



## Business Ethics Briefing

# The Ethics of Gifts and Hospitality

Both the giving and receiving of gifts and hospitality have an important role in facilitating business practice. A meal out with a supplier can help build a relationship; a pen with your firm's name on it can remind a customer of you when they need a quote.

When is a gift inappropriate? When is a gift a bribe?

The acceptance of gifts, services and hospitality is related to the issue of conflicts of interest and can leave an organisation vulnerable to accusations of unfairness, partiality or deceit. Its commercial relationships may be subject to bias and its ethical reputation will be at risk.

A policy on the giving and receiving of gifts and hospitality should be consistent with other aspects of the organisation's ethics policy in encouraging high standards of personal honesty and integrity. It would be unacceptable, for example, to offer or receive corporate hospitality which might violate the ethical values of the giver's/recipient's company such as discriminating or causing offence on the basis of race or religion.

This briefing considers some of the ethical issues around corporate gifts and hospitality and outlines good practice in policy.

### What can organisations do?

Organisations must have a clear, unambiguous policy on this topic which provides guidance to their staff. Two examples of dilemmas that staff can face can be found in the boxes.

#### More than just a hat

Tony is purchasing manager at Brass Monkeys, a quality knitted hat and scarf emporium with shops on most major high streets. Over the years he has built up good relationships with the sales managers of each of the suppliers and they will usually give him a complimentary hat or scarf for Christmas, which he distributes round the office, as his wife won't allow anymore hats into the house. She is always complaining that he doesn't get given any good presents – not even a bottle of brandy to pour over the Christmas pudding!

This year there have been various cutbacks within the company, and Brass Monkeys has had to buy some cheaper products from overseas suppliers. This meant that Tony wouldn't be sourcing from Harry the salesman from Bobbles this year, with whom Tony used to do a lot of business. He was sorry about that, as they had had a good relationship, but there was little Tony could do about market forces.

The week before Christmas, however, Harry comes bounding into the office, distributing woollie hats for all the staff, and dropping hints about a special present for Tony.

"The boss wanted me to give you more than a hat this year," he says "as a thank you for all the business you've put our way over the years," and he hands Tony an envelope, containing 2 tickets for an all-expenses paid trip to Iceland over New Year.

*What should Tony do?*

A gifts and hospitality policy sets out:

- what can be accepted without disclosure
- what cannot be accepted or given
- what should be recorded
- how staff can seek further guidance

### What can be accepted?

*When a gift is not a gift:* One issue to consider when assessing whether offering or accepting a gift is inappropriate is whether the business relationship will be altered, or if there is an expectation that it will be **influenced** in some way. For example, will bias be expected when selecting suppliers? If so, this is a bribe, not a gift.

*Inappropriate scale:* What constitutes a non-trivial gift or hospitality? Some companies help employees by putting a monetary limit on the value of gifts that can be offered or accepted, with those above a certain value considered as unacceptable. This can be difficult to judge. What may seem to be minor to a senior manager could be worth significantly more to a junior employee, and the duties of senior staff may require them to attend or sponsor events where hospitality is generous. Stipulating different monetary values allowed for different management levels can get complicated. Also, the exact value of an event package, for example a trip to see tennis at Wimbledon, is hard to determine.

In addition, multinational companies need to consider relative monetary values in the different countries that they operate. A £25 limit on gifts in the UK may be considered lavish to some employees in poorer economies. It is recommended that a policy should be based on reciprocity.

*Reciprocity:* In addition to **influence**, a principle that can be applied to determine what is an appropriate level is that of **reciprocity**: for example, "If my supplier offers me tickets to the theatre, would I be able to reciprocate?". The test becomes: if not, do not accept.

*Cash:* Accepting cash gifts is rarely acceptable. As it is easier to conceal, it is more likely to be viewed as bribery rather than a fair business practice. In some cultures giving cash is acceptable, in which case the policy should cover this. Giving monetary gifts, for example facilitation payments to low-level public officials, even if it is just to speed up a normally legal service, is illegal under UK law anywhere in the world.

### What gifts need to be disclosed?

Many organisations operate gift registers in which gifts over a certain value must be recorded. This helps to make the process **open and transparent** and avoids accusations of distortion. Gifts that exceed this value, but are impossible to decline, may be accepted on behalf of the organisation. Such gifts can be raffled at the end of the year to raise funds for a charity for instance.

