



Corporate Headquarters  
Corporate Policy Statement CPS-718  
Revision: 9  
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## Disclosures to the United States Government

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### 1.0 Policy

1.1 Lockheed Martin will conduct its business according to the highest standards of business ethics. Lockheed Martin will establish and follow reasonable procedures designed to prevent and detect violations of federal procurement laws and cooperate fully with government investigations.

1.2 Pursuant to the [Federal Acquisition Regulation](#) (FAR) 52.203-13, when there is credible evidence of a violation of certain federal criminal laws, a violation of the U.S. Civil False Claims Act, or a significant overpayment (see FAR 9.406-2(b)(1)(vi) and 9.407-2(a)(8)), Lockheed Martin will submit a mandatory disclosure describing Reportable Violations to the appropriate agency Office of Inspector General and Contracting Officer in a timely manner.

1.3 In addition to the requirements of FAR 52.203-13, Lockheed Martin, on a voluntary basis, will promptly and fully disclose to the responsible authorities all other violations of federal law and instances of significant employee misconduct affecting or influencing its operations as described in [4.5](#) and [4.6](#) below.

### 2.0 Other Reportable Matters

2.1 Alleged anti-kickback violations will be investigated, and disclosed when appropriate, in accordance with [CPS-716](#), Compliance with the Anti-Kickback Act of 1986. If an anti-kickback violation also is a Reportable Violation under CPS-718, it will be reported in accordance with both policies.

2.2 Alleged violations of export control or other international trade laws and regulations of the United States and each foreign country in which the Corporation operates will be investigated,

and disclosed when appropriate, in accordance with [CPS-310](#), International Trade Controls and Compliance. If an alleged export control violation also is a Reportable Violation under CPS-718, it will be reported in accordance with both policies.

2.3 Alleged trafficking in persons and related activities will be investigated, and disclosed when appropriate, in accordance with [CPS-734](#), Combating Trafficking in Persons. If a trafficking in persons violation also is a Reportable Violation under CPS-718, it will be reported in accordance with both policies.

### **3.0 Definitions**

*Agent* – An independent contractor authorized to act on behalf of Lockheed Martin. This could include consultants retained pursuant to [CRX-010](#), Domestic Business Development Consultants, or [CRX-011](#), International Business Development Consultants.

*Credible Evidence* – Information that, considering the source and context, supports a reasonable belief that an event occurred or will occur.

*Principal* – An officer, director, owner, partner, or a person having primary management or supervisory responsibilities with a business entity. Principal includes individuals serving as general managers, plant managers, and heads of subsidiaries, divisions, or business segments. Principal also includes most compliance and ethics officers, directors of internal audit, and individuals in other similar positions of responsibility.

*Reportable Violation* – The FAR requires disclosure whenever there is credible evidence of any of the following in connection with the award, performance, or closeout of a contract or subcontract issued under that contract: (a) a violation of federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code; or (b) a violation of the U.S. Civil False Claims Act (31 U.S.C. §§ 3729-3733). Significant overpayment(s) on a contract, other than overpayments resulting from “contract financing payments,” as defined in FAR 32.001, also are reportable.

*Subcontractor* – A supplier, distributor, vendor, or firm that furnishes supplies or services for performance of a prime contract or subcontract issued under that contract.

### **4.0 Background**

4.1 Federal government contractors and subcontractors are required to notify the agency Offices of Inspector General and Contracting Officers whenever they have credible evidence of a violation of certain federal criminal laws, a violation of the U.S. Civil False Claims Act, or the receipt of a significant government overpayment.

#### Mandatory Disclosures

4.2 Prime contracts and subcontracts expected to exceed \$5.5 million and a 120-day or greater performance period must include FAR 52.203-13, which imposes a requirement to disclose in writing whenever, in connection with the award, performance, or closeout of a contract or

subcontract, Lockheed Martin has credible evidence that a principal, employee, agent, or subcontractor of Lockheed Martin has committed a Reportable Violation.

4.3 Following are examples of potentially Reportable Violations subject to the requirements of FAR 52.203-13. The list of examples is not exhaustive:

- A false statement—orally or in writing—made to the government, directly or indirectly, including false certifications and representations, in a proposal or during an oral presentation to the government, such as misstatements of company or employee qualifications or contract performance results, false independent price certification, or concealment of a material fact.
- Bribery of or providing a prohibited payment or gratuity to a government official or his or her family or household member (exceptions: gifts or things of value permitted under law and company policy).
- Employment discussions between a government employee and the company giving rise to a conflict of interest.
- Failure to perform processes or tests required by the contract, or falsification of test results.
- False representation of country of origin requirements under the Trade Agreements Act or Buy American Act.
- Offering or accepting illegal kickbacks in connection with government subcontracts, at any tier.
- Retaliation against an employee who raises an issue involving contract noncompliance or fraud.
- False or fraudulent claims, such as overstated incurred cost or progress payment request invoices for payment, knowingly including unallowable costs in an invoice, or knowingly including unallowable costs in indirect cost rate submissions.
- Knowingly using used parts when new parts are required.
- Knowingly using unauthorized parts.
- Knowingly mischarging under a government contract.

Note: Misconduct performed “knowingly” means that the person acted with actual knowledge that information was false, or in deliberate ignorance of the truth or falsity of the information, or with reckless disregard of the truth or falsity of the information.

4.4 A contractor may be debarred or suspended from contracting with the federal government for a knowing failure by a principal to promptly disclose to the government credible evidence of a Reportable Violation in connection with the award, performance, or closeout of the contract or subcontract. The obligation to disclose extends for a period of three years after final payment on any government contract awarded to the contractor.

