



IFBEC MODEL BUSINESS COURTESIES AND HOSPITALITY GUIDELINES

IFBEC MODEL BUSINESS COURTESIES AND HOSPITALITY OFFER GUIDELINES

The relationship based on trust between the members of IFBEC and their customers is an important component to building business success. IFBEC members and their customers expect full compliance with all applicable laws and regulations of the countries in which operations are managed or services provided.

While IFBEC members recognize differences in cultures and legal requirements, they expect that wherever members and their customers are located, all business shall be conducted in a manner compatible with these guidelines. IFBEC members are guided by ethical standards for offering business courtesies and hospitality as described in this model guideline.

These standards are designed to enable IFBEC members and their customers to agree on normal practices in sound business relationships that promote integrity in all business dealings. These guidelines are meant to complement individual company standards regarding ethics. The guidelines provide a general standard for the international aerospace and defence industry, with individual companies providing further clarification in their own documents.

DISCLAIMER

The Business Courtesies and Hospitality Guidelines are not intended to conflict with or modify the terms and conditions of any existing contract. Unless otherwise stated in such contract, in the event of a conflict, IFBEC members, as well as their customers, shall adhere to the contract terms.

ABOUT IFBEC

The International Forum on Business Ethical Conduct (IFBEC) was created by member companies of the Aerospace Industries Association of America (AIA) and the AeroSpace and Defence Industries Association of Europe (ASD). It provides an opportunity to exchange information on best practices in the area of ethical business practices and global trends among industry participants. IFBEC members have developed a set of Global Principles of Business Ethics for the Aerospace and Defence Industry, which were endorsed by AIA and ASD. The Forum is open to all companies willing to share business practices for sustainable competitiveness.

The purpose of IFBEC is to promote and foster through the Global Principles the development of global, industry-wide ethical standards for companies that are active in the aerospace or defense business sectors. IFBEC is focused on organizing opportunities for industry and relevant stakeholders to exchange information and best practices concerning ethical business challenges, practices and opportunities worldwide.

Global Principles affirm the aerospace and defense industries' commitment to ethical business behavior and a uniform set of standards. The Global Principles address business conduct as it relates to zero tolerance of corruption, use of advisors, management of conflicts of interest and respect for proprietary information.

Companies that formally adhere to the principles commit to including programs and policies that foster ethical business conduct consistent with the Global Principles in their corporate business practices.

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I. Principles and Definitions

This document acknowledges the significance of business courtesies and hospitality in creating a framework and a climate of trust during the business relationship. Indeed, common tokens of appreciation, whether given or received, are generally allowed in the business world and should be interpreted broadly, taking into account applicable cultural norms of both the host and the guest, as long as they:

- are lawful and infrequent;
- are not made with the objective of giving or obtaining a favor, or any undue advantage;
- advance a legitimate business purpose, do not create a conflict of interest;
- are made in a transparent way.

Business courtesies and hospitality, if compliant with applicable laws, can take the form of:

- modest gifts,
- meals and/or refreshments,
- lodging,
- invitations to business events,
- travel costs,
- entertainment such as an event, performance, or other activity

Cash payments are always prohibited. The offering of anything of value for the purpose of securing an improper advantage, and requesting, accepting or agreeing to receive bribes, kickbacks or other improper payments is strictly forbidden.

Rather than proposing strict application measures such as monetary thresholds, this document recommends the application of the 4R rule (see below) which allows each member to best adapt the policy for offering business courtesies and hospitality to its organization. However, companies may choose to prohibit offering business courtesies to government officials or set another reasonable standard depending on their business environment.

II. The 4R Rule

A. Comply with the Regulations

IFBEC Members are expected to offer only business courtesies and hospitality that are compliant with applicable law and the internal policy of the receiving organization (e.g., Commercial company or Government Administration). In each country, laws, court decisions (case law), tax legislation and rules specific to central or local administration bodies can provide additional details (including monetary limits) as to what is acceptable.

- Not all countries distinguish between Government and Commercial bribery, but many do and have more stringent requirements regarding business courtesies with Government officials. Please defer to specific country regulations regarding Government officials.

B. Be Reasonable

Business courtesies and hospitality offered by IFBEC members should be limited and reasonable for the circumstances. Courtesies that may be viewed as extravagant or call their appropriateness into question should be avoided altogether.

- For both individuals and organizations, business courtesies may be provided if they are marketing or promotional items of modest value displaying the logo of the offering company or organization. The offer of business courtesies of a value exceeding a modest value may be offered in special circumstances and is governed by a strict specific procedure that promotes transparency, accountability, and compliance with law.

