

## APPENDIX III

### I.T.T. CODE OF CORPORATE CONDUCT

#### POLICY NO. 1: BUSINESS PRACTICES

##### *INTENT*

The Corporation recognizes its responsibility and that of its affiliates to conduct its worldwide operations consistent with the highest business, legal and ethical considerations.

This reaffirms our basic corporate policies and directives to ensure that all activities of World Headquarters and each System Unit comply with the law and ethical practices in the jurisdictions in which it operates.

##### *APPLICATION*

The Corporation and each System Unit will obey the laws and conform to locally accepted standards of good corporate citizenship in each country in which it does business.

The Corporation, in its relations with governmental agencies or other customers, will not, directly or indirectly, engage in bribery, kickbacks, payoffs, or other corrupt business practices.

Sales or marketing representatives or consultants will be retained only pursuant to a written agreement and only those who are independently engaged in carrying out sales or marketing functions in a commercial manner. Compensation for the services of such representatives or consultants shall be comparable to customary compensation for such services in the locale in which the sales are made considering the nature and scope of the contract.

Corporate funds or assets will be utilized solely for lawful and proper purposes and no transfer or expenditure of such funds or assets will be undertaken unless the stated purpose is in fact the actual purpose. The transfer or expenditure of such funds will be authorized in writing and conform to Corporate Policy.

No undisclosed or unrecorded fund or asset of the System shall be established for any purpose.

No false or artificial entries shall be made in the books and records of the System for any reason, and no employee shall engage in any arrangement that results in such prohibited act.

System employees may offer tips or gratuities of a customary amount or value to persons other than government employees for routine services or courtesies received, to which the payor is entitled, provided such expenditures are promptly reported and recorded as specified in Standard Practice 1.0/1. For application of this Policy to relations with government employees, refer to Policy "Standards of Conduct by Employees in Their Relations with Government Employees".

##### *RESPONSIBILITY*

All System officers, executives and managers are charged with responsibility

for the continuing enforcement of and compliance with this Policy including necessary distribution to ensure employee knowledge and compliance.

Interpretation or clarification of the applicability of this Policy to any corporate activity should be requested from the Chairman, President and Chief Executive or a Senior Executive Vice President prior to any action being taken.

Any violation of this Policy shall be reported promptly through appropriate channels to the Chairman, President and Chief Executive.

- b. The person approving the expenditure or transfer has the delegated corporate authority to approve the request.
  - c. The purpose for which and the person to whom the expenditure or transfer is to be made are clearly stated in supporting documents accompanying the request for such expenditure or transfer.
3. All documents relating to the expenditure and transfer of corporate funds (requests for approval, approvals, statements of purpose, etc.) shall be retained as corporate records for purpose of audit. If such material is not routinely filed in the Comptroller's Department support of the transactions, the location of such material shall be clearly and specifically indicated on the request for expenditure or transfer.
  4. Each expenditure or transfer in excess of \$50,000 proposed by World and Group Headquarters personnel in connection with payment for public relations, advertising, security, proxy, solicitation, printing, taxes, legal or consulting services, *must receive prior written approval* by the Chairman, President and Chief Executive in addition to the usual functional approvals.

Specific recurrent and routine items, as authorized by the Chairman, President and Chief Executive, may be exempted from such individual approvals. Examples include tax payments made payable to governmental tax authorities; payroll taxes made to IRS designated banks.

To expedite approval of expenditures or transfers in excess of \$50,000 for the Groups and System Units located outside of World Headquarters, the authority for approval is delegated to cognizant Group Executives or the Unit Manager who will ensure that application of this Standard Practice within their area of responsibility conforms with established System policy.

Any deviations or attempted deviations from the principles stated above will be brought to the attention of the Chairman, President and Chief Executive or a Senior Executive Vice President at once by any person having such knowledge.

#### POLICY NO. 2: CONFLICT OF INTEREST

##### *INTENT*

This reaffirms the Corporation's policies and practices to ensure full and proper compliance with the highest business, legal and ethical considerations in its worldwide operations.

