

The background features a blue and green color scheme with a stylized globe graphic. The Eaton logo is positioned on the left, and the EBS logo is in the top right corner. The main title and subtitle are centered over the globe.

**EBS**

**EAT•N**

# **Global Ethics**

One Company.  
One Commitment.

Ethics Guide

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# To my fellow Eaton employees



Ethical values are fundamental to Eaton. They define our heritage and our future, and distinguish us from other organizations that go about their work without regard for what is right and what is wrong.

Why do people at Eaton work so hard and so successfully? I think that one reason is their belief in our company's values, a foundation that is a source of great strength.

Every one of us can—and should—be a role model for honesty and integrity. We must communicate the message of Eaton's ethics to our colleagues, associates, customers and suppliers—in what we say and, even more importantly, in what we do.

We're here to achieve great results, but each of us must demonstrate that we care intensely about how we get those results. They are worth little and are unlikely to endure if achieved unethically.

We should all be proud that we start from a track record of success. And I want you to know that I will do everything possible to see that this Eaton tradition of integrity continues. However, ethics is everyone's responsibility, and I want everyone at Eaton to feel comfortable talking about these subjects—expressing concerns, raising issues and encouraging the highest levels of integrity.

This guide gives you lots of information and sources for help. Please use it to the fullest. If you've done everything we've asked you to do and are not getting the help you need, contact me.

A handwritten signature in dark ink that reads "Alexander M. Cutler". The signature is written in a cursive, slightly slanted style.

Alexander M. Cutler  
Chairman and Chief Executive  
Officer

# Code of Ethics

Eaton Corporation requires that all directors, officers and employees of Eaton, its subsidiaries and affiliates (“Eaton”), abide by the fundamental principles of ethical behavior listed here in performing their duties.

## **1 Obeying the Law**

We respect and obey the laws, rules and regulations applying to our businesses around the world.

## **2 Integrity of Recording and Reporting our Financial Results**

We properly maintain accurate and complete financial and other business records, and communicate full, fair, accurate, timely and understandable financial results. In addition, we recognize that various officers and employees of Eaton must meet these requirements for the content of reports to the U.S. Securities and Exchange Commission, or similar agencies in other countries, and for the content of other public communications made by Eaton.

## **3 Respecting Human Rights**

We respect human rights and require our suppliers to do the same.

## **4 Delivering Quality**

We are committed to producing quality products and services. Our business records and communications involving our products and services are truthful and accurate.

## **5 Competing Ethically**

We gain competitive advantage through superior performance. We do not engage in unethical or illegal trade practices.

## **6 Respecting Diversity and Fair Employment Practices**

Throughout the world we are committed to respecting a culturally diverse workforce through practices that provide equal access and fair treatment to all employees on the basis of merit. We do not tolerate harassment or discrimination in the workplace.



## **7 Avoiding Conflicts of Interest**

We avoid relationships or conduct that might compromise judgment or create actual or apparent conflicts between our personal interests and our loyalty to Eaton. We do not use our position with Eaton to obtain improper benefits for others or ourselves. We do not compete with Eaton.

## **8 Protecting Our Assets**

We use Eaton property, information and opportunities for Eaton's business purposes and not for unauthorized use. We properly maintain the confidentiality of information entrusted to us by Eaton or others.

## **9 Offering/Accepting Gifts, Entertainment, Bribes or Kickbacks**

We do not offer or accept gifts or entertainment of substantial value. We do not offer or accept bribes or kickbacks.

## **10 Selling to Governments**

We comply with the special laws, rules and regulations that relate to government contracts and relationships with government personnel.

## **11 Political Contributions**

We do not make contributions on behalf of Eaton to political candidates or parties, even where lawful.

## **Reporting Ethical, Legal or Financial Integrity Concerns**

Any person may openly or anonymously report any ethical concern or any potential or actual legal or financial violation, including any fraud, accounting, auditing, tax or record-keeping matter, to the Director—Global Ethics of Eaton. For reports that are not made anonymously, confidentiality will be maintained to the extent possible while permitting an appropriate investigation.



### Regular Mail

Reports may be made openly or anonymously by regular mail to Director–Global Ethics, Eaton Corporation, Eaton Center, Cleveland, Ohio 44114. Reports may also be made to the office of the Director–Global Ethics by e-mail or telephone through Eaton’s Ethics and Financial Integrity Help Line.

### E-mail

Access the Ethics and Financial Integrity Help Line through the Employee Services tab on Eaton’s intranet. The message will be anonymous unless the sender identifies himself or herself. Alternatively, send a regular Outlook e-mail, which will not be anonymous, to [Ethics@eaton.com](mailto:Ethics@eaton.com).

### Telephone

From the U.S., Canada and Puerto Rico, dial toll free 1-800-433-2774. This call will be anonymous unless the caller identifies himself or herself.

From all other countries, dial your country’s AT&T access code (found on Eaton’s intranet), and then dial toll free 1-800-433-2774. This call will be anonymous unless the caller identifies himself or herself.

### Non-English

If you are not comfortable making your report in English through the Ethics and Financial Integrity Help Line, please use your native language to e-mail or write your concern to the address above, and we will translate your letter or e-mail.

Eaton will not permit any retaliation against any employee who reports an ethical, legal or financial concern nor will it discipline any employee for making a report in good faith.

**Personal Responsibility**

Every officer, director and employee has the personal responsibility to read, know and comply with the principles contained in this Code of Ethics. Compliance with these principles is a condition of employment, and failure to comply will result in discipline up to and including termination.

The Board of Directors shall determine, or designate appropriate management personnel to determine, the actions to be taken in the event of violations of the Code of Ethics. Such actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to the Code of Ethics.

Every officer, director and employee has the duty to bring to the attention of a supervisor or another member of management, or the Director–Global Ethics, or the Chairs of the Audit or Governance Committees of the Board of Directors, or directly to the full Board of Directors, any activity that in his or her judgment would violate these principles.

Potential violations may be reported to the Board or relevant Committee Chair by mail in care of the Director–Global Ethics, Eaton Corporation, Eaton Center, Cleveland, Ohio 44114. The Director will forward such reports unopened to the addressee(s).



