WHY YOU NEED AN ETHICS PROGRAM
AND HOW TO GET STARTED TODAY

PART OF SUPPLIER TRAINING EXCELLENCE PROGRAM (STEP)
AND ETHICS SUPPLIER MENTORING PROGRAM WEBINAR SERIES

LOCKHEED MARTIN

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DISCLAIMER

The information presented in this webinar is not all-encompassing on the vast topics of ethics and compliance.

The material is offered as support and guidance, and it does not supersede or in any way impact your contractual obligations under subcontracts or purchase orders received from LMC.

You are solely responsible for determining the content and scale of your ethics and business conduct program.

You are solely responsible for determining the content and scale of your program.
WEBINAR AGENDA

What is an ethics program?

Why do you need one?

How can you get started?
WHAT IS AN ETHICS PROGRAM?
Employees empowered to follow laws and policies, and speak up when something doesn’t feel right.
An effective ethics program can reinforce compliance with any law, regulation or policy.
ETHICS & COMPLIANCE PROGRAM STANDARDS

**Government Regulations & Guidance**
- US Federal Acquisition Regulation (FAR)
- US Federal Sentencing Guidelines for Organizations (FSGO)
- Resource Guide to the US Foreign Corrupt Practices Act (FCPA)
- UK Ministry of Justice Guidance - The Bribery Act 2010

**Industry Standards**
- Defense Industry Initiative on Business Ethics & Conduct (DII)
- International Forum on Business Ethical Conduct for the Aerospace and Defence Industry (IFBEC)

**International Best Practices**
- International Chamber of Commerce (ICC)
- Organisation for Economic Cooperation and Development (OECD)
- Transparency International

Growing list of program standards relatively consistent in expectations.
ELEMENTS OF AN EFFECTIVE ETHICS PROGRAM

- Company Values
- Program Structure & Oversight
- Leadership Commitment
- Risk Assessment
- Policies & Procedures
- Code of Conduct
- Training
- Communications
- Program Assessment
- Reporting Mechanisms
- Investigations & Disclosures
- Discipline & Incentives
COMPANY VALUES

Key principles that describe your culture and guide your decisions

- Perform with Excellence
- Respect Others
- Do What’s Right

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PROGRAM STRUCTURE & OVERSIGHT

People (or person) in charge of your ethics program – and their reporting structure

- Board of Directors
- President, Chairman & CEO
- SVP of Internal Audit, Ethics & Sustainability
- EVP & CFO
- Business Area EVPs
- Corporate Ethics Directors
- Business Area Ethics Directors
- Internal Audit Director
- Enterprise Risk & Sustainability Director
- Corporate Ethics Staff
- Business Area Ethics Officers
RISK ASSESSMENT

Continuous process of identifying and mitigating key ethics and compliance risks
MEET BOB
Standards for mitigating key ethics and compliance risks
Summary of expectations for employee behavior
TRAINING

Education about specific compliance topics and strategies for addressing ethical dilemmas
COMMUNICATIONS

SEE SOMETHING, SAY SOMETHING

Speaking up is the right thing to do and helps us make our company an even better place to work.

- You can contact Ethics to ask a question, seek guidance, or report a potential violation of our Code, policy or laws.
- All contacts to Ethics are strictly confidential.
- Retaliation against employees who raise concerns in good faith will not be tolerated.

Contact Ethics
Tel: (555) 555-5555
Email: ethics@yourcompany.com

DO YOU KNOW YOUR ETHICS OFFICER?

Insert picture of Ethics POC here

"Hi, I’m your Ethics Officer! I enjoy volunteering in my community, taking long walks on the beach and helping coworkers work through tough issues.”

[Insert your own quote that makes the Ethics POC seem professional and approachable]

Office Number: S203
Tel: (555) 555-5555
Email: ethics@yourcompany.com

Ethics and compliance messaging outside training
LEADERSHIP COMMITMENT

Email from Bob’s boss:
I don’t care what you have to do. JUST GET IT DONE!

