



Improper Payments

(Policy 20.4)

*Issued: October 2000
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GE employees should not offer anything of value to obtain any improper advantage in selling goods and services, conducting financial transactions, or representing the company's interests to governmental authorities. This policy sets forth GE's standards of conduct and practices for certain kinds of payments, entertainment and political contributions. GE must not authorize, involve itself in, or tolerate any business practice that does not follow this policy.

A violation of this policy can result in severe civil and criminal penalties, under the laws of more than one country. All countries prohibit the bribery of their own public officials, and many also prohibit the bribery of officials of other countries.

GE's policy goes beyond these laws and prohibits improper payments in all of our activities, both with governments and in the private sector.

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Scope:



- This policy applies to all employees of GE throughout the world.
- Controlled affiliates must adopt corresponding policies. (A controlled affiliate is a subsidiary or other entity in which GE owns, directly or indirectly, more than 50 percent of the voting rights, or in which the power to control the entity is possessed by or on behalf of GE.)
- We must encourage affiliated but non-controlled companies to follow practices consistent with this policy.
- We must require independent third parties who represent GE to do so in a manner that is consistent with this policy. Independent third parties include: consultants, agents, sales representatives, distributors, contractors and any other outside persons acting in a capacity where they hold themselves out or otherwise appear to be representing GE.



Requirements:



General

- Never give, offer, or authorize the offer, directly or indirectly, anything of value (such as money, goods or a service) to a customer or government official to obtain any improper advantage. The rules for gratuities and payments are different for non-government customers

than they are for government customers/officials. A list of permissible payments is included below. In all cases, a business courtesy, such as a gift, contribution or entertainment, should never be offered under circumstances that might create the appearance of an impropriety.

- Be aware of and obey applicable laws that relate to matters covered by this policy, including:
 - The U.S. Foreign Corrupt Practices Act
 - Laws of other countries prohibiting bribery of foreign government officials
 - Laws of all countries prohibiting commercial and political bribery within their borders.

GE representatives

- Require any person or firm who represents GE to do so in accordance with this policy and to be aware of and obey the applicable laws of the U.S. and other countries related to matters covered by this policy.
- Exercise due diligence when selecting persons or firms to represent GE, keeping in mind that GE and its employees may, in some circumstances, be held responsible for the actions of sales agents and other independent representatives. For example, a sales agent might make an improper payment to a government official. The GE employee who works with that agent, as well as the company, might be charged with a criminal violation of the U.S. Foreign Corrupt Practices Act, and the laws of other countries related to the bribery of foreign officials, if the employee a) knew about the payment (or consciously disregarded information that the payment likely took place); and b) authorized it, either explicitly or implicitly.

When selecting a person or firm to represent GE, consider the following:

- Employ only reputable, qualified individuals and firms.
- Understand and obey any requirements governing the use of company representatives (for example, funding agency restrictions, or customer, country or ministry prohibitions).
- Make sure that the compensation is reasonable for the services provided.
- Follow this policy's implementing procedures and your business' guidelines for selecting and paying representatives.
- If you spot something that might indicate a potential policy violation involving a person or firm representing GE, make sure that it is promptly investigated and resolved.
- Seek the assistance of company legal counsel and management in exercising due diligence and resolving concerns about anything that might indicate a potential policy violation.

Permissible payments

- You may provide customers with ordinary and reasonable entertainment and gifts only if they are permitted by
 - Applicable law, *and*
 - The customer's own policies and procedures, *and*
 - Your business component's procedures.

This policy does not prohibit lawful reimbursement for reasonable and bona fide expenditures — for example, travel and living expenses incurred by customers and directly related to the promotion of products or services, or to the execution of a contract.

- Gifts to and entertainment of government officials and employees are highly regulated and often prohibited. Do not provide such gifts and entertainment unless you have determined that you are permitted to do so by applicable laws and regulations, your business' policies and procedures, and the policies of the recipient's employer.
- Laws like the U.S. Foreign Corrupt Practices Act that prohibit the bribery of foreign officials do not prohibit facilitating payments. Facilitating payments are gratuities paid to officials or employees of foreign governments to expedite a service or routine administrative action that these individuals ordinarily perform and to which GE is entitled under the laws of that country. GE strongly discourages the use of facilitating payments. In any situation in which giving a facilitating payment becomes necessary, you should seek the advice of the National Executive or your business legal counsel. Make sure that all these payments are clearly and accurately reflected in financial reports.

