THE WHATS, WHYS AND HOWS OF AN EFFECTIVE ETHICS PROGRAM

ETHICS SUPPLIER MENTORING PROGRAM WEBINAR SERIES

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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.
WEBINAR AGENDA

What is an ethics program?  
Why do you need one?  
How can you get started?
WHAT IS AN ETHICS PROGRAM?
WHERE CULTURE MEETS COMPLIANCE

‘Speak-Up’ Culture

Legal Compliance

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.
Growing list of program standards relatively consistent in expectations.

**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)
- Organization for Economic Cooperation and Development (OECD)
- Transparency International
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
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

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RISK ASSESSMENT

Continuous process of identifying and mitigating key ethics and compliance risks

Identify Risks
Mitigate Risks
Prioritize Risks
MEET BOB
Standards for mitigating key ethics and compliance risks
CODE OF CONDUCT

SUMMARY OF CODE OF ETHICS AND BUSINESS CONDUCT

Summary of expectations for employee behavior
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, request 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

Your Logo Here

DO YOU KNOW YOUR ETHICS OFFICER?

“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

Your Logo Here

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

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<th>Program Element</th>
<th>Self-Assessment Questions</th>
<th>Supplier Notes</th>
<th>Lockheed Martin Practices and Resources</th>
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<tr>
<td>Company Values</td>
<td>Does your company have a values statement?</td>
<td>Lockheed Martin's core values are Do What's Right, Respect Others, Reform with Excellence.</td>
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<tr>
<td>Program Structure &amp; Oversight</td>
<td>Who is responsible for ethics in your organization? What measures do you have to ensure that person or team is effective?</td>
<td>Lockheed Martin’s Vice President of Ethics and Sustainability manages the activities of our Ethics team, reports directly to our CEO, and gives quarterly briefings to the Ethics and Sustainability Committee of our Board of Directors. Lockheed Martin’s Ethics organization is an independent department within the Corporation with its own budget and full-time staff.</td>
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<tr>
<td>Risk Assessment</td>
<td>How often does your company conduct an assessment of the risks of廉洁性 and compliance risks?</td>
<td>The risk areas identified by Lockheed Martin are addressed in our Code of Ethics and Business Conduct, which establishes the standards. The code also defines the expectations and any applicable procedures.</td>
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<tr>
<td>Policies &amp; Procedures</td>
<td>Does your company’s policies address the topics identified by your risk assessment?</td>
<td>Most of Lockheed Martin’s policies and procedures are considered proprietary information, but we publish documents related to our Anti-Corruption Program on our external website.</td>
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<tr>
<td>Code of Conduct</td>
<td>Does your company have a code of conduct or other written expectations for employee behavior? How is it available to all employees and other stakeholders?</td>
<td>Lockheed Martin's Code of Ethics and Business Conduct, the booklet that employees and other stakeholders are bound to follow.</td>
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<td>Training</td>
<td>How often does your company train employees on ethical and compliance responsibilities? Does the training address the topics identified by your risk assessment?</td>
<td>Lockheed Martin requires all employees to participate in our annual Ethics Awareness Training and to complete Business Conduct Compliance Training courses relevant to their role.</td>
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<tr>
<td>Communications</td>
<td>Does your company communicate with employees about ethics and compliance, in addition to training? Do these communications address the topics identified by your risk assessment?</td>
<td>Lockheed Martin uses a variety of methods to communicate with employees and external stakeholders. For example, it produces a series of short, video-style communications that address the topics identified by the risk assessments.</td>
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<td>Leadership Commitment</td>
<td>How do you measure your company's commitment to ethics?</td>
<td>Lockheed Martin's President, CEO, and Chairman introduces our annual Ethics Awareness Training module, and as our Code of Ethics and Business Conduct, the booklet frequently refers to ethics in internal and external presentations.</td>
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<td>Inquiry &amp; Reporting Mechanisms</td>
<td>Does your company have a way for employees and external stakeholders to ask a question or report potential misconduct without fear of retaliation?</td>
<td>Lockheed Martin's Policy on Ethics is the central reference point for employees and other stakeholders. It outlines the procedures for reporting misconduct.</td>
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<td>Investigations &amp; Disclosures</td>
<td>Does your company identify and investigate violations of the Code of Ethics? Does your company’s process provide you with a process to ensure compliance with any mandatory disclosure obligations?</td>
<td>Lockheed Martin’s Ethics and Compliance Office provides an overview of what reporting parties can expect after they report potential misconduct to the Ethics Office. Lockheed Martin's layered training addresses the U.S. federal government.</td>
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**Regular audits and/or monitoring of ethics program effectiveness**
WHY DOES YOUR COMPANY NEED A FORMAL ETHICS PROGRAM?
Ethics programs reduce risk to your business and ours – and to the missions we serve.

LOCKHEED MARTIN PERSPECTIVE

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

An effective ethics program can help identify and address issues before they affect quality, cost or schedule.

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

- Clear focus and path
- Set time frame
- Additional resources
- Special recognition
ETHICS SUPPLIER MENTORING PROGRAM ALUMNI
SELF-SERVE RESOURCES

www.lockheedmartin.com > Suppliers > Ethics

Supplier Self-Assessment Tool

Infographic Guides

All ethics resources, including 1-on-1 mentoring are completely free and voluntary.

...AND MORE!
### Upcoming Live Webinars

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<td>Setting up an Effective Ethics Program</td>
<td>featuring LM Supplier</td>
<td>Oct 16 @ 1-2pm ET</td>
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<td>Developing Policies, Procedures and a Code of Conduct to Mitigate Risk</td>
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<td>Oct 30 @ 12-1pm ET</td>
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<td>Training and Communicating on Ethics; Assessing Your Ethics Program</td>
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<td>Nov 13 @ 1-2pm ET</td>
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<tr>
<td>Establishing Ways to Contact Ethics and Addressing Issues Raised</td>
<td>featuring LM Supplier</td>
<td>Nov 27 @ 11am-12pm ET</td>
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<tr>
<td>DII Hosted Webinar: Remote Workforce: Connecting and Engaging</td>
<td>Hosted by LM Corporate Ethics Director Blair Marks</td>
<td>Dec 12 @ 2-3pm ET</td>
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To register for upcoming LM or DII webinars, visit our website.

www.lockheedmartin.com > Suppliers > Ethics
DEFENSE INDUSTRY INITIATIVE (DII) SMALL BUSINESS TOOLKIT

Governance & Organization

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 > Featured Tools

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

NEXT WEBINAR

Tuesday, Oct 16 @ 1-2pm ET

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

ethics.suppliers@lmco.com

SETTING UP AN EFFECTIVE ETHICS PROGRAM

Company Values

Program Structure & Oversight

Leadership Commitment