### What can be given?

Gifts and hospitality over a stated value, offered and given to others, should be recorded to ensure that they are not being used for undue influence. This may be a particular issue in sectors where purchasing decisions are made by influential individuals, e.g. the pharmaceutical and defence sectors.

### Who should be covered?

Besides employees of the organisation, corporate gifts and hospitality policies should also extend to family members. For instance, a corporate invitation to a conference in the Bahamas may be legitimate for business reasons, but if spouses are invited and paid for, it may be misconstrued as a holiday.

The key principle is that hospitality received has to have a clear business reason and not just be for the employee's or their family's personal enjoyment.

### How to make the policy effective

To ensure a transparent culture around gifts and hospitality issues, open discussion in the workplace should be encouraged. It is worth considering:

- offering an advice line for staff to call for guidance;
- offering a training programme to provide staff with the tools to deal with dilemmas of this sort;
- asking questions in employee surveys to identify doubts and pressures on staff;
- regularly auditing the gifts register to ensure that the policy is understood.

#### Some sample corporate gifts and hospitality policies

It's a question of ethics – Borealis' ethics policy  
<http://www.borealisgroup.com/pdf/ethics/borealis-ethicspolicy-en.pdf>

Our Commitment to Integrity – BP Code of Conduct  
[http://www.bp.com/liveassets/bp\\_internet/globalbp/STAGING/global\\_assets/downloads/C/coc\\_en\\_full\\_document.pdf](http://www.bp.com/liveassets/bp_internet/globalbp/STAGING/global_assets/downloads/C/coc_en_full_document.pdf)

GE: Integrity - The Spirit and Letter of Our Commitment (Guide to Our Policies)  
[http://www.ge.com/files\\_citizenship/pdf/TheSpirit&TheLetter.pdf](http://www.ge.com/files_citizenship/pdf/TheSpirit&TheLetter.pdf)

GSK Employee Guide to Business Conduct  
<http://www.gsk.com/responsibility/downloads/employee-guide-to-business-conduct.pdf>

Merck – Our Values and Standards  
[http://www.merck.com/about/code\\_of\\_conduct.swf](http://www.merck.com/about/code_of_conduct.swf)

### Tickets for the Cup Final

As a hedge fund analyst at Premier Investment Bank plc, it is part of Penny's job to maintain good relationships with institutional investors. She prides herself on her portfolio of clients, who have grown in importance over the years.

Occasionally she may take one out for a drink if she happens to be passing, and occasionally she will treat them to lunch. She is very open about these meetings, and considers them an important part of her job.

Word has reached her that one of her larger clients, Mouse & Co, has been making noises about switching, or even withdrawing, their investments. It would be a professional blow to Penny if she were to lose them. She calls Geoff, the investment manager of Mouse & Co, inviting him to lunch.

Over lunch Penny talks about Premier's new initiatives and investments, but Geoff looks sceptical, and changes the subject to football, and the upcoming Cup Final "I am desperate to go, but I was too late, they'd already sold out! Those tickets are like gold-dust! I don't suppose Premier has a hospitality budget does it?" he laughs.

"I wish!" laughs Penny.

But over coffee, when she presses him to see if there was any truth in the rumour that Mouse & Co were thinking of withdrawing their funds from Premier, Geoff smiles broadly.

"I couldn't possibly comment. If that's what you've heard then there must be a reason behind it. Perhaps there's a feeling at Mouse that we could be better looked after elsewhere. But I'm sure you'll do everything in your power to make us happy!" And he changes the subject again to United's chances.

Penny leaves the lunch with the uncomfortable feeling that the best way to keep Geoff happy, and Mouse & Co as a client, is to get him to the Millennium Stadium. She can't afford to lose a client, but can she really get tickets to the Final?

*What should she do?*

Because a policy can not cover all situations, a clear set of decision making principles will help employees make decisions. These can take the form of questions. For instance:

- **Would you be embarrassed if anyone found out about the gift?**
- **How would you feel if you read about it in the paper?**
- **Does receipt of the gift or hospitality influence you in any way?**

#### What can staff do?

- be aware of your organisation's policy on gifts and hospitality
- be aware of the requirements for reporting offers and acceptance of gifts and hospitality;
- consult your line manager if in any doubt as to the right thing to do
- inform your line manager if you suspect that you have been offered a gift or significant hospitality with corrupt intent;
- Consider informing your line manager if you are concerned that a colleague may have accepted an expensive gift or significant hospitality that contravenes policy.