Political contributions

- Obey applicable laws of the United States, the country in which your business component is located and the countries in which you do business in promoting GE positions to government authorities and in making political contributions.
- Political contributions by the company to U.S. federal, state or local candidates may be prohibited or regulated under the election laws. Any contribution of company funds or other assets for political purposes in the United States must be approved in advance by GE's Vice President for Government Relations. Such contributions will actually be made by the Vice President for Government Relations with second-class billing back to the business.
- Political contributions by the company to candidates in other countries may be prohibited or regulated by local law. Any contribution of company funds or other assets for political purposes outside the United States must be approved by both GE's Vice President for Government Relations and GE's Vice President for International Law and Policy, or by their designee.
- Never give or offer, directly or indirectly, a payment or anything of value (such as money, goods or services) to any political party, party official, or any candidate for political office of any country to influence or reward any governmental act or decision, or to obtain any improper advantage.

Employee responsibilities:



- **Understand and keep up-to-date on applicable laws, funding agency regulations and customer requirements related to your job and each requirement of this policy. These requirements can be complex, and it would not be unusual for you to have questions related to a transaction. If you have any questions related to matters covered by this policy, consult with business leaders, their designees, GE legal counsel, your business component's guidelines, this policy's implementing procedures or the GE National Executive in the country in which you are operating.**
- Take all steps necessary to make sure any party acting on GE's behalf understands and agrees to follow the principles of this policy.

- Carefully watch for warning signs that might indicate illegal activities or violations of GE policies. Among them might be a sales representative or other person or firm representing GE or being considered to represent GE who:
 - Has been accused of improper business practices
 - Has influence on the buying decision and a reputation for bribes
 - Has a family or other relationship that could improperly influence the customer’s decision
 - Approaches you near a customer’s award decision and explains that he or she has a “special arrangement” with an official
 - Insists on receiving a commission payment before the customer announces the award decision
 - A customer who suggests that a GE bid be made through a specific representative or partner
 - Any request that a commission or other payment be made in a third country or to another name
 - A commission that seems unusually large in relation to the services provided.

If these or any other signs of a possible violation come to your attention, be sure to resolve your concern promptly before proceeding with the transaction. Resolution should include management and GE legal review, and it should be well documented.

- Maintain timely, accurate and complete records of all expenditures of GE funds as spelled out in Controllershship (Policy 30.7).
- Learn and follow your component’s guidelines for travel and living expense reimbursement, business entertainment and gifts. In addition, learn and respect the policies of customers and government agencies concerning acceptance of business entertainment and gifts.
- Follow the basic [employee responsibilities](#) common to all policies, which you can find online, as well as on page 5 of the GE policy guide, *Integrity: The Spirit & the Letter of Our Commitment*.

Additional responsibilities of leaders:



- Do not retain individuals or firms unless you are satisfied they will abide by the principles of this policy when representing GE. Pay them reasonably for services performed. Make sure the selection process includes a thorough consideration of the scope of activities, credentials, background, costs and compensation terms. Appropriate approvals should be obtained (for example, National Executive and appropriate management review). Make sure that the selection and payment process is consistent with this policy’s implementing procedures or other relevant component guidelines. Also, see the GE policy on [Money Laundering Prevention](#) and its requirements on the “know your customer” process.
- Closely monitor and control business entertainment and gifts.
- Consult with company legal counsel in executing your responsibilities under this policy. Keep in mind that international operations frequently raise issues requiring familiarity with the laws and regulations of other countries.
- If you discover that a sales representative or other third party representing GE engages in improper business practices for other firms, you should consult with company legal counsel and take necessary remedial action.

- Financial managers must make sure that accurate records are kept that show the amount and purpose of all payments. (See Controllership [Policy 30.7].)
- Each business CEO must:
 - Review financial reports covered by this policy with the responsible financial manager
 - Request, as required, financial reviews of matters covered by this policy from finance managers or the Corporate Audit Staff
 - Review, as required, other matters covered by this policy with the responsible manager or with the Corporate Audit Staff
 - Review compliance concerns or possible violations of this policy with company legal counsel to determine the appropriate company response and disclosure requirements
 - Carefully consider the company’s responsibilities under applicable laws prohibiting bribery of foreign officials and commercial bribery in any investment decision
 - Authorize the execution of any new international sales representative or sales consultant services agreement that is related to a government contract and involves commissions, contingent fees or retainer compensation greater than U.S.\$200,000 (total contract value)
 - Authorize (or designate a company officer to authorize) the execution of any international service agreement or sub-contract that is greater than U.S.\$2,000,000 in value and related to a government contract
 - Clearly delegate the responsibility for the approval of all third party agreements, government or commercial.
- Follow the basic [leadership responsibilities](#) common to all policies, which you can find online, as well as on page 6 of the GE policy guide, *Integrity: The Spirit & the Letter of Our Commitment*.

