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

2019 SUPPLIER ETHICS WEBINAR SERIES –
PART 1
FEB 2019
Lockheed Martin. Your Mission is Ours™

RESPECT OTHERS    DO WHAT’S RIGHT    PERFORM WITH EXCELLENCE
Non-discrimination
We expect our suppliers to provide equal employment opportunity to employees and applicants for employment without regard to race, ethnicity, religion, color, sex, national origin, age, military veteran status, ancestry, sexual orientation, gender identity or expression, marital status, family structure, genetic information, or mental or physical disability, so long as the essential functions of the job can be performed with or without reasonable accommodation.

Conflict Minerals
We expect our suppliers to take steps to determine if their products contain conflict minerals (tin, tantalum, gold, and tungsten) and if so, implement supply chain due diligence processes to identify sources of these minerals and support efforts to eradicate the use of conflict minerals which directly or indirectly finance or benefit armed groups in the Democratic Republic of Congo and adjoining countries.

Environment
We expect our suppliers to operate in a manner that actively manages risks, conserves natural resources, and protects the environment.

We expect our suppliers to apply environmental management system principles in order to establish a systematic approach to the management of risks/hazards and opportunities associated with the environment, including potential risk from regulatory non-compliance, reputational loss, and opportunities for business growth through operational and product stewardship.

Employee, Safety & Health
We expect our suppliers to comply with applicable safety and health laws, regulations, policies, and procedures. Suppliers should provide for the health, safety, and welfare of their people, visitors, and others who may be affected by their activities.

Harassment
We expect our suppliers to ensure that employees may perform their work in an environment free from physical, psychological or verbal harassment, or other abusive conduct.

Drug-Free Workplace
We expect our suppliers to maintain a workplace free from illegal drugs.

Supplier Diversity
As supply chain requirements vary by country, our suppliers should be mindful that we often have customer directed supplier inclusion goals that may necessitate use of in-country supply chain providers both by us and our suppliers. These may additionally be defined as small business, women owned small business, minority certified business, veteran owned business, service disabled veteran owned small business, small business, small/medium size business, or aboriginal business.

Codes of Conduct & Sub-tier Suppliers
We communicate with the size and nature of their business, we expect our suppliers to have management systems in place to support compliance with laws, regulations, and expectations related to or addressed expressly within the Supplier Code of Conduct. We encourage our suppliers to implement their own written code of conduct, and if available to provide us with a copy of the code or conduct to the entities that furnish goods and services to the supplier.

At Lockheed Martin, we stand firmly behind the three core values that shape and guide us in our daily operations and relationships:
Do What’s Right, Respect Others, and Perform With Excellence. These simple yet essential values ensure that we conduct ourselves with the utmost integrity, delivering high-quality products while following all applicable laws, regulations, and standards of business conduct, and avoiding even the appearance of impropriety. It’s what our customers and shareholders expect. We are committed to meeting these expectations, and we are 100% confident that all of our suppliers and partners will honor the same values.

This Supplier Code of Conduct expresses the expectations we hold for our suppliers, and mirrors the standards we set for our own employees, board of directors and other business associates. Thank you for your shared commitment to meeting these principles.

Please feel free to contact the Ethics Office with your comments/questions about the Code.

Contact Information:

Call: 800-LM ETHICS (664-555-6442)
International: 919-756-6442
For the Hearing or Speech Impaired: 800-841-7545
Write: Office of Ethics and Business Conduct
Lockheed Martin Corporation
3900 Rockledge Drive
2-9720, MD 20847
Fax: U.S. Access Code (if required) +301-859-6442
E-Mail: corporate.ethics@lmco.com
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

Why do you need one?
What is an ethics program?
How can you get started?
SUMMARY

Do your employees know what standards of business conduct are expected of them?

Will they adhere to those standards?

Will they speak up if they see others not adhering to those standards?

DO YOU KNOW THE ANSWERS TO THESE QUESTIONS?