Alignment of management’s words and actions with company values
INQUIRY & REPORTING MECHANISMS

Bob: Hi, is this Ethics? I’d like some guidance on an issue I’m having. Can I remain anonymous?

Avenues for employees to ask a question or report potential misconduct
INVESTIGATIONS & DISCLOSURES

Company’s response to allegations of misconduct
DISCIPLINE & INCENTIVES

Negative consequences for misconduct and rewards for ethical behavior
## PROGRAM ASSESSMENT

### Supplier Self-Assessment

**Lockheed Martin Ethics Supplier Mentoring Program**

### Program Element | Self-Assessment Questions | Supplier Notes | Lockheed Martin Practices and Resources
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1. **Compliance Value** | Does your company have a corporate culture that embraces ethics? | Lockheed Martin’s core values are the ethical right, respect others, reform with excellence. |  
2. **Program Strategy & Oversight** | Who is responsible for ethics in your organization? What assurance does your company have that their ethical standards are being followed? | Lockheed has an ethics officer in every division. The Ethics Committee, which is chaired by the President and CEO, meets on a regular basis with the Ethics and Compliance Department heads of all of our business units. Lockheed Martin’s Ethics and Compliance Department within the corporation has its own budget and full-time staff. |  
3. **Risk Assessment** | How offensive are your company’s efforts at an assessment of deficiencies and excellence? | This is a self-assessment. |  
4. **Process & Procedures** | Do you consider the policies and procedures within the company to be beneficial for your risk management? | There are no specific guidelines. |  
5. **Code of Conduct** | Does your company have a code of conduct or other written statements for employee behavior? Is such a code available to employees and vendors, or is one being developed? | Lockheed Martin’s Code of Ethics and Business Conduct, setting the standard, is available on our Ethics and Compliance website. |  
6. **Training** | How often does your company’s ethics employee provide training to employees? How many ethics training you address the topics identified by your audit? | Lockheed Martin requires one ethics training per calendar year. Training On-Demand Ethics Awareness Training and the comprehensive Business Conduct Compliance Training is now available on the Ethics Office website. |  
7. **Communications** | Does your company’s ethics employee provide training to employees? How many ethics training topics do you address the topics identified by your risk assessment? | Lockheed Martin’s Ethics Officer oversees the annual Ethics Awareness Training module, as well as the annual Ethics and Business Conduct newsletter. |  
8. **Leadership & Board Level** | How does your company’s leaders take responsibility for their support of ethics? | Lockheed Martin’s President & CEO has discussed the annual Ethics Awareness Training module, as well as the annual Ethics and Business Conduct newsletter. |  
9. **Reporting Mechanisms** | Does your company have a clear and easily accessible way to report potential misconduct? | Lockheed Martin has a clear and easily accessible way to report potential misconduct. |  
10. **Investigations & Disciplinary Action** | How does your company identify and investigate ethical deficiencies? | Lockheed Martin’s Ethics, Policies, and Standards department has a clear and easily accessible way to report potential misconduct. |  

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Regular audits and/or monitoring of ethics program effectiveness.
WHY DOES YOUR COMPANY NEED A FORMAL ETHICS PROGRAM?
LOCKHEED MARTIN PERSPECTIVE

Ethics programs reduce risk to your business and ours – and to the missions we serve.

Legal

Many elements of an effective ethics program are required by law or regulation and can reduce penalties in event of misconduct.

Reputational

Allegations of misconduct can damage the reputation of a single company or the entire industry.

Financial

An effective ethics program can help identify and address issues before they affect quality, cost or schedule.
FAR 52.203-13 CONTRACTOR CODE OF BUSINESS ETHICS & CONDUCT

If you are currently working on a qualifying contract or would like to be eligible for one, you’ll need an ethics program.

Are you a U.S. government contractor or subcontractor?