An employee of the Corporation must not use his or her corporate position for personal profit or other personal advantage and should avoid any activity that is contrary to the Corporation's best interest.

Although this Policy establishes general guidelines, sound judgment and a

sense of the highest personal standard of business ethics should be the base factor of the conduct of each employee.

#### STATEMENT OF POLICY

1. Except as may be approved by the Director-Administration, an executive or key manager may not become associated as a full- or part-time employee, consultant or in any other capacity with any enterprise that competes with, or is a customer of or a supplier to the Corporation or its subsidiaries.
2. An employee of the Corporation who in any way influences decisions with respect to corporate business, and any members of his immediate family, may not have any substantial financial interest in any *nonpublicly owned enterprise* such as a stockholder or other type owner or creditor:
  - Of which a substantial part of the business consists in acting as a supplier, competitor or customer of the Corporation.
  - If the employee deals either directly or indirectly on behalf of the Corporation with such an enterprise, whether or not the volume of business transacted is substantial.
3. Any employee of the Corporation who is offered remuneration, gifts or any benefit of significant value, or whose immediate family are offered the same, by any outside business or person under circumstances where it might appear that the purpose of the offer is to influence the employee's judgment in performing duties for the Corporation, shall immediately report such offer to his superior, who will report the facts to the General Counsel.

An employee of the Corporation, or member of his immediate family, except purchasing personnel, may accept from or give to any person or entity doing, or seeking to do, business with the Corporation, a gift or favor of nominal value, if it is generally offered to others having a similar business relationship with the donor.

Purchasing personnel and members of their immediate families will not accept gifts of any value from suppliers or potential suppliers. Neither will purchasing personnel give gifts of any value to suppliers.

4. Each employee of the Corporation shall report to his immediate superior the existence of family or close personal relationships with other people or businesses where such relationship may influence or appear to influence the employee's judgment in performing duties for the Corporation.
5. No employee of the Corporation may disclose or take advantage of any confidential information gained in the course of employment for the purpose of speculation or investing in any security, including the securities of the Corporation, or for any other purpose, including the personal profit or advantage of the employee or of another person.
6. Any employee of the Corporation who believes at any time that he or she may be engaged in possible conflict of interest should promptly disclose the situation in writing to his or her immediate superior.
7. If an employee is uncertain as to the meaning or scope of any portion of this Policy or its application to a specific situation, the employee should seek the advice of the General Counsel or the Unit's designated legal representative as to meaning, scope or application, prior to determining whether the matter should be disclosed to the immediate superior.

8. It is the superior's responsibility to advise the applicable personnel manager of the disposition of each situation arising under this Policy affecting employees under his administrative control.
9. The knowing violation of this Policy by any employee will render an employee subject to disciplinary action, which may include reprimand, demotion or dismissal and loss of benefits, depending upon the seriousness of the offense.

#### DEFINITIONS

For the purpose of this Policy, the following definitions are applicable:

"Employee" includes any employee in an executive, professional or technical capacity; any employee responsible for the approval, issuance, or allocation of orders, contracts, commitments, or specifications for materials or services to be furnished by suppliers; any employee responsible for the determination of prices or terms of sale of materials or services furnished to customers; and any clerical employee who deals with or handles confidential material.

The term "the Corporation" includes World and Group Headquarters and all System Units.

"Supplier of the Corporation" includes any organization or person representing a supplier in its dealings with the Corporation or furnishing a substantial component or service for the product or service furnished by a supplier of the Corporation.

"Immediate family" includes spouse, descendants and their spouses, parents, brothers and sisters.

"Nonpublicly owned enterprise" does not include a corporation whose shares are listed on a national securities exchange or a utility, bank or insurance company having a substantial number of stockholders and having its shares frequently traded in the over-the-counter market.

