is not extravagant or lavish;
- is not, or could not be perceived as, a bribe, payoff or kickback (e.g., given in order to obtain or retain business or secure an improper advantage);
- is in good taste and occurs at a business appropriate venue; and
- is disclosed under the Gift Disclosure and Reporting Tool.

The following is *never* appropriate:

- entertainment that does not comply with Eaton’s Worldwide Travel and Expense Policy, or can be viewed as excessive by an objective third party;
- “adult” entertainment or any sort of event involving nudity or lewd behavior;
- entertainment that, under local law, Eaton is not permitted to offer, or the official is not permitted to accept; and
- activities specifically prohibited by local management.

Employees should talk to their supervisor when in doubt as to whether an event, location or expenditure is appropriate.

These entertainment guidelines apply to situations in which Eaton employees are present. Tickets to sporting or cultural events provided by Eaton to government officials at which Eaton employees are not present are really “gifts,” not “entertainment,” and should be viewed under the gift guidelines above.

### **Providing Travel to Government Officials**

Like gifts and entertainment, providing travel to government officials must be viewed with care. But unlike gifts and entertainment, travel expenses are rarely “nominal.” As a result, any request for the payment of travel expenses for government officials must be reviewed on a case-by-case basis.

The payment of any travel or travel-related expenses for government officials requires the prior approval of the Law Department. When presented with such a request by a government official, the Law Department should be contacted.

In reviewing the travel request, the Law Department will consider a number of factors, including whether:

- the primary purpose of the travel is business-related;
- the class of travel is appropriate and reasonable;
- the proposed expenditures comply with United States and local laws and customs; and
- the itinerary minimizes side trips and avoids tourist or vacation destinations.

Note that Eaton will not usually approve travel expenses for family members of government officials, and will never approve trips that appear to be provided to obtain or retain business or secure an improper advantage.

## **Gift Disclosure and Reporting Tool**

The Gift Disclosure and Reporting Tool may be accessed from the Applications and Tools drop-down menu on the JOE intranet site. Employees who do not have access to the Gift Disclosure and Reporting Tool should contact their supervisor when they have information to report.

### **APPENDIX**

#### **Accepting Gifts, Entertainment and Travel**

The following examples are designed to help employees and supervisors make informed decisions about the appropriateness of accepting or declining gifts, entertainment or travel.

Right: An employee wins a “closest to the pin” contest during a supplier golf outing and receives a set of golf clubs valued at US\$600. Not wanting to offend the host, the employee publicly accepts the clubs, and then discusses the matter with her supervisor. They decide that because of the value of the clubs it would be appropriate to return them to the supplier.

Wrong: In the scenario above, the employee retains the clubs and gives them to a family member.

Right: Eaton currently procures temporary labor services in Country X under a contract with TempCo, Inc. that is to expire in one month. The regional manager of TempCo invites Eaton’s local HR manager to a trade association reception at which Country X’s labor minister will be discussing changes to local labor laws. This event is open to members of the trade association, with tickets priced at approximately US\$100. The HR manager accepts the invitation and discloses attendance at the reception using the Gift Disclosure and Reporting Tool.

Wrong: In the scenario above, the event is not a reception, but a private dinner for ten individuals. The HR manager learns that TempCo paid a speaker’s fee to the labor minister in excess of US\$10,000 for the event, but attends the event anyway without notifying his supervisor.

Right: A supplier based in Atlanta, Georgia has supplied one of Eaton’s divisions with defective products. The division’s supply chain manager must work with the supplier to determine the root cause of the defect, as well as corrective actions. To facilitate this, the supplier suggests that it pay the supply chain manager’s airfare and hotel for a visit to facility. The supply chain manager checks with her first and second level reporting managers, who approve the trip.

Wrong: In the above scenario the supplier later contacts the supply chain manager and offers to extend the hotel stay through the weekend so they can play golf (all at the supplier's expense). The supply chain manager accepts the extension without discussing the invitation with her manager.

### **Giving Gifts, Entertainment or Travel to Non-Government Officials**

The following examples are designed to help employees and supervisors make informed decisions about the appropriateness of giving gifts, entertainment or travel.