#### Voluntary Disclosures

4.5 Some violations of law, significant employee misconduct, or other matters may not be Reportable Violations under FAR 52.203-13, but Lockheed Martin may elect to report them in the spirit of maintaining the highest standards of business ethics and transparency with U.S.

government agencies. Examples of such conduct may include violations of the federal securities laws, violations of the Anti-Corruption Laws on commercial contracts, or violations of procurement laws that may not be covered by FAR 52.203-13. Lockheed Martin will disclose such violations on a voluntary basis.

4.6 The following factors should be considered when assessing whether to submit a voluntary disclosure:

- Is the law or applicable regulation clear on the issue? Did the matter in question clearly violate the law or regulation, or is there ambiguity?
- Is there evidence of wrongful intent or intent to deceive or defraud?
- Does the matter indicate a pattern or practice of wrongdoing? The more extensive the perceived misconduct, the greater the significance.
- What is the level of the employee involved in the matter? The more senior the employee, the greater the significance.
- Was there any attempt to conceal from or mislead an investigative or regulatory agency as to the true nature of the wrongdoing? Any such attempt will be viewed as significant.
- What is the dollar impact of the matter? Generally, unless the dollar impact is minimal, it will not preclude disclosure. The higher the dollar value, the greater the significance.

## **5.0 Implementation**

5.1 Employees must immediately report information relating to potentially Reportable Violations, or other violations of law or instances of significant employee misconduct, to their management, Human Resources, Ethics Office, or Legal Counsel. The person receiving the information must immediately report information relating to potentially Reportable Violations, or other violations of law or instances of significant employee misconduct, to the element's Legal Counsel, who will make a preliminary determination, based on the nature of the matter, as to whether it is a Reportable Violation under FAR 52.203-13, or a matter to be reported on a voluntary basis.

5.2 If the element's Legal Counsel concludes that the conduct is a Reportable Violation or other violation to be reported on a voluntary basis, element Legal Counsel must immediately notify the corporate Vice President & Associate General Counsel - Litigation & Compliance or designee. The requirement for notification is intended as a safeguard to help ensure that all such conduct is promptly addressed and decisions to report violations are handled consistently across the Corporation. Notification will initiate a monitoring and tracking mechanism to ensure that the allegation is promptly investigated and that disclosure is made as appropriate.

5.3 All internal investigations will be conducted in accordance with [CRX-021](#), Internal Investigations. In specific instances (particularly when the information may affect more than one element, senior personnel are alleged to be involved, or the allegation initially appears to involve a criminal violation) the investigation may be conducted or directed by corporate Legal, supported by other functional departments as appropriate. Corporate Legal may assume responsibility for an investigation covered by this policy at any time. In all cases, Legal staff will take steps to preserve the attorney/client and work product privileges as appropriate.

5.4 Personnel responsible for conducting an investigation covered by this policy will provide periodic reports on the status and findings of the investigation to the element's Legal Counsel, who will provide periodic reports to the corporate Vice President & Associate General Counsel - Litigation & Compliance or designee.

5.5 When there is credible evidence of a Reportable Violation, or reasonable grounds to believe either that federal laws other than those referenced in the definition of Reportable Violation may have been violated or that a matter warrants voluntary disclosure, the element's Legal Counsel or designee will prepare a written draft report of the violation and investigation and provide the draft report to the corporate Vice President & Associate General Counsel - Litigation & Compliance or designee. The corporate Vice President & Associate General Counsel - Litigation & Compliance or designee will review the draft report and obtain the approval of the Senior Vice President, General Counsel & Corporate Secretary if the matter to be disclosed is significant. Once corporate Legal approval is obtained, element or corporate Legal will submit the report to the government.

5.6 If there is a disagreement about whether the information in the draft report constitutes a Reportable Violation or provides a reasonable basis for voluntary disclosure, the Senior Vice President, General Counsel & Corporate Secretary will make the final decision whether to submit the report to the government.

5.7 The corporate Vice President & Associate General Counsel - Litigation & Compliance or designee will provide copies of all reports submitted to the government to the Senior Vice President Ethics and Enterprise Assurance or designee.

## **6.0 Segregation and Allowability of Costs**

When Legal Counsel determines that a matter constitutes a Reportable Violation or warrants voluntary disclosure (paragraph 5.5), separate account numbers will be established to collect the costs associated with the subsequent activities of all Lockheed Martin personnel involved (direct and indirect), including any related out-of-pocket costs, such as for outside counsel. The costs collected will be classified as allowable or unallowable in accordance with Cost Principles Compliance Manual 31.205-15, Fines, Penalties and Mischarging Costs, or 31.205-47, Costs Related to Legal and Other Proceedings, as applicable.

## **7.0 Violations**

Violation of this policy may result in disciplinary action up to and including termination from employment.

## **8.0 Responsibility**

The Senior Vice President, General Counsel & Corporate Secretary will oversee the implementation of this policy.

## **9.0 General**

9.1 Nothing in this policy is intended to prevent employees from reporting violations of the [Lockheed Martin Code of Ethics and Business Conduct, Setting the Standard](#), or other misconduct, directly to Human Resources, Ethics Office, Legal Counsel, or other appropriate functional organization in accordance with [CPS-001](#), Ethics and Business Conduct. When a report is received, Ethics and, as appropriate, Legal, will facilitate an internal investigation in accordance with this policy.

9.2 Any deviation from this policy requires the prior approval of the Owner listed in [Lockheed Martin Command Media Central](#) or designee.

//s// Maryanne R. Lavan

Senior Vice President, General Counsel & Corporate Secretary