# Introduction to this Guide

The purpose of this Ethics Guide is to help all Eaton employees around the world to know and comply with the Code of Ethics in performing their daily work. It is not intended to cover every ethical issue, but to give you general guidance in making ethical business decisions and to direct you to sources for further help.

## **Who must comply with the Code of Ethics?**

Eaton Employees Throughout The World

- Every officer, director and employee (referred to collectively in this Guide as “employees”) has the personal responsibility to read, know and comply with the principles contained in the Code of Ethics. This Guide should be retained with your other important work papers.

Subsidiaries, Affiliates and Other Entities

- Subsidiaries, affiliates and other entities in which Eaton holds an ownership interest and has the power to implement the Code of Ethics will be required to comply with it. For example, we will require any joint venture in which we own more than a 50 percent interest to comply with our Code of Ethics.
- Entities in which Eaton holds an ownership interest of 10 percent or more and does not have the power to implement the Code of Ethics will



be urged to follow it. For example, when we are a party to a joint venture or are forming a joint venture with 50 percent ownership or less, we will strongly urge the joint venture to adopt our Code of Ethics.

### Third Parties

- Contingent workers. Where relevant, Eaton's Code of Ethics applies equally to individuals or parties who are engaged to assist or render services for or on behalf of Eaton. This includes all contingent workers, such as independent contractors, business consultants, service providers and agency workers.
- Suppliers. We require our suppliers to abide by the Eaton Corporation Global Sourcing Code of Supplier Conduct.

It is contrary to the spirit of our Code of Ethics to engage another party to do something on our behalf that we are prohibited from doing ourselves.



# Obeying the Law

We respect and obey the laws, rules and regulations applying to our businesses around the world.

## **Your Personal Responsibility**

As an Eaton employee you are required to comply with all applicable laws and governmental regulations wherever we do business. Perceived pressures from your supervisor or demands due to business conditions will not excuse you from complying with the law. You are responsible for raising any questions or doubts you have about a proposed course of action with your supervisor, or reporting them as described in the Code of Ethics.

## **International Trade Import and Export Control**

Eaton complies with applicable U.S. and other national laws, regulations and restrictions when importing and exporting products, services, information or technology. Failure to comply with these regulations may constitute a crime, and the penalties for non-compliance can include fines for Eaton and fines and imprisonment for any responsible employee. You are responsible for knowing the laws that pertain to you and your daily work activity.

## **Local Laws and Customs**

Since Eaton is a U.S. corporation, it is subject to U.S. laws, which frequently extend to Eaton's operations throughout the world. In addition to U.S. law, Eaton is subject to the laws of the countries where we do business. If you encounter a conflict between U.S. law and the local law, or if you find that local customs and business or social practices vary from the principles in the Code of Ethics, get help.



## Questions

If you need help, discuss the matter with your supervisor. He or she can get assistance from others, including local management, Human Resources, the Law Department, Environmental Health and Safety, Security, Finance and Supplier Resource Management.

If you are not comfortable raising the matter with your supervisor, or if you raise a concern and the issue is not resolved, talk to another member of management, such as your local plant manager or Human Resources manager. If that is not appropriate, contact the Director—Global Ethics.

## Examples

### Wrong

An Eaton facility has a permit that requires it to treat its highly toxic waste water before discharging it into the local stream. The treatment system breaks down, and the parts needed for repair will not be available for four weeks. The plant discharges the water without treatment.

A shipping clerk does not stop shipment of a restricted technology to a foreign country when she notices that the product description is inaccurate and the product value is understated.

### Right

A manager discovers that a shipment is going to be diverted from a permitted country of destination to a prohibited country under U.S. export control laws, and stops the shipment.

A product manager is asked to make a payment to a distributor's account in Switzerland. Switzerland is not the distributor's home country, and the work was performed elsewhere. The manager suspects that the distributor is engaging in tax fraud and refuses the request.

# Integrity of Recording and Reporting Our Financial Results

We properly maintain accurate and complete financial and other business records, and communicate full, fair, accurate, timely and understandable financial results. In addition, we recognize that various officers and employees of Eaton must meet these requirements for the content of reports to the U.S. Securities and Exchange Commission, or similar agencies in other countries, and for the content of other public communications made by Eaton.



Business records may include quality, safety, testing, time cards and performance records, in addition to financial records.

- Employees must never falsify any document or misrepresent the true nature of any transaction.
- Employees must ensure that financial books, records and accounts for which they are responsible accurately reflect transactions and conform to required accounting principles and to Eaton's system of internal controls.
- Employees must follow Eaton record-retention policies.

## Questions

If you need help, discuss the matter with your supervisor. He or she can get assistance from others, including local management, Human Resources, the Law Department, Environmental Health and Safety, Security, Finance and Supplier Resource Management.



If you are not comfortable raising the matter with your supervisor, or if you raise a concern and the issue is not resolved, talk to another member of management, such as your local plant manager or Human Resources manager. If that is not appropriate, contact the Director—Global Ethics.



## Examples

### Wrong

A supervisor takes her family to dinner and puts the meal on her company expense account.

A sales manager trades his business-class ticket for two coach fares and takes his wife along on a business trip.

### Right

An accounting clerk notices an unusual entertainment expense in a supervisor's expense report, and asks him for some clarification. When he repeatedly ignores her questions, she goes to Human Resources about the matter.

An employee asks a co-worker to enter his time card at a later time so that he can claim overtime pay. The co-worker refuses and notifies the supervisor.

# Respecting Human Rights



We respect human rights and require our suppliers to do the same.



As a citizen of the world and a responsible member of society, Eaton respects the dignity of individuals, the needs of our communities and the vulnerability of the environment. Corporate social responsibility is a longstanding belief at Eaton and a value integral to the way we conduct business.

## Human Rights

### Child Labor

We do not employ child labor. We define a child as anyone under the age of 16. If local law is more restrictive than our policy, we will comply with local law. However, even where local law permits us to employ people younger than 16, we will not.

