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
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.
COMPLIANCE AREAS

An effective ethics program can reinforce compliance with any law, regulation or policy.
ETHICS & COMPLIANCE PROGRAM STANDARDS

Growing list of program standards relatively consistent in expectations.

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
# Elements of an Effective Ethics Program

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COMPANY VALUES

Key principles that describe your culture and guide your decisions

- Perform with Excellence
- Respect Others
- Do What’s Right
People (or person) in charge of your ethics program – and their reporting structure

**PROGRAM STRUCTURE & OVERSIGHT**

- **Board of Directors**
- **President, Chairman & CEO**
- **SVP of Internal Audit, Ethics & Sustainability**
- **EVP & CFO**
- **Business Area EVPs**

**Corporate Ethics Directors**

**Business Area Ethics Directors**

**Corporate Ethics Staff**

**Business Area Ethics Officers**

**Internal Audit Director**

**Enterprise Risk & Sustainability Director**

**Ethics Supplier Mentoring Program Live Webinar Series**
RISK ASSESSMENT

Continuous process of identifying and mitigating key ethics and compliance risks
MEET BOB
POLICIES & PROCEDURES

Standards for mitigating key ethics and compliance risks
CODE OF CONDUCT

SETTING THE STANDARD

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

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]

Insert picture of Ethics POC here

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

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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><strong>Company Values</strong></td>
<td>Does your company have a code of ethics?</td>
<td>Lockheed Martin’s core values are clear and right, respect others, revere with excellence.</td>
<td></td>
</tr>
<tr>
<td><strong>Program Structure &amp; Oversight</strong></td>
<td>Who is responsible for ethics in your organization? What assurance does your company have that these individuals are up to the challenge?</td>
<td>Lockheed Martin’s Vice President of Ethics and Compliance monitors the effectiveness of our Ethics Program. The Program is a part of the Ethics and Compliance Committee of the Board of Directors. The Committee reviews and approves all significant activities related to the Ethics Program.</td>
<td></td>
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<tr>
<td><strong>Risk Assessment</strong></td>
<td>How effective are your company’s assessment and treatment of material compliance risks?</td>
<td>This self-assessment is the first step in identifying potential risks to your organization’s compliance with Lockheed Martin’s Code of Ethics and Business Conduct. The Code of Ethics and Business Conduct includes the core values and ethical principles of the company.</td>
<td></td>
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<tr>
<td><strong>Precautions &amp; Procedures</strong></td>
<td>Does your company’s policies and procedures align with the issues identified by your risk assessment?</td>
<td>Most of Lockheed Martin’s Code of Ethics and Business Conduct are considered proprietary information, but we can tell documents related to our Ethics Program on our intranet.</td>
<td></td>
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<tr>
<td><strong>Code of Conduct</strong></td>
<td>Does your company have a code of conduct or other written expectations for anyone who works for you? Is this code readily available to everyone, and is it visible to all employees?</td>
<td>Lockheed Martin’s Code of Ethics and Business Conduct includes the core values and ethical principles of the company.</td>
<td></td>
</tr>
<tr>
<td><strong>Training</strong></td>
<td>How effective are your company’s ethics programs? Does your company conduct regular training on ethics?</td>
<td>Lockheed Martin’s Ethics and Business Conduct compliance training is an ongoing process to refresh our employees.</td>
<td></td>
</tr>
<tr>
<td><strong>Communications</strong></td>
<td>Does your company communicate its values through corporate communications, in addition to training?</td>
<td>Lockheed Martin uses a variety of ethics communications to communicate its values. For example, we produce videos of our leaders and employees who share their experience of the Ethics and Business Conduct.</td>
<td></td>
</tr>
<tr>
<td><strong>Leadership &amp; Management</strong></td>
<td>How does your company foster a sense of organizational commitment?</td>
<td>Lockheed Martin’s Board of Directors, CEO and Chairman evaluate our annual Code of Ethics Training module, as well as our Code of Ethics and Business Conduct. The Code of Ethics and Business Conduct is reviewed annually by Ethics Office and is updated.</td>
<td></td>
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<tr>
<td><strong>Prevent &amp; Reporting Mechanisms</strong></td>
<td>Does your company have a plan for employees and their families to prevent or report ethics or compliance issues?</td>
<td>Lockheed Martin’s ethics program includes a formal reporting system for employees and other stakeholders.</td>
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<tr>
<td><strong>Investigate &amp; Decide</strong></td>
<td>How does your company identify and investigate allegations of wrongdoing?</td>
<td>Lockheed Martin’s ethics program provides an overview of the reporting process and employee wrongdoing investigation.</td>
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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

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.

NO
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**

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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.
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 Win-Tech, Inc.</td>
<td>May 1 @ 2-3pm ET</td>
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<tr>
<td>Mitigating Conflicts of Interest</td>
<td>offered by DII</td>
<td>May 9 @ 2-3pm ET</td>
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<tr>
<td>Developing Policies, Procedures and a Code of Conduct to Mitigate Risk</td>
<td>Want to be featured? Email us!</td>
<td>May 22 @ 2-3pm ET</td>
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<td>Training and Communicating on Ethics, and Assessing Your Ethics Program</td>
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<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 Raloid Corporation</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

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, May 1 @ 2-3pm ET

Company Values
Program Structure & Oversight
Leadership Commitment

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

ethics.suppliers@lmco.com