#### REPORTING

1. For the protection of both the employee and the corporate entity, it is essential that an employee make prompt and full disclosure to the Corporation of any situation that involves or may possibly involve a conflict of interest.
2. a. A Report Letter (see attachment) will be submitted annually, prior to the end of February in each year, to the Chairman, President and Chief Executive by each officer, World and Group Headquarters department head, Group Executive and Group General Manager, and all System Unit managers. Each applicable World and Group Headquarters department head and System Unit manager would be responsible for ensuring each applicable employee under his administrative control completes the form as required and that they are submitted on a timely basis.
- b. Any employee, whether or not he or she is required to submit reports annually, becoming involved in a conflict of interest or possible conflict of interest situation not previously reported, must complete and submit a report letter as noted above at the time rather than waiting for the annual report.
- c. All information thus disclosed shall be treated on a confidential basis, ex-

cept to the extent necessary for the protection of the Corporation's interests, as determined by the General Consel.

(FORM OF REPORT LETTER)

TO: Chairman, President and Chief Executive

I have reviewed and understand the Corporation's policy regarding conflict of interest as set forth in Policy 2 "Conflict of Interest".

To the best of my knowldege and belief, neither I nor any member of my immediate family has any interest or connection, or has within the past year engaged in any activity, which might conflict with the Corporation's interest, except as indicated by check mark in one or more of the boxes below:

- (a) The foregoing statement is true, without exception.
- (b) Except as previously reported by me in writing to the Company, by report addressed to: \_\_\_\_\_; Dated: \_\_\_\_\_
- (c) Except as reported in full detail on a separate page attached to this letter.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Name Typed)

\_\_\_\_\_  
(Position)

\_\_\_\_\_  
(Department, Subsidiary or Unit)

\_\_\_\_\_  
(Location)

\_\_\_\_\_  
(Date of Signature)

**POLICY NO. 3: CONDUCT OF CORPORATE PERSONNEL –  
ACCEPTANCE OF GIFTS, GRATUITIES AND ACCOMMODATIONS**

***INTENT***

This Policy establishes the principles of conduct for corporate personnel to insure that all business relationships between the Corporation and its suppliers and customers function in an atmosphere of complete objectivity which will obtain for the Corporation all the benefits of open competition. It is essential that all Corporation personnel who come in direct contact with outside suppliers, customers and agents and who have to participate in the selection of vendors, products and business opportunities be protected from the intimation that personal considerations influenced any of these decisions.



### SCOPE AND DEFINITIONS

No employee or member of the employee's immediate family will receive or accept any gifts or other accommodations from anyone with whom the employee does business on behalf of the Corporation, which might place either the employee or the Corporation in a difficult, prejudicial or embarrassing position or interfere in any way with the impartial discharge of the employee's duties.

*Immediate family* is defined as a spouse or child (natural or adopted) of an employee whose legal residence is that of the employee, or who receives more than half of his/her support from the employee.

*Gifts* are defined as merchandise or services of more than token value. Gifts of cash or gift certificates in any amount are forbidden without exception.

*Accommodations* are defined as the use or enjoyment of facilities, property, vacations, weekends, etc., that are not incidental to a normal business relationship.

Additional restrictions which apply to purchasing personnel are defined in the Purchasing Handbook Procedure "Code of Ethics for Purchasing".

During the course of business, it is realized that personal relationships may develop between corporate personnel and outside suppliers, customers, agents and other parties with whom the Corporation does business. Such relationships may lead to the expression of friendship in the form of gifts or accommodations, which under normal circumstances, and viewed solely in the light of a personal friendship, may be perfectly proper. However, in the operation of a complex business the business relationship cannot be separated from the personal relationship.

It is of the utmost importance that the integrity of the business relationship not be subject to question. It follows that the integrity of the business relationship can be questioned if gifts are made, received or exchanged by parties to this relationship, regardless of the degree of personal friendship.

Without attempting to limit the application of this Policy it should be recognizable that both the receipt and giving of what might otherwise be considered as perfectly proper and innocent gifts, even when extended on a personal friendship basis, could be misconstrued by persons only casually informed. This could prove to be embarrassing to both the parties concerned and the Corporation.

Particular attention should be paid to the use of property, facilities or transport that are not related to the normal business activity. Their use may create or lead to a situation or problem that this Policy intends to avoid.