### Forced Labor

We prohibit the use of any indentured or forced labor, slavery or servitude.

### Compensation

We ensure that compensation meets or exceeds the legal requirements and is competitive with industry standards in the countries where we do business.



## Inclusion

We are committed to practices that result in the inclusion of all employees and that advance equal employment for qualified individuals. We strive to maintain an environment where each of us, regardless of cultural background, gender, race, color, ethnicity, age, national origin, sexual orientation, disability, level or position, can reach our full potential and make a difference every day.

## Work Environment

- We use The Eaton Philosophy to express our belief in excellence through people.
- We believe that all employees should treat each other and everyone they deal with in the course of their work with dignity and respect.
- We provide employees with a work environment based on trust, where they are free to ask questions, make comments, lodge complaints and be actively engaged in decision-making.
- We provide employees the opportunity to excel, create and grow.

- We expect managers to be fair and to serve as role models of high ethical standards.
- We are committed to maintaining a work environment free from the influences of unauthorized controlled substances, including illegal drugs and alcohol.

## Suppliers

We require our suppliers to abide by the Eaton Corporation Global Sourcing Code of Supplier Conduct.

## Social Responsibility

### Citizenship

We support the communities in which we live and work. As good corporate citizens, we seek to improve the quality of life by support of education, health and human services, community development and other locally relevant initiatives where we do business, and by supporting the voluntary involvement of our employees in such initiatives.

## The Environment and Health and Safety

We place a high priority on matters related to the environment and to employee and community health and safety. All businesses operate in compliance with environmental and workplace safety laws and regulations and with Eaton's own higher standards. Beyond compliance with laws, all operations minimize waste, pollution and exposure to hazardous materials and conditions and responsibly manage all resources and materials used in our businesses.

### Questions

If you need help, discuss the matter with your supervisor. He or she can get assistance from others, including local management, Human Resources, the Law Department, Environmental Health and Safety, Security, Finance and Supplier Resource Management.

If you are not comfortable raising the matter with your supervisor, or if you raise a concern and the issue is not resolved, talk to another member of management, such as your local plant manager or Human Resources manager. If that is not appropriate, contact the Director – Global Ethics.

### To Learn More

For more information about Eaton's environment, health and safety practices, visit the EHS website on Eaton's intranet or talk to your supervisor.

Obtain a copy of the Eaton Corporation Global Sourcing Code of Supplier Conduct through Eaton's intranet or at [www.Eaton.com](http://www.Eaton.com).

### Examples

#### Wrong

A machine operator decides it is too hot to wear his safety glasses in the plant.

The purchasing manager chooses a vendor knowing that the vendor employs child labor.

#### Right

When Eaton purchases an old facility, the plant manager upgrades the facility to meet Eaton's health and safety standards.

When the new chemical supplier's representative calls the production manager about dropping off some chemical samples, he is referred to the environmental health and safety manager for approval.

# Delivering Quality

We are committed to producing quality products and services. Our business records and communications involving our products and services are truthful and accurate.



Quality is the cornerstone of our commitment to our customers and is essential to our ability to compete. Our commitment to quality means that:

- We make quality a high priority in our daily work.
- We focus on continuous improvement.
- We design and manufacture our products to meet or exceed our commitments to our customers.
- We ensure that all inspection and testing documents are complete, accurate and truthful.
- We design our products to meet all applicable government standards and regulations.
- We aim for the ultimate goal of zero errors.
- We are individually responsible for complying with the quality policies, practices and procedures that apply to our work.



## Questions

If you need help, discuss the matter with your supervisor. He or she can get assistance from others, including local management, Human Resources, the Law Department, Environmental Health and Safety, Security, Finance and Supplier Resource Management.

If you are not comfortable raising the matter with your supervisor, or if you raise a concern and the issue is not resolved, talk to another member of management, such as your local plant manager or Human Resources manager. If that is not appropriate, contact the Director—Global Ethics.

## Examples

### Wrong

A production worker notices that parts from a supplier do not meet Eaton's specifications. But on Friday, inventory is low and he is facing a deadline, so he uses the parts.

Since nobody notices that an employee cracked a part when he dropped it, he places it back into production.



### Right

An inspector is told by the production manager to ignore some of the inspection criteria to meet the shipping schedule, but she refuses and goes to see the quality manager for confirmation.

A purchasing agent is offered cash by a vendor to accept incoming parts that do not meet Eaton's quality specifications. He refuses and reports the incident to his supervisor.

# Competing Ethically



We gain competitive advantage through superior performance. We do not engage in unethical or illegal trade practices.

Employees working in marketing, sales, purchasing or acquisitions need to be especially aware of antitrust and other trade laws and regulations. This also applies to those who participate in trade associations, benchmarking or industry standards-setting groups.

## **Ethical Treatment of Competitors**

Employees must avoid:

- Discussing with a competitor: prices, costs, production, capacity, products and services, bidding practices, sales territories, distribution channels, suppliers, customers and other non-public business matters;
- Using tactics that eliminate competition in markets where the company is a leader, including selling below marginal cost and other predatory practices where the effect is to eliminate competition;



- Using, or asking another party to use, improper means to obtain a competitor's trade secrets, including stealing, taking, reproducing or using deception to obtain them;
- Knowingly using a competitor's trade secrets; and
- Negative selling, disparaging competitors and spreading unfounded rumors.

Without proper authorization from the appropriate level of management, employees must not:

- Negotiate with competitors regarding potential mergers, acquisitions, formation of joint ventures or joint buying, marketing or development agreements;
- Benchmark involving competitors;
- Participate with competitors in industry standards-setting activities; or
- Exchange information with competitors.

### **Ethical Treatment of Customers**

Unless approved in advance by Eaton's Law Department, employees must not:

- Require a customer to sell or lease a product or service at or above a certain price,
- Tie the sale or lease of a product or service to the purchase or lease of another product or service,
- Enter into an exclusive arrangement with a customer,
- Limit customers as to the territory in which they can resell or lease Eaton products or services,
- Limit the customers to whom a product or service can be resold or leased, or
- Discriminate between competing customers as to the prices or allowances offered on like goods.