IF YOU DO, YOU’RE FREE TO GO!
WHY DO YOU NEED A FORMAL ETHICS PROGRAM?
LOCKHEED MARTIN’S 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.
FEDERAL ACQUISITION REGULATION (FAR)

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**
WHAT’S AN ETHICS PROGRAM?
ETHICS AND COMPLIANCE

Legal Compliance

Ethics

KNOWING THE RULES

ISN’T THE SAME AS FOLLOWING THE RULES
WHAT’S AN EFFECTIVE ETHICS PROGRAM?

‘Speak-Up’ Culture

Legal Compliance

Employees understand why the rules and policies are important and speak up when something doesn’t feel right.
COMPLIANCE AREAS

An effective ethics program can reinforce compliance with any law, regulation or policy.
Multiple standards to comply with

**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 people will follow which describe your culture and guide your decisions.
People (or person) in charge of your ethics program – and their reporting structure
LEADERSHIP COMMITMENT

Alignment of management’s words and actions with company values

Walking the talk.
RISK ASSESSMENT

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

- Bribery & Corruption
- Conflicts of Interest
- Financial Records
- Trade Controls
- Sensitive Information
- HR & Labor Policies
- Employee Safety & Health
- Counterfeit Parts

Standards for mitigating key ethics and compliance risks
CODE OF CONDUCT

Summary of expectations for employee behavior
TRAINING

VOICING OUR VALUES

Education about specific compliance topics and strategies for addressing ethical dilemmas

2019 Supplier Ethics Webinar Series
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?

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
Regular audits and/or monitoring of ethics program effectiveness

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<th>Program Assessment</th>
<th>Self-Assessment Questions</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, Perform with Excellence.”</td>
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<td>Program Structure &amp; Oversight</td>
<td>Who is responsible for ethics in your organization? What resources does this person or group have that help ensure that employees and suppliers understand expectations and comply with ethical standards? It may include a formal Ethics Program, an Ethics Committee, and/or a designated Ethics Officer.</td>
<td>Lockheed Martin’s Vice President of Ethics and Sustainability manages the activities of our Ethics team, reports directly to our CEO, and provides input to the Ethics and Sustainability Committee of our Board of Directors. Lockheed Martin’s ethics officers are members of an independent department within the Corporation with their own budget and full-time staff.</td>
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<td>Risk Assessment</td>
<td>How effective are your ethics program and the ethics policies and procedures?</td>
<td>The ethics program includes a comprehensive Code of Ethics and Business Conduct, setting the standard, and our Business Conduct Compliance Training (BCT) courses.</td>
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<td>Policies &amp; Procedures</td>
<td>Do your company’s policies and procedures 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-Competition Program on our internal website.</td>
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<td>Code of Conduct</td>
<td>Does your company have a code of conduct or other written expectations for employees? Do you provide training addressing the topics identified by your risk assessment?</td>
<td>Lockheed Martin’s Code of Ethics and Business Conduct, setting the standard, details the high expectations we set for employee behavior, from our commitment to good stewardship to our zero-tolerance policy on corruption. All Lockheed Martin employees, consultants, and members of the Board of Directors must certify that they have read, understood, and will abide by our Code of Ethics and Business Conduct.</td>
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<td>Training</td>
<td>How often does your company train employees on your ethics 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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<td>Communications</td>
<td>Does your company communicate with employees about ethics and compliance? Do these communications address the topics identified by your risk assessment?</td>
<td>Lockheed Martin uses a wide variety of methods to communicate with employees and external audiences. For example, we produce a series of short, easy-to-watch videos called the Integrity Minute and other multimedia communications to engage with employees outside of our annual training.</td>
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<td>Leadership Commitment</td>
<td>How do your company’s leaders demonstrate their support for ethics?</td>
<td>Lockheed Martin’s President, CEO, and Chairman introduces our annual Ethics Awareness Training module, as well as our Code of Ethics and Business Conduct. She also frequently refers to ethics in internal and external presentations.</td>
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<td>Inquiry &amp; Reporting Mechanism</td>
<td>Does your company have a way for employees and external stakeholders to ask questions or report potential misconduct without fear of retaliation?</td>
<td>Lockheed Martin’s Ethics and Compliance Office provides a comprehensive Ethics and Compliance Program and answers questions and concerns from employees, partners, and stakeholders. Ethics and Compliance Office staff can be reached by email or phone.</td>
</tr>
<tr>
<td>Investigations &amp; Disclosures</td>
<td>How does your company identify and investigate alleged misconduct? Do you have a process in place to ensure compliance with any mandatory disclosure obligations?</td>
<td>Lockheed Martin’s Ethics and Compliance Program provides a comprehensive Ethics and Compliance Program and answers questions and concerns from employees, partners, and stakeholders. Ethics and Compliance Office staff can be reached by email or phone.</td>
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INQUIRY & REPORTING MECHANISMS