IFBEC members may wish to establish a list of promotional items considered as reasonable.

- Generally speaking, in order to assess whether a business courtesy or hospitality is reasonable, it is advisable to track and consider:
 - Levels and frequency: the unit value of the business courtesy or hospitality, the frequency of such items or invitations by company, the individual offering, the recipient, and the cumulative value per year. These levels and frequency may be subject to thresholds in order to better orient employees offering them.
 - Context for offering: business courtesies and hospitality offered during negotiation processes, when tendering or when a business or operational decision is being taken must be given special attention and governed by a strict specific procedure that promotes transparency and accountability.
 - Status of the recipient:
 - IFBEC members follow policies that distinguish between Government officials and commercial industry personnel. Generally, the policy of offering business courtesies and hospitality to Government officials requires a specific and strengthened procedure.
 - The reasonableness of the business courtesy or hospitality must be reviewed in accordance with the recipient's status and function. Employees in such functions related to acquisitions, purchasing, commercial relations, supplier management, sales and marketing etc. may be subject to a higher degree of attention or tighter controls due to their ability to influence the allocation of business or present the appearance of a conflict of interest.
 - Business courtesies and hospitality provided to the immediate family members of Government or Commercial business relations are also subject to an enhanced control procedure consistent with these guidelines.
 - A gift to a family member of Government or Commercial business relations should be considered as if the gift were given directly to that employee.
 - Transparency: Good practice, to ensure transparency and avoid any appearance of undue influence through the offer of business courtesies or hospitality to customer representatives, may be facilitated through advance documentation of the specific courtesies that will be provided (such as meals, accommodation, travel, if applicable).

Such documentation permits customers to review offers with reference their organisation's standards and helps achieve mutual understanding for appropriate compliant conduct.

- Nature of the offer or invitation: Regardless of the type of business courtesies or hospitality, the offer or invitation must advance a legitimate business purpose, i.e., be appropriate to the context of the professional activity and acceptable under the policies of the recipient's organization. IFBEC members are expected to carefully supervise and track the conditions under which the business courtesy or hospitality is offered. When offering something for the purpose of promoting a positive business relationship and climate of trust, companies may take into account the social and business customs that are reasonable in the marketplace.
 - Within this framework, the following standards are generally acceptable; if applicable legal requirements permit:
 - Reasonably-priced business meals,
 - Free attendance at business events (e.g., a trade show or industry conference),
 - Attendance to sports and cultural events when the offeror's representatives are also present, and
 - Reasonable travel and accommodation costs, for product demonstrations, program review and the like, in limited circumstances and for business events.

IFBEC members comply with their company's guidance on accepting business courtesies and hospitality. Reasonable inquiry and due diligence is expected with respect to accepting reasonable business courtesies from other sources. Business courtesies and hospitality of more than a modest value may be accepted, when approved, following disclosure to the member company's management.

C. Be Responsible

When a specific or unique situation arises, IFBEC members are expected to use common sense, experience and professionalism in evaluating whether a business courtesy or hospitality should be offered or accepted.

To this end, for all cases of business courtesies and invitations offered by IFBEC members, the "newspaper" or reputation test may be helpful to apply. For this test, the person who offers the gift or hospitality must consider whether if the business courtesies or hospitality in question were the subject of a publication in the local and international press, that could damage the reputation of the offeror, the recipient, or their respective organizations.

IFBEC members are encouraged to help less experienced businesses to put in place a system of pre- or post-authorization of expenses above a certain value threshold.

In order to promote compliance, IFBEC members establish training and awareness programs for their employees who are in a position to offer or accept business courtesies or hospitality.

They should also provide ways for their employees to seek guidance or raise concerns about offering or accepting business courtesies or hospitality.

D. Keep Records

Business courtesies and hospitality must be offered transparently and recorded. IFBEC members' policies specify which transactions must be documented. Transactions must be documented with full transparency.

When a business courtesy or hospitality being offered requires documentation, suggested information should include the name of the employee offering, the name of the recipient, the business purpose, the date the item was offered and the description of the item in question including the approximate value. All necessary approvals should be part of the record.

When a business courtesy or hospitality is offered above the approved thresholds, the details above plus the necessary business pre-approval(s) including from legal should be recorded.

An exception may be made for the offer of symbolic business courtesies, bearing the logo of the company and of nominal value. This exception should consider when the frequency of offering symbolic business courtesies could be considered excessive if it crosses a reasonable threshold (per year) or standard of the offeror.