## Ethical Treatment of Suppliers

Unless approved in advance by Eaton's Law Department, employees must not:

- Tie the purchase of a product or service to the reciprocal sale of a product or service,
- Enter into an exclusive arrangement with a supplier, or
- Form any type of buying group or collective.

## Questions

If you need help, discuss the matter with your supervisor. He or she can get assistance from others, including local management, Human Resources, the Law Department, Environmental Health and Safety, Security, Finance and Supplier Resource Management.

If you are not comfortable raising the matter with your supervisor, or if you raise a concern and the issue is not resolved, talk to another member of management, such as your local plant manager or Human Resources manager. If that is not appropriate, contact the Director—Global Ethics.

## Examples

### Wrong

Production managers at two competing facilities agree to cut back capacity 20 percent.

A marketing employee takes a file from a competitor representative's briefcase that is left open at a trade association meeting.

### Right

A marketing manager attends a trade association meeting and the talk turns to how to cut back capacity to stabilize prices. He announces that the discussion is inappropriate and exits the room.

A new engineer joining Eaton from a competitor brings along classified engineering specifications that could be useful. The engineering supervisor requests that he keep the competitor's specifications to himself.

# Respecting Diversity and Fair Employment Practices



Throughout the world we are committed to respecting a culturally diverse workforce through practices that provide equal access and fair treatment to all employees on the basis of merit. We do not tolerate harassment or discrimination in the workplace.



- We use The Eaton Philosophy to express our belief in excellence through people.
- We believe that all employees should treat each other and everyone they deal with in the course of their work with dignity and respect.
- We provide employees with a work environment based on trust, where they are free to ask questions, make comments, lodge complaints and be actively engaged in decision-making.
- We provide employees the opportunity to excel, create and grow.
- We are committed to practices that result in the inclusion of all employees and that advance equal employment for qualified individuals.
- We strive to maintain an environment where each of us, regardless of cultural background, gender, race, color, ethnicity, age, national origin, sexual orientation, disability, level or position, can reach our full potential and make a difference every day.

- We expect managers to be fair and to serve as role models of high ethical standards.
- We ensure that compensation meets or exceeds the legal requirements and is competitive with industry standards in the countries where we do business.
- We maintain a work environment free from the influences of unauthorized controlled substances, including illegal drugs and alcohol.



**Questions**

If you need help, discuss the matter with your supervisor. He or she can get assistance from others, including local management, Human Resources, the Law Department, Environmental Health and Safety, Security, Finance and Supplier Resource Management.

If you are not comfortable raising the matter with your supervisor, or if you raise a concern and the issue is not resolved, talk to another member of management, such as your local plant manager or Human Resources manager. If that is not appropriate, contact the Director–Global Ethics.

**To Learn More**

Obtain a copy of The Eaton Philosophy from your local Human Resources manager or through Eaton’s intranet.

**Examples**

*Wrong*

A female employee is prohibited from making a key customer presentation because her supervisor was told that the customer’s religion prohibits him from conducting business with women.

The sales team (three males and one female) attends a customer lunch at a country club that has a male-only dining room. The female is asked to wait in the car while the rest of the team attends the lunch.

*Right*

Two production workers notice that their supervisor is showing favoritism to a co-worker by permitting him to work flexible hours while others are denied this option. They decide to talk to their local Human Resources manager about their concerns.

A vice president promotes one of the best local female supervisors to department manager based on merit, even though it is unusual to promote a female in that locale.

# Avoiding Conflicts of Interest

We avoid relationships or conduct that might compromise judgment or create actual or apparent conflicts between our personal interests and our loyalty to Eaton. We do not use our position with Eaton to obtain improper benefits for others or ourselves. We do not compete with Eaton.

A conflict of interest arises when your personal interest or conduct compromises, or appears to compromise, your ability to act in Eaton's best interests. Even if a decision you make is fair, people will be unlikely to believe it. It is very important that you avoid situations in which your loyalty may become divided. Conflicts of interest are not always clear-cut, and individual situations vary. Here are some common types of conflicts.

## **Outside Employment**

While it may not create a conflict of interest, any outside work you perform must be strictly separate from your Eaton employment and should not affect your performance on your job. In fact, for most supervisory or professional positions at Eaton, it is understood that our employees will spend their full working time on Eaton matters and may not "moonlight" for some other employer. Before you consider a second job, obtain the prior approval of your supervisor.

## **Working for a Supplier or Customer**

It is a conflict of interest for you to work for a supplier or customer of Eaton, whether as an employee, consultant or in any other capacity.

## **Competing Against Eaton**

You may not personally engage in a business or activity that competes with Eaton's current or potential products or services, whether as an employee, consultant or in any other capacity.

## **Ownership in Other Businesses**

Employees may not own, directly or indirectly, a financial interest in any Eaton customer, supplier or competitor since that interest would cause or appear to cause a conflict of interest with Eaton. For these purposes, financial interest is defined as ownership of more than one percent of the outstanding securities/capital value of another business entity. If you have any doubt about how an investment might be perceived, discuss it with your supervisor.

## **Using Inside Information for Stock Trading Purposes**

Employees with access to confidential information are not permitted to use or share that information for stock trading purposes. Using non-public information for financial benefit is illegal as well as unethical,

and may subject you and others to civil and criminal penalties, including fines and imprisonment.

## **Family and Friends**

A conflict of interest may arise if you, your spouse, a relative or a close personal friend works for, or has a financial interest in, a supplier or potential supplier to Eaton, an Eaton customer, a potential customer or a competitor. Even the appearance of a conflict of interest must be avoided. If you have a relative or friend working for a supplier, potential supplier, customer, potential customer or competitor, tell your supervisor so potential problems can be discussed and avoided.

## **Board Membership**

No employee may serve on the board of directors or similar body for any for-profit company except Eaton subsidiaries without the express approval of Eaton's chairman and chief executive officer. Board appointments for Eaton subsidiaries are handled through prescribed channels. The chairman's approval is not required for employees serving on non-profit boards or in community organizations. Employees interested in liability protection for their service on nonprofit boards or in community organizations should contact the Vice President and General Counsel or a member of his staff.