If a gift is received by a corporate employee, it should be returned through the company's mailing or shipping facilities, along with a polite covering letter explaining the company's Policy. This practice of returning such gifts also applies to those delivered to the employee's home or directed to a member of the employee's immediate family.

### POLICY NO. 4: RESPONSIBILITY FOR ADHERENCE TO CORPORATE POLICIES AND STANDARD PRACTICES

Compliance with written statements of corporate policy and standard practice is a basic condition for continued employment for everyone in a management capacity within the System.

Every executive who is the recipient of published statements of corporate

policy or standard practice is personally responsible for seeing to it that applicable policies and practices are communicated to, understood, and adhered to by subordinates. The exercise of this responsibility by Unit managers, managing directors and by presidents of divisions and subsidiaries includes ensuring that applicable policies and practices are communicated to executives and managers of subordinate organizations such as divisions and lower tier subsidiaries, and that they are understood and observed by management personnel at all levels in those Units.

#### POLICY NO. 5: POLITICAL NON-PARTISANSHIP OF THE CORPORATION

This Policy statement is reissued for the purpose of reaffirming and detailing previous instructions and directives concerning the policy of the System not to become involved in the political campaigns or internal political affairs of host countries. It is unequivocal corporate policy that no assets of the Corporation will be used, directly or indirectly, at home or abroad for any political purposes, including the support of any candidate or party, even though in certain countries it has been traditional, customary and legal to do so, except to the extent necessary to permit in the United States the expenditure of corporate assets for the payment of expenses for establishing, registering and administering any political action committee authorized by the Public Affairs Committee of the Board of Directors and of soliciting contributions thereto, to the extent authorized by federal or state laws.

Corporate policy charges each corporate subsidiary and division to obey the laws and conform to locally accepted standards of good corporate citizenship in each country in which the Corporation does business.

It is also corporate policy to continue to encourage all employees to take an active interest in the potential affairs of the country of which they are citizens and to participate in the electoral process through their support of parties and candidates of their own choice, but on a purely voluntary basis.

This Policy should not be construed to prohibit legitimate and authorized expression of System opinion or issues which may have an economic effect on the System.

#### POLICY NO. 6: STANDARDS OF CONDUCT BY CORPORATE EMPLOYEES IN THEIR RELATIONS WITH GOVERNMENT EMPLOYEES

##### *INTENT*

This Policy reiterates the standard of conduct required by all System employees regarding relations with the employees of any government entity with which the Corporation is doing or contemplating business.

##### *APPLICATION*

Relationships of System employees with government employees will be above reproach and shall demonstrate impartiality and objectivity in all their dealings.

##### *PROCEDURE*

Except as detailed below, corporate personnel will not provide, offer or promise to offer any gift, gratuity, favor, entertainment, loan or any other item of

more than token value either directly or indirectly to any employee of a governmental agency or component to which the Corporation is selling or seeking to sell goods or services.

It may be appropriate to provide food and refreshment to visiting government employees in the ordinary course of a meeting or inspection tour when such business extends through the normal hours for meals to be taken and where such employee's agency does not prohibit such hospitality. It may also be appropriate in connection with attendance by government employees at such business events to provide required transportation to the location involved as well as meals and accommodations where it is clear that such provision is not in conflict with the laws affecting the government employee, is an acceptable and publicly known policy of the employee's government, and inures to the benefit of the employee's government agency.

In such situations, the transportation, meals or accommodations provided shall be limited strictly to travel to the business location and shall not be extended to include transportation to locations not related to the business to be done, or to meals or accommodations at such places.

**NOTE:** For U.S. Government employees, transportation (other than locally between locations of the System Unit or between such location and the hotel or place of arrival or departure of the U.S. employee), accommodations or hospitality given or extended to or on behalf of the recipient is considered by the regulations of certain U.S. Government Departments, Administrations or Commissions as a gift, gratuity or favor and accordingly will not be offered to employees of such U.S. Government entities. None of the aforementioned amenities shall be offered to other U.S. Government employees except to the extent they are not prohibited by the rules and regulations of the employee's entity.