- **YES**
  - Do you have subcontract(s) of >$5.5 million and POP >120 days?
    - **YES**
      - Ask your lawyer about FAR Clause 52.203-13.
    - **NO**
      - You may still be required to have some elements of an ethics program.

- **NO**
  - You may still be required to have some elements of an ethics program.
U.S. FEDERAL SENTENCING GUIDELINES FOR ORGANIZATIONS

Effective Compliance & Ethics Program
(Chapter 8, Part B, Section 2)

☐ Establish policies, procedures, and controls
☐ Exercise effective compliance and ethics oversight
☐ Exercise due diligence to avoid delegation of authority to unethical individuals
☐ Communicate and educate employees on compliance and ethics programs
☐ Monitor and audit compliance and ethics programs for effectiveness
☐ Ensure consistent enforcement and discipline of violations
☐ Respond appropriately to incidents and take steps to prevent future incidents

If misconduct does occur, having an effective ethics program can reduce fines by up to 90%.
HOW CAN YOU START DEVELOPING YOUR ETHICS PROGRAM TODAY?
LOCKHEED MARTIN ETHICS SUPPLIER MENTORING PROGRAM

**ASSESS YOUR EXISTING ETHICS PROGRAM**

- By using Supplier Self-Assessment Tool
- With the help of experienced Ethics Officer

**DECIDE WHERE TO FOCUS YOUR EFFORTS**

- By discussing with your company’s leadership
- Based on recommendations from Ethics Officer

**DEVELOP YOUR ETHICS PROGRAM**

- By using free, self-serve resources provided by LM and DII
- With guidance and resources provided by Ethics Officer

Use our online self-serve resources, work 1-on-1 with a Lockheed Martin Ethics Officer – or both!
ADVANTAGES OF ONE-ON-ONE MENTORING

1-on-1 mentoring has many advantages, in addition to personalized expert guidance.
All ethics resources, including 1-on-1 mentoring are completely free and voluntary.

...AND MORE!
## Upcoming Live Webinars

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<tr>
<th>Webinar</th>
<th>Notes</th>
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<tr>
<td>Setting Up an Effective Ethics Program</td>
<td>Featuring LM supplier <strong>Win-Tech, Inc.</strong></td>
<td>May 1 @ 2-3pm ET</td>
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<td><strong>Mitigating Conflicts of Interest</strong></td>
<td>Offered by DII</td>
<td>May 9 @ 2-3pm ET</td>
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<td>Developing Policies, Procedures and a Code of Conduct to Mitigate Risk</td>
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<td>May 22 @ 2-3pm ET</td>
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<td>Training and Communicating on Ethics, and Assessing Your Ethics Program</td>
<td>Want to be featured? Email us!</td>
<td>June 12 @ 2-3pm ET</td>
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<tr>
<td>Enabling Employees to Speak Up and Addressing Issues Raised</td>
<td>Featuring LM supplier <strong>Raloid Corporation</strong></td>
<td>June 26 @ 2-3pm ET</td>
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To register for upcoming LM or DII webinars, visit our website.
# Defense Industry Initiative (DII) Small Business Toolkit

## Governance & Organization

- Sample compliance training PowerPoint

## Training & Engagement

- Sample compliance training PowerPoint

## Policies & Procedures

- DII Model Supplier Code of Conduct
- Template Code of Conduct
- Template Policies on 30+ ethics and compliance topics

## Auditing, Monitoring & Mentoring

- Self-Auditing Your Ethics Program
- DII Model Code of Conduct Assessment
- DII Mentors (for DII signatories only)

www.dii.org

If you use just one resource, make it the DII Small Business Toolkit – it’s free and easy to use.
THANK YOU!

SETTLING UP AN EFFECTIVE ETHICS PROGRAM

NEXT WEBINAR

Tuesday, May 1 @ 2-3pm ET

Company Values
Program Structure & Oversight
Leadership Commitment

www.lockheedmartin.com/en-us/suppliers/ethics.html
@ ethics.suppliers@lmco.com