Remember...actual conflicts of interest need not be present for a problem to arise. The mere appearance of a conflict must be avoided. If you are unsure about what you can or cannot do in this area, get help.

### Questions

If you need help, discuss the matter with your supervisor. He or she can get assistance from others, including local management, Human Resources, the Law Department, Environmental Health and Safety, Security, Finance and Supplier Resource Management.

If you are not comfortable raising the matter with your supervisor, or if you raise a concern and the issue is not resolved, talk to another member of management, such as your local plant manager or Human Resources manager. If that is not appropriate, contact the Director—Global Ethics.

### Examples

#### Wrong

When an accounting supervisor orders 50 new computers for her employees, she asks the supplier to add an extra one for her to use at home.

An employee uses her business telephone during her shift to solicit orders for technical services she provides through her home consulting business.

#### Right

An engineer is closely related to the owner of one of his plant's key suppliers. To avoid any conflict of interest, or even the appearance of a conflict, he excuses himself from any purchasing decisions involving the supplier.

When an Eaton lawyer's family requests information on Eaton's targeted date to acquire a new business, she declines to provide any information.

# Protecting Our Assets



We use Eaton property, information and opportunities for Eaton’s business purposes and not for unauthorized use. We properly maintain the confidentiality of information entrusted to us by Eaton or others.

## Physical Assets

Among Eaton’s assets are physical property such as facilities, equipment, hand tools, office supplies and computers.

You are responsible for helping safeguard and preserve Eaton’s property, protecting it from loss, theft and misuse.

You safeguard Eaton’s physical assets by:

- Using them appropriately at work and protecting them when not in use, such as storing hand tools in a safe place at work;
- Using electronic access cards only as authorized;
- Notifying local Security of items lost or stolen; and

- Notifying Corporate Security of any known or suspected criminal activity or threats against Eaton, its employees or assets.

## Examples

### Wrong

A machinist takes a circular saw home to use on a weekend project without approval.

A secretary takes office supplies home for personal use.

### Right

A factory worker notifies Security that items are missing from the tool crib.

Noticing a stranger walking around the plant without safety glasses or identification badge, an employee offers to walk him to the security desk to sign in.

## Computers and Other Information Systems

Eaton encourages the use of electronic communications to share information, communicate effectively and exchange ideas. Examples of electronic communications include electronic mail (Internet and

internal), telephone, voicemail, electronic bulletin board postings, chat messages on the Internet, video-conferencing and facsimile.

Electronic communications at Eaton are intended for business activities. Incidental personal use is permitted so long as it does not interfere with the user's or any other person's work performance, unduly affect Eaton's electronic communications systems or otherwise violate its Electronic Communications Policy.

Here are some examples of violations of Eaton's Electronic Communications Policy:

- Communicating in a harassing, offensive, obscene or threatening manner;
- Promoting goods or services unrelated to Eaton's businesses;
- Solicitation of any kind;
- Chain e-mails;
- Forging electronic communications;
- Using electronic communications for illegal purposes;
- Communicating information that may damage Eaton's reputation;
- Listening to Web radio stations;
- Downloading or storing games, pornography, personal software, copyrighted music or video; and
- Installing unapproved software programs.

## Examples

### Wrong

An intern uses an Eaton computer to download unapproved software programs.

An office worker creates and stores music on his Eaton computer.

### Right

A supervisor asks that an employee remove an offensive screen saver from his Eaton computer.

A technician deletes from his Eaton computer an ethnic joke received from a friend.

## Proprietary Information

Proprietary information must be treated carefully. This includes Eaton's intellectual property, such as:

- Patents,
- Trademarks,
- Trade secrets, and
- Copyrights.

Other examples of proprietary information include:

- Business, marketing and service plans;
- Engineering and manufacturing ideas;
- Designs;
- Internal databases;
- Personnel records;
- Salary information; and
- Unpublished financial data and reports.

Unauthorized use or disclosure of Eaton's proprietary information is prohibited and may be illegal.

Store and protect sensitive information and make it available on a need-to-know basis, preventing unauthorized access, use or removal.

Treat the proprietary information of third parties (such as patents, trademarks, trade secrets and copyrights) with the same degree of care, so as to avoid accusations that Eaton misappropriated or misused the information.

### Examples

#### Wrong

An engineer incorporates the patented idea of another party into an Eaton project without permission.

An employee copies technical drawings from a third party's copyrighted catalog.

#### Right

A co-worker reminds a new employee not to share confidential information of his previous employer with Eaton.

A supervisor disciplines an employee who copies Eaton's proprietary software for personal use.

### Questions

If you need help, discuss the matter with your supervisor. He or she can get assistance from others, including local management, Human Resources, the Law Department, Environmental Health and Safety, Security, Finance and Supplier Resource Management.

If you are not comfortable raising the matter with your supervisor, or if you raise a concern and the issue is not resolved, talk to another member of management, such as your local plant manager or Human Resources manager. If that is not appropriate, contact the Director—Global Ethics.

### To Learn More

Obtain a copy of Eaton's Electronic Communications Policy from Eaton's intranet or your supervisor.



# Offering / Accepting Gifts, Entertainment, Bribes or Kickbacks

We do not offer or accept gifts or entertainment of substantial value. We do not offer or accept bribes or kickbacks.



Business gifts and entertainment on a modest scale are commonly used to build goodwill and strengthen working relationships among business associates. Examples include business lunches, tickets to athletic events and small company mementoes. If the gift or entertainment is of substantial value, accepting it can create a conflict of interest or the appearance of a conflict. It might seem that the objective judgment of the recipient has been compromised. It might appear that the gift giver is entitled to preferential treatment, such as purchase orders, better prices or improved terms of sale.

