SETTING UP AN EFFECTIVE ETHICS PROGRAM

PART OF ETHICS SUPPLIER MENTORING PROGRAM WEBINAR SERIES
PRESENTERS

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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

- Recap of Last Webinar
- Company Values
- Program Structure & Oversight
- Leadership Commitment
RECAP OF LAST WEBINAR
Ethics programs reduce risk to your business and ours – and to the missions we serve.

LOCKHEED MARTIN PERSPECTIVE

- **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.

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

Growing list of program standards relatively consistent in expectations.
If you are currently working on a qualifying contract or would like to be eligible for one, you’ll need 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%.
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
COMPANY VALUES - WHAT?


**company values.** Key standards and principles that describe your culture and guide your operations.
“Every ethics program starts with values. This is about more than words on a page. It’s a chance to lay out everything a company stands for – and all the things it wants to strive for. Lockheed Martin’s core values are non-negotiable: Do What’s Right, Respect Others, and Perform With Excellence. And these are the ideas that its ethics program stresses as well.”

Marillyn A. Hewson
Chairman, President, and CEO
COMPANY VALUES – WHY?

Culture

Branding

Governance
Does your company have a values statement?
COMPANY VALUES – POLLING RESULT
COMPANY VALUES - HOW?

STEP ONE

Gather ideas

www.ethics.org/resources/free-toolkit/definition-values

Customers and competitors

Mission and vision
COMPANY VALUES – HOW?

STEP TWO

Talk to team
- Informal discussion
- Survey or questionnaire
- Focus groups
COMPANY VALUES – HOW?

Rework and revise

- List all ideas
- Combine similar values
- Revise, revise, revise
- Choose best options

STEP THREE
STEP FOUR

Communicate

Present to team
Include in code, policies, training, website, and more!
SMALL BUSINESS PERSPECTIVE
ABOUT US

➢ Founded 1999
➢ 24 Years of Experience

➢ Number of employees 27
➢ Annual revenue $5,000,000.00
➢ Delta-Ray is a privately held corporation
➢ Economically disadvantaged, Woman-owned, Small Business
➢ HUBZone Certified
➢ AS9100D and ISO 9000;2015 certified
➢ ITAR compliant
LEADERSHIP TEAM

Kendra Ray
President

Kelly Powers-Dumont
Executive Assistant

Kendra Ray
Ethics Director

John Ray
Business Operations Director
CORE COMPETENCIES

Capabilities

➢ Manufacturer of precision components for aerospace, defense, oil and commercial industries.

➢ We specialize in the precision machining of exotic materials with unusually high dollar values as well as difficult tolerance requirements

➢ Milling, Turning
  • 3 axis milling up to 60”
  • 5 axis milling up to 630mm
  • 7 axis turning up to 12” in diameter

➢ CATIA solid model capable

➢ Specializing in less than lead time demands

➢ Flight Safety Approved

➢ Complete contract manufacturing
We started as an aftermarket supplier 7 years ago. We currently support aftermarket and production supply needs on the Blackhawk, S92, and S76 programs.

We are also a key supplier of the development programs for

* Combat Rescue Helicopter
* VH92 Presidential
* JMR
* 53K Heavy Lift
* Radar

Products and/or service(s) supplied

* CNC precision machining and contract assemble
* MBD/ CATIA manufacturing
IDENTIFICATION OF CORE VALUES

Step 1 required us to start from scratch –
After training with our ethics mentor Feyzan Dalay, Ethics Officer, Sikorsky Engineering & Technology, we gathered multiple core values via conversations about the history of the company, what matters most day-to-day, and where Delta-Ray sees itself in the future.

Step 2 involved employee buy-in –
Met with employees to discuss core values and add any they thought we missed. From that list our team of employees helped choose the main values for the Delta-Ray family.

Step 3 weaved those interpretations and vision together –
Created the internal ethics program, brochure, and Delta-Ray’s new vision and mission statements.
Vision Statement

*Bring innovation and inspiration to our employees and industry at large.*

We stay ahead of the technology curve, thru the use of our core values and by encouraging our employees growth through cross training and education.

Nurture a winning network of clients and creating a mutual alliance.

Be an environmentally responsible manufacture that makes a difference.
Mission Statement
Delta Ray Industries

A company that creates, inspires and empowers.

We constantly focus on the unexpected. Our success is the product of our talented employees embracing teamwork as they are empowered to take risks, be collaborators, and problem solvers.

Company philosophy;
No challenge too big, no customer request too small.
If its designable, its machinable.

Core Values;
Teamwork
Respect
Ingenuity
Accountability
COMMUNICATION OF CORE VALUES

**Program:**
Trifold and articles

**Employee and Manager:**
Discussed material together

**Intended result:**
To offer employees the chance to grow as a team

**Additional result (unintended bonus!):**
A new opportunity for valuable conversation
New company philosophy and slogan
ETHICS AWARD AND TRIFOLD
PROGRAM STRUCTURE & OVERSIGHT
PROGRAM STRUCTURE & OVERSIGHT – WHO?