Right: After touring an Eaton facility to see the production process, a customer is invited to attend an evening performance of the local orchestra.

Wrong: After touring an Eaton facility to see the production process, a customer insists on being taken out for a night on the town, including the local men's clubs.

Right: Eaton closed the deal on a significant contract with a new customer. During the signing ceremony, the local Eaton manager presents the customer with a hand carved chess set valued at US\$200. The gift has been approved by the manager's first and second level supervisors.

Wrong: In the scenario above, Eaton's local manager knows that the customer's policies prohibit the receipt of any gifts from suppliers, but presents the gift anyway.

Right: An important customer is celebrating a 35 year service anniversary. An Eaton account manager presents the customer with a bottle of wine from a local winery and a card signed by employees.

Wrong: Instead of wine, the account manager offers the customer a gift card worth US\$100.

### **Giving Gifts, Entertainment or Travel to Government Officials**

The following examples are designed to help employees and supervised make informed decisions about the appropriateness of giving gifts, entertainment or travel to government officials.

Right: The mayor of a city in which an Eaton plant is located tours the facility. After the tour, she attends a luncheon with Eaton employees. At the luncheon, the plant manager presents her with a sweater displaying the Eaton logo valued at less than US\$100.

Wrong: Instead of the sweatshirt above, the plant manager gives the mayor two tickets (one for her, and one for her husband) to a football playoff game.

Right: The governor of a Chinese province calls the plant manager of an Eaton facility located in his province, requesting a courtesy tour. Local custom dictates that Eaton presents the governor with a ceremonial gift, such as a crystal vase valued at US\$150. The plant manager contacts the Eaton President responsible for China to discuss.

Wrong: Upon arrival at the facility, the governor in the example above requests that his travel costs, totaling only US\$150, be reimbursed. The plant manager complies without discussing the matter with the Law Department.

Right: Custom dictates (and local law permits) government officials in a region receive holiday gifts from companies operating in their jurisdiction. Local Eaton managers discuss this with their Regional President to determine what, if any, gifts may be appropriate.

Wrong: In the scenario above, local managers elect to provide the government officials with US\$50 gift cards to a local retailer.

## FREQUENTLY ASKED QUESTIONS

### **How can an employee determine the value of a gift they receive?**

Use common sense and good judgment in determining the value of any gifts/entertainment received. If it is unclear, consider contacting a store or checking online, for similar items. When in doubt, follow the reporting and disclosure process.

### **How does an employee know if a gift is prohibited by the gift giver's organization?**

It is not necessary to research the issue, but gifts should not be accepted when it is clear that the gift is prohibited by the gift giver's organization. If it is not practical to decline the gift at the time of receipt, accept the gift and then promptly discuss how to respond with your supervisor.

### **Is a favor considered a gift?**

The answer can vary. Accepting a favor from a supplier, customer or other business associate outside Eaton might compromise, or appear to compromise, an employee's judgment or create an actual or apparent conflict between an employee's personal interest and his loyalty to Eaton. Discuss questionable favors and how to respond with your supervisor.

### **Where is the Eaton Company Store website located?**

The Eaton Company Store is available on JOE.

### **Can managers impose more stringent guidelines for their groups (for example, lower the value of permitted gifts)?**

Yes, but managers who choose to do so should communicate the guidelines and expectations to their group.

### **I submitted a gift incorrectly through the Gift Disclosure and Reporting Tool. How can I correct the entry?**

Contact the Ethics and Compliance office at [Giftadmin@Eaton.com](mailto:Giftadmin@Eaton.com) with your request.

**Is the 250 USD limit for gifts from one individual calculated on a calendar year basis or rolling 12 month period?**

The 250 USD limit for giving gifts to or receiving gifts from a specific individual is calculated over a rolling 12-month period.

**Can identical gifts sent to multiple customers be entered into the system other than one at a time?**

Contact the Ethics and Compliance office at [Giftadmin@Eaton.com](mailto:Giftadmin@Eaton.com) with your request.