## Offering or Accepting Gifts

Never offer or accept gifts of substantial value. Generally you may accept gifts that are infrequent and of nominal value, provided the gift meets all these criteria:

- Is consistent with usual business practice,
- Cannot be construed as a bribe or a payoff,



- Does not violate any law,
- Would not prevent you from awarding Eaton’s business to a competitor of the gift giver and would not create that suspicion,
- Would not embarrass Eaton or the individual if disclosed publicly,
- Is disclosed to your supervisor, and
- Does not exceed any specific limits established by your local management.

Presentations of a ceremonial nature in keeping with national custom may be permitted as long as what is offered or accepted:

- Cannot be construed as a bribe or a payoff, and
- Is not in violation of any law.

In any case, you must get prior approval from your supervisor before you offer or accept a gift in a ceremony.

In some rare situations, perhaps involving a presentation of a ceremonial nature, it would be impractical or harmful to refuse or return an inappropriate gift. When this happens, discuss the situation with your supervisor.

Never ask for gifts, gratuities or other items that benefit you personally from business contacts, regardless of value.

Never offer gifts or entertainment when you know they are prohibited by the recipient’s organization.

**Entertainment**

Employees may accept entertainment that is reasonable, appropriate and consistent with the best interests of Eaton. For example, accompanying a customer or supplier to a local theatre or sporting event or to a modest business meal would in most cases be acceptable, provided you have received prior approval from your supervisor.

Entertainment that is unusual, lavish or frequent may influence, or appear to influence, your independent judgment on behalf of Eaton. If an invitation is inappropriate, you must turn down the offer or pay the true value of the entertainment expense yourself. If you are in doubt, consult with your supervisor.

Employees may provide business entertainment (including meals, sporting events, concerts, etc.) that is reasonable and appropriate in the context of the business occasion and in the best interests of Eaton.

Employees are expected to exercise good judgment. Entertainment should not be or appear to be unusual, lavish or extravagant to an objective third party. Certain venues are not appropriate for business entertainment or meeting with professional or business associates because of the nature of the entertainment or the atmosphere.



Discuss your plans and actions with your supervisor any time you have a question about what is appropriate.

### **Doing Business with Government Organizations**

The sale of goods and services to governments is highly regulated. Employees who are involved in business dealings with government customers must ensure that all transactions and relationships comply with applicable laws and regulations. (See “Selling to Governments,” pages 33–35, for more information.)

### **Bribes and Kickbacks Are Prohibited Worldwide**

Eaton employees are prohibited from offering, giving, soliciting or receiving any form of bribe or kickback or similar unethical and unlawful payment under any circumstances. Eaton’s prohibition against bribes and kickbacks applies equally to employees, sales agents, representatives, consultants, distributors and other third parties acting on Eaton’s behalf. This prohibition applies world-

wide—with no exception and without regard to perceived customs, local practices or competitive conditions.

The difference between a bribe and a kickback is this:

- A bribe is money or anything else of value (such as services or gifts) used unethically or illegally (such as those that violate the U.S. Foreign Corrupt Practices Act) to influence the judgment or conduct of a third party or to cause a desired outcome or action.
- A kickback is a particular kind of bribe. It is the unethical or illegal return of part of a payment already made as part of a legal contract.

Eaton requires its suppliers to abide by its “Gift and Gratuities Policy” stated in the Eaton Corporation Global Sourcing Code of Supplier Conduct.

### **The Foreign Corrupt Practices Act**

Employees must comply with all anti-corruption laws of the countries where we do business,

including the U.S. Foreign Corrupt Practices Act (FCPA), which applies to all Eaton operations globally. The FCPA applies to every employee of Eaton and its non-U.S. subsidiaries, affiliates and joint ventures. The FCPA prohibits any Eaton employee from paying—or promising to pay—either directly or through sales agents, representatives, consultants, distributors or other third parties acting on Eaton’s behalf, anything of value to non-U.S. officials, political parties or candidates for non-U.S. political office, in order to obtain or retain business. You do not have to make the payment to be in violation; merely offering, promising or authorizing it is sufficient.

A company that violates the FCPA may be fined. An individual who violates the FCPA may be fined and imprisoned.

### **Review Process**

To help assure that sales agents, representatives, consultants or distributors will not pay bribes or kickbacks on Eaton’s behalf, make sure that all arrangements with them are covered by written contracts and documented in accordance with Eaton’s standard legal and accounting requirements. Contact the Law Department for assistance in engaging such individuals.

### **Caution**

Asking yourself these questions should help alert you to possible FCPA issues:

- Does the agent or representative have family or business ties with a government official?
- Does the agent or representative lack the staff, expertise or facilities to perform the required service?
- Is the agent’s fee or commission substantially above the going rate?
- Does the agent request unusual bonuses or substantial upfront payments?

### **Facilitation Payments**

The FCPA recognizes certain limited exceptions. In some instances, small facilitation payments, or tips, are permissible if they are intended to secure a routine business service and are made to clerical-level non-U.S. officials to perform or expedite routine government actions, such as obtaining routine permits to do business, processing visas and work orders, obtaining mail or telephone services, or expediting shipments through customs. Any such payments must be clearly and accurately reported as a business expense in company records.

BE AWARE that in some countries all such payments are illegal and therefore must never be paid. Whenever possible, get help before you make or even agree to make such a payment.

### Questions

If you need help, discuss the matter with your supervisor. He or she can get assistance from others, including local management, Human Resources, the Law Department, Environmental Health and Safety, Security, Finance and Supplier Resource Management.

If you are not comfortable raising the matter with your supervisor, or if you raise a concern and the issue is not resolved, talk to another member of management, such as your local plant manager or Human Resources manager. If that is not appropriate, contact the Director—Global Ethics.

### Examples

#### Wrong

A project supervisor is denied a permit to expand the parking lot of his facility. The zoning inspector suggests that he might reverse the decision for a fee, and the supervisor pays it.

A supplier, bidding on a project for Eaton, offers the local SRM manager a fee to induce her to tell him the amount of the lowest bid she has received so far. The manager accepts the fee.

#### Right

While visiting a foreign plant, a plant manager is invited to a weekend golf session by the local managers and some vendors. Since he had not brought his golf clubs, he is loaned an expensive golf set by one of the vendors. A week after returning home, he receives the expensive golf set as a “gift of friendship” from the local vendor. He writes a polite letter of thanks to the vendor and returns the golf set.