Helpline vs. Hotline

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
HOW TO START DEVELOPING YOUR ETHICS PROGRAM TODAY
LOCKHEED MARTIN ETHICS SUPPLIER MENTORING PROGRAM

<table>
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<th>ASSESS YOUR EXISTING ETHICS PROGRAM</th>
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<td>By using Supplier Self-Assessment Tool</td>
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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.

- Clear focus and path
- Set time frame
- Additional resources
- Special recognition
Elements of an Effective Ethics Program

Our Ethics Supplier Mentoring Program breaks the complex concept of an "ethics program" down into 12 distinct elements. These "elements of an effective ethics program" are based on the key global standards for ethics, compliance and anti-corruption programs.

Supplier Self-Assessment Tool

You may already have more elements of an effective ethics program than you think. Our Supplier Self-Assessment Tool is a simple Excel spreadsheet that compares some of the key global standards for ethics, compliance and anti-corruption programs. It can help you determine where to focus your efforts.

Assess Your Ethics Program

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

Ethics Program Element Infographics

Next, download the one-page guides below to quickly understand the ‘what,’ ‘why’ and ‘how’ of each element of an effective ethics program.

- Company Values
- Program Structure & Oversight
- Leadership Commitment
- Risk Assessment
- Policies & Procedures
- Code of Conduct
- Training
- Communications
- Inquiry & Reporting Mechanisms
- Investigations
- FAR Mandatory Disclosures
- Program Assessment

Additional Resources

- Additional Ethics & Compliance Resources
SOME OF OUR ALUMNI
DEFENSE INDUSTRY INITIATIVE (DII) SMALL BUSINESS TOOLKIT

Governance & Organization

Training & Engagement

Policies & Procedures

Auditing, Monitoring & Mentoring

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
## UPCOMING LIVE WEBINARS

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<tr>
<td>Setting up an Effective Ethics Program</td>
<td>March 27 @ 1pm ET</td>
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<tr>
<td>Developing Policies, Procedures and a Code of Conduct to Mitigate Risk</td>
<td>April 10 @ 1pm ET</td>
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<tr>
<td>Training &amp; Communicating on Ethics; Assessing Your Ethics Program</td>
<td>May 8 @ 1pm ET</td>
</tr>
<tr>
<td>Enabling Employees to Speak Up and Addressing Issues Raised</td>
<td>May 22 @ 1pm ET</td>
</tr>
<tr>
<td>DII Hosted Webinar: Quarter 1 - Cybersecurity</td>
<td>March 6 @ 2-3pm ET</td>
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To register for upcoming LM or DII webinars, visit our website [www.lockheedmartin.com > Suppliers > Ethics](http://www.lockheedmartin.com).
THANK YOU!

SETTING UP AN EFFECTIVE ETHICS PROGRAM

NEXT

March 27, 2019 1pm ET

Company Values
Program Structure & Oversight
Leadership Commitment

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

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