Penalties for violations:



Employees who violate the spirit or letter of GE’s policies are subject to disciplinary action up to and including termination of employment. Violation of this policy can also mean breaking the law, subjecting you or the company to criminal penalties (fines or jail sentences) or civil sanctions (damage awards or fines). The company could also lose its government contracting and defense export privileges.

GE must terminate contracts with consultants, sales representatives, distributors, independent contractors and any other third parties who are unwilling or unable to represent GE in a manner consistent with this policy.

Related policies:



[Conflicts of Interest \(Policy 30.5\)](#)

[Controllership \(Policy 30.7\)](#)

[Following International Trade Controls \(Policy 20.9\)](#)

[Money Laundering Prevention](#)

[Supplier Relationships \(Policy 30.13\)](#)

[Working with Governments \(Policy 20.10\)](#)



Resources:



More information on this policy is available from GE legal counsel or from Corporate International Law and Policy in Washington, D.C., and its Website at <http://ilp.corporate.ge.com>

QUESTIONS AND ANSWERS



Screening sales representatives

- Q:** Can the company or an employee be held responsible for the actions of a sales rep or distributor?
- A:** Yes. If it appears that an employee knew, or had reason to know, of a third party representative's prohibited activities (or deliberately ignored indications of prohibited activities), and by its actions GE implicitly authorized such payments, then the company and the employee could be held accountable. A "head-in-the-sand" approach to managing the third party is not acceptable. However, if the company can demonstrate that it conducted adequate due diligence and aggressively investigated and resolved anything related to the third party that might indicate a policy violation, it will not be held responsible if the third party was involved in some illegitimate activity.
- Q:** What do I need to do to ensure that I am hiring a third party that is acceptable to the company?
- A:** GE policy requires your business to have a formal process for screening third parties that represent the company. You must follow those procedures and conduct a thorough, documented background check of every candidate (see the implementing procedures for this policy). Finally, make sure that the candidate understands and agrees to abide by the principles of this policy.
- Q:** What should I do if I have a concern about something that might indicate a policy violation?
- A:** Take your concern to your manager or to your business' legal counsel. Make sure that the possible warning sign is thoroughly discussed and adequately resolved before going ahead with the transaction. Make sure that the resolution has been documented.

Entertaining government employees

- Q:** Is it illegal to entertain a government employee?
- A:** It depends. "Entertaining" or "providing anything of value" to *any* customer, government or commercial, must be consistent with applicable laws. You must also respect the policies of the individual's employer and any other applicable guidelines. If you have any doubts, seek the advice of management or GE legal counsel before taking action.

Laws of other countries

- Q:** How can I learn more about the laws of another country?
- A:** Seek the assistance of your local GE legal counsel and the office of the GE National Executive in the country in which you are interested.

Q: What are the countries that have adopted laws similar to the U.S. Foreign Corrupt Practices Act?

A: The list of countries can be found on the Corporate International Law & Policy Website: <http://ilp.corporate.ge.com/>

Political contributions

Q: Is the company allowed to make U.S. federal campaign contributions?

A: Corporate contributions to U.S. federal candidates are prohibited under federal law. There are, however, a number of circumstances under federal law in which corporations may make contributions other than to candidates. For instance, companies can contribute to either national party for state organizing efforts, or to certain state committees for such efforts. These contributions must be approved in advance by the Vice President, Government Relations. Federal law does provide that a company may support a political action committee through which employees may contribute to candidates for federal election and GE does so.

Q: Is the company allowed to make state or local campaign contributions?

A: Some states allow direct corporate contributions to state and local candidates. Any state political contributions on behalf of the company (whether to a candidate, a party, or a ballot initiative campaign) should be approved in advance by the Vice President, Government Relations. Case studies relating to this issue are available from Corporate International Law and Policy in Washington, D.C.