A tax specialist attends an after-hours party hosted by an Eaton vendor, where he wins two round trip air tickets to the Bahamas. He considers whether accepting the gifts would be appropriate under the Code of Ethics and talks with his supervisor to decide.

# Selling to Governments

We comply with the special laws, rules and regulations that relate to government contracts and relationships with government personnel.



Employees who work with government contracts must:

- Adopt processes to ensure that documents are kept in accordance with special government requirements;
- Make certain that cost and pricing data are current, accurate, complete, properly disclosed, documented and retained in appropriate files;
- Abide by laws and regulations related to government contracts and transactions;

- Require subcontractors, consultants, sales representatives, distributors and independent contractors to comply with laws and regulations;
- Know and follow the Eaton policies and procedures relating to government contracts and dealing with government personnel;
- In cost-type contracts (or subcontracts), allocate costs to the proper accounts; and
- Not make unauthorized substitutions for contracted goods and services or deviate from contract requirements without written approval from the authorizing government official.

## Government Contracts

National and local governments throughout the world have specific procurement laws and regulations that guard the public interest.

Among the most important of these laws and regulations are those relating to classified information. On defense-related projects, do not solicit, accept or possess classified information for which you are not authorized. If you are authorized to have classified information, know and follow the rules for handling it.

In many other areas of business practice, a government may apply special rules of behavior that may be different from acceptable commercial practices. These areas require special attention:

- Marketing,
- Accounting,
- Record-keeping,
- Purchasing, and
- Quality.

Some examples requiring strict adherence to specific rules:

- Accounting for costs,
- Proposal and bidding procedures,
- Pricing,
- Discussing potential employment with U.S. Government procurement officials,
- Maintenance of time records, and
- Compliance with contract obligations.

When Eaton uses suppliers or subcontractors to fulfill its commitments under

government contracts, the Eaton employees involved are responsible for communicating all special governmental requirements to these suppliers or subcontractors.

Employees of Eaton subsidiaries outside the U.S. who work on U.S. government contracts or deal with U.S. defense-related products should keep in mind that, in addition to complying with the laws of their own country, they also must comply with certain U.S. laws that have "extra-territorial effect." These laws include the U.S. Foreign Corrupt Practices Act, laws relating to U.S. classified information, and U.S. export controls. For example, an Eaton subsidiary in the United Kingdom producing parts for U.S. defense-related products is subject to U.S. laws just as the U.S. parent corporation is.

### **Relationships with Government Personnel**

National and local governments generally prohibit or put strict limits on gifts, entertainment and travel offered to or received by government personnel.

Nominal gratuities (in the nature of "tips") for lower-level government personnel to facilitate routine transactions are permissible in certain countries where they are customary, lawful and do not give the impression that Eaton is acting in an unethical manner. Practices vary from country to country. Discuss these payments in advance with your manager.

National and local laws and regulations applying to government contracts and government personnel apply to Eaton Corporation and Eaton employees worldwide. If your job involves business with government, you are responsible for knowing and complying with applicable laws and regulations. If you aren't sure about which laws apply to you, ask your supervisor.

### Questions

If you need help, discuss the matter with your supervisor. He or she can get assistance from others, including local management, Human Resources, the Law Department, Environmental Health and Safety, Security, Finance and Supplier Resource Management.

If you are not comfortable raising the matter with your supervisor, or if you raise a concern and the issue is not resolved, talk to another member of management, such as your local plant manager or Human Resources manager. If that is not appropriate, contact the Director—Global Ethics.

### Examples

#### Wrong

An employee in the test department runs government-required product tests that call for a supervisor's signature on the test report. The employee could not immediately locate her supervisor, so she used a photocopy of the supervisor's signature from another completed report.

A production worker was concerned about the time it was taking to perform an assembly process under a specific project for a commercial non-government customer, so she charged her time to a different project for a U.S. Government customer.

#### Right

During a plant visit by a senior government official to inspect manufacturing of contract products, the plant manager is informed by the local agent that the official has requested a special gift of an expensive watch from the company to ensure continued government contracts of substantial value. The plant manager refuses to comply with the request and explains to the local agent that Eaton's Code of Ethics prohibits such a gift.

Before they approve a large contract purchase of Eaton's products, government officials advise the Eaton purchasing manager that they want to visit Eaton and attend a product capability demonstration and testing. They request that Eaton pay the airfare for them and for their wives, who would be accompanying them. The purchasing manager discusses with his supervisor how to politely decline the request.

# Political Contributions

**We do not make contributions on behalf of Eaton to political candidates or parties, even where lawful.**

Eaton does not make contributions of its funds, property or services to political candidates, even where such contributions are lawful. This does not prohibit visits by elected officials to company facilities. In fact, these visits are encouraged, to ensure that officeholders understand the issues facing our operations. This also does not prohibit Eaton's support of ballot issues (such as school levies) where they are of interest to our operations and employees.

Individual employees are encouraged to be involved in the political process and to make personal contributions as they see fit. Employees may not pressure other employees to make political contributions or to support a political party or candidate.

Employees who take positions on public issues (government, legislation and other public interest matters) must not act, or give the appearance of acting, on Eaton's behalf, unless authorized to do so by Eaton's Vice President, Public and Community Affairs.



Here are examples of activities that are prohibited by Eaton and may be illegal:

- Eaton’s purchase of advertising in a political publication,
- The use of company cars or other Eaton property by political organizations, candidates or their staffs in connection with a political campaign,
- The use of Eaton funds to purchase seats or tables at political dinners and political fund-raising events, and
- The use of the Eaton name in political or campaign literature.

### Questions

If you need help, discuss the matter with your supervisor. He or she can get assistance from others, including local management, Human Resources, the Law Department, Environmental Health and Safety, Security, Finance and Supplier Resource Management.

If you are not comfortable raising the matter with your supervisor, or if you raise a concern and the issue is not resolved, talk to another member of management, such as your local plant manager or Human Resources manager. If that is not appropriate, contact the Director – Global Ethics.