As to relationships with employees of governments outside the United States, standards of conduct which do not violate the principles of the U.S. Foreign Corrupt Practices Act of 1977, nor national ethical standards, will not violate corporate Policy. For example, the offering of a gratuity to a government employee to obtain timely, routine service to which the payor is entitled, in countries where the practice is common, is not prohibited by corporate Policy.

If any question arises as to the propriety of any contemplated action or expenditure, the corporate employee shall check *in advance* with the Unit, Group or World Headquarters legal representative.

### **RESPONSIBILITY**

Each Unit and Group manager and World Headquarters functional department head will ensure that all employees under his administrative control are aware of this Policy and are complying with the standard of conduct outlined above.

### **POLICY NO. 7: USE OF REPRESENTATIVES BY SYSTEM UNITS**

The following principles shall be observed when a System Unit uses the services of a non-employee sales agent, representative or consultant (referred to as "agent") to advise, promote or assist in making sales of products or services:



All agent agreements must be in writing and signed by the applicable parties stating all terms thereof including all services to be performed and all considerations to be paid to the agent.

All agent agreements shall conform to legal standards established by the General Counsel and shall be reviewed and approved by appropriate legal counsel prior to being signed by the Corporation's representative.

All agent agreements that relate to export sales shall be approved by the cognizant area Group Executive prior to being signed by the Corporation's representative.

Only an agent may be engaged who independently performs legitimate business services in a commercial manner.

Compensation to an agent shall be comparable to that customary for such services in the country in which they are to be performed.

All payments to an agent shall be fully documented as to purpose in accordance with Standard Practice 1.0/1, "Procedures Established to Control Expenditures and Transfers of Corporate Funds."

No agent shall be retained if the agent or any person employed by the agent or financially interested in the agent's business is an employee or official of a customer or potential customer of the Corporation, or is a close relative of such an employee or official.

No System employee will directly or indirectly make or authorize any payment or gift of anything of value to any employee or official of a government or of any other actual or potential customer, for the purpose of obtaining or retaining business for, or directing business to, any entity.

No System employee will propose as an agent anyone he has reason to believe will make any payment or gift for the purpose described above.

Any System employee knowing or having reason to know of any such improper payment or gift by an agent shall bring such information to the attention of the cognizant legal counsel so that legal advise as to appropriate remedial steps may be given.

#### CORPORATE BULLETIN

As announced previously, Mr. \_\_\_\_\_, Vice President and Associate General Counsel, has been assigned the additional responsibility of serving as Corporate Policy Compliance Officer. He continues to report to Mr. \_\_\_\_\_, Senior Vice President and General Counsel.

As Corporate Compliance Officer, Mr. \_\_\_\_\_ participates in the development, adoption, and promulgation throughout the System of those policies and practices relating to business ethics and activities which, by their very nature, form the Corporation's basic Code of Corporate Conduct. Generally speaking, those policies and practices:

Address the Corporation's obligations to observe the laws and public policies of various nations in regard to business practices.

Affirm the Corporation's policy of establishing and maintaining honorable standards of ethics and business behavior in all relations with shareholders, employees, customers, host countries, and the general public.

With continuing support from the General Auditor and his staff, and assisted as necessary by the Security Department, the Corporate Compliance Officer also is responsible for investigating apparent or alleged violations of the Code of Corporate Conduct including all policies and practices related thereto. In the event that violations are confirmed, the Corporate Compliance Officer is responsible for:

Ascertaining and evaluating all relevant facts and details.

Recommending actions to be taken to terminate any ongoing problems and related improprieties.

Fixing the specific nature and extent of culpability of each employee involved.

Informing the Chairman, President and Chief Executive of the violation, actions required to bring an end to the matter, and the nature and extent of culpability of each participant.

The Chairman, President and Chief Executive will review findings, conclusions and recommendations of the Corporate Compliance Officer and such other information as he deems pertinent, and take appropriate action to resolve the matter. He also will determine the disciplinary actions to be taken and direct the manner in which discipline is to be administered.