JOB QUALIFICATIONS
• Demonstrated leadership skills
• Solid reputation/role model
• Fair, trustworthy, approachable
• Understanding of your business
• Experience with legal and regulatory compliance, issue resolution, investigations, training, communication

REPORTING STRUCTURE
• Reports to Board or CEO
• Part of Legal, HR, Internal Audit, Finance, Operations or Corporate Responsibility

TIME COMMITMENT/RESOURCES
• Ideally full-time
• Has time and resources to develop, implement, maintain ethics program
ETHICS PROGRAM MODELS

- **Decentralized**: some organization-wide program elements (code of conduct), other elements developed and implemented in business units
- **Centralized**: corporate develops and implements all program elements
- **Hybrid**: program elements developed by Corporate, customized and implemented by business units
PROGRAM STRUCTURE & OVERSIGHT – HOW?

ETHICS PROGRAM MODELS

• Ethics & Compliance Committee
  • Senior leaders from different functions
  • Help identify and mitigate risks, identify training and communication needs

• Working Groups
  • Smaller divisions of E&C Committee
  • Help implement specific program elements

• Ethics Liaisons
  • Full-time employees in other roles
  • Serve as Ethics POCs for specific location or team
ETHICS & BUSINESS CONDUCT POLICY
ETHICS & BUSINESS CONDUCT POLICY – WHAT?

- Outline of Ethics Program
- Single internal policy

CODE OF CONDUCT

- Summary of expectations of employees
- References variety of policies
ETHICS & BUSINESS CONDUCT POLICY – EXAMPLE

POLICY
• Commitment to ethical behavior

APPLICABILITY
• Employees, Board, subsidiaries, JVs

ETHICS PROGRAM
• Code of Conduct and Supplier Code
• Role of Ethics Executive
• Role of Executive Leadership and Steering Committees
• Ethics and compliance training
• Making inquiries and reporting violations

VIOLATIONS
• May result in disciplinary action
ETHICS & BUSINESS CONDUCT POLICY – WHY?

Formalize

Build Trust

Increase Credibility

Increase Credibility

Build Trust

Formalize
Does your company have a policy or other document that outlines your ethics program?
ETHICS & BUSINESS CONDUCT POLICY - HOW?

STEP ONE
Download DII Template Policy

STEP TWO
Customize Template Content and Format

STEP THREE
Make Policy Available to Employees

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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+ topics

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

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

www.dii.org > Featured Tools
LEADERSHIP COMMITMENT TO ETHICS
LEADERSHIP COMMITMENT – WHAT?

- High-Level Management
- Mid-Level Managers
- Individual Contributors

Tone from the Top
Tone from the Middle
LEADERSHIP COMMITMENT – WHY?

Policies = Culture

Words + Actions = Culture
LEADERSHIP COMMITMENT – EXAMPLE

“Our colleagues, our customers, and our suppliers need to know that they can trust us to do the right thing in our business dealings, every time. Honesty and integrity are fundamental to those relationships, and critical to our business success and growth.”
LEADERSHIP COMMITMENT – HOW?

STEP ONE

Make the business case:
Ethics programs mitigate risk by preventing, detecting, addressing misconduct

Legal
Reputational
Financial
LEADERSHIP COMMITMENT – HOW?

STEP TWO

Establish expectations
Brainstorm with leaders
Discuss with employees
LEADERSHIP COMMITMENT – POLLING QUESTION

Which of the following comments would you be least likely to hear from a leader in an ethical culture?

a. “Thanks for raising this issue. Let me look into it and get back to you ASAP.”

b. “I don’t care what you have to do; just get the job done.”

c. “Please let me know if you foresee any problems meeting the deadline so we can address them early.”

d. “Thank you for all your hard work on this project.”

e. “Is there anything I can do to help you meet our targets?”
LEADERSHIP COMMITMENT – POLLING RESULT
LEADERSHIP COMMITMENT – HOW?

Communicate expectations

STEP THREE
LEADERSHIP COMMITMENT – HOW?

STEP FOUR

Measure behaviors
Performance reviews
Employee survey
KEY TAKEAWAYS

- Company values shape organizational culture, ethics program
- Many ways to structure ethics program, even with team of one
- Framework of ethics program should be documented
- Leaders need to “walk the talk” for ethics program to be credible
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!
THANK YOU!

DEVELOPING POLICIES, PROCEDURES AND A CODE OF CONDUCT TO MITIGATE RISK

NEXT WEBINAR

Tuesday, Oct 30 @ 12-1pm ET

Risk Assessment
Policies & Procedures
Code of Conduct

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