### Examples

#### Wrong

A team leader distributes flyers in the cafeteria at work on behalf of his favorite political candidate.

A supervisor distributes an email across his department seeking support for his cousin, who is running for local political office.

#### Right

The quality manager makes available in the cafeteria a non-partisan analysis of candidates.

A leading candidate in a national election asks the local plant manager to authorize a financial contribution from Eaton. She declines.

# Your Responsibilities

As an Eaton employee, you are expected to:

- Read, know and comply with the Code of Ethics,
- Ask for help when you aren't sure if your decision is ethical or lawful,
- Promptly report any activity that in your judgment would violate the Code of Ethics,
- Cooperate with Eaton representatives conducting internal investigations, and
- Raise with another member of local management any ethical issue you have raised with your supervisor but which has not been addressed.

In addition, if you are an Eaton supervisor, you are expected to:

- Lead by example, in both words and actions;
- Promote open and honest two-way communications with your employees,

encouraging them to raise their questions and concerns about ethical issues and letting them know when an issue has been resolved;

- Support any employee who comes forward to discuss an issue or report a potential violation and ensure that there is no retaliation for doing so;
- Recognize unethical and illegal conduct and take prompt, appropriate and consistent action; and
- Ensure that employees are trained and informed about the policies and procedures that apply to their positions.

## **Penalties for Violating the Code of Ethics**

Employees who violate the Code of Ethics may be subject to discipline, including termination. Violations include:

- Actions that violate the Code,
- Asking others to violate the Code,

- Failing to cooperate in investigations conducted by Eaton representatives,
  - Retaliating against an employee for good-faith reporting of a violation or suspected violation, and
  - Concealing, covering up or failing to report any activity that in your judgment violates the Code of Ethics.
- Would I be comfortable explaining my actions to my supervisor?
  - Would I feel proud telling my family and friends about my actions?
  - Would I be comfortable if my actions were reported in the news media?

Perceived pressure from supervisors or demands due to business conditions do not excuse you from complying with the Code of Ethics.

### **Getting Help and Reporting Potential Violations**

In today’s global market it is often difficult to keep up with new challenges our organization faces or to adequately deal with all complex situations. Nobody has all the answers. But we do know that the best answers will evolve in an organization committed to upholding its principles and to creating an environment that supports ethically sound behavior. Never hesitate to ask a question, raise a concern or report a violation.

Good ethical decisions are not always clear-cut. The answers are not always obvious or easy. What if you’re faced with a difficult choice? To help you make your decision, we suggest that you review the Code of Ethics and the Ethics Guide, and then ask yourself these three questions:

If you are still in doubt, discuss the matter with your supervisor. He or she can get assistance from others, including local management, Human Resources, the Law Department, Environmental Health and Safety, Security, Finance and Supplier Resource Management.

If you are not comfortable raising the matter with your supervisor, or if you raise a concern and the issue is not resolved, talk to another member of management, such as your local plant manager or Human Resources manager. If that is not appropriate, contact the Director–Global Ethics.

### **Global Ethics Office**

To demonstrate that Eaton’s ethical standards are both current and at the highest level and that our Code of Ethics is fully known and followed wherever we do business, Eaton has named a Director–Global Ethics and established a Global Ethics Office. The Global Ethics Office is responsible for providing employees with the information, tools, guidance, training and support they need



to comply with the Code of Ethics when making day-to-day business decisions. The Global Ethics Office answers the Ethics and Financial Integrity Help Line.

### **Reporting Ethical, Legal or Financial Integrity Concerns**

Any person may openly or anonymously report any ethical concern or any potential or actual legal or financial violation, including any fraud, accounting, auditing, tax or record-keeping matter, to the Director–Global Ethics of Eaton. For reports that are not made anonymously, confidentiality will be maintained to the extent possible while permitting an appropriate investigation.

#### **Regular Mail**

Reports may be made openly or anonymously by regular mail to Director–Global Ethics, Eaton Corporation, Eaton Center, Cleveland, Ohio 44114. Reports may also be made to the Director–Global Ethics by e-mail or telephone through Eaton’s Ethics and Financial Integrity Help Line.

#### **E-mail**

Access the Ethics and Financial Integrity Help Line through the Employee Services tab on Eaton’s intranet. The message will be anonymous unless the sender identifies himself or herself. Alternatively, send a regular Outlook e-mail, which will not be anonymous, to [Ethics@eaton.com](mailto:Ethics@eaton.com).

#### **Telephone**

From the U.S., Canada and Puerto Rico, dial toll-free 1-800-433-2774. This call will be anonymous unless the caller identifies himself or herself.

From all other countries, dial your country’s AT&T access code (found on Eaton’s intranet), and then dial toll free 1-800-433-2774. This call will be anonymous unless the caller identifies himself or herself.

#### **Non-English**

If you are not comfortable making your report in English through the Ethics and Financial Integrity Help Line, please use your native language to e-mail or write your concern to the address at left, and we will translate your letter or e-mail.



### **What to Expect When You Use the Ethics and Financial Integrity Help Line**

When you contact the Global Ethics Office through the Ethics and Financial Integrity Help Line, this is what you can expect:

- Your report, concern or question will be taken seriously and will be handled promptly, discreetly and professionally.
- Translation services will be provided if you need them.
- Any potential violation that you report will be investigated and, if substantiated, resolved through appropriate action. If you identify yourself, we will inform you when the investigation is complete.
- At your option, you may remain anonymous. If you use the anonymous email or telephone number, your location and number cannot be identified or traced. If you identify yourself, confidentiality will be maintained to the extent possible while permitting an appropriate investigation.

### **Retaliation is Prohibited**

Eaton will not permit any retaliation against any employee who reports an ethical, legal or financial concern nor will it discipline any employee for making a report in good faith. If you feel that you have been retaliated against, contact your local Human Resources manager or the Director–Global Ethics immediately.

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Eaton Corporation  
Eaton Center  
1111 Superior Avenue  
Cleveland, OH 44114-2584  
216.523.5000  
[www.eaton.com](http://www.eaton.com)

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