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 without unreasonable 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 waste, 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, and 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 channels, providing both by us and our suppliers. These may additionally be defined as small business, small disadvantaged business, woman owned small business, HUBZone certified business, service disabled veteran owned business, very small business, small/medium size business, or socio-economic minority business.

Codes of Conduct & Sub-tier Suppliers
Comply 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 relative to or addressed expressly within the Supplier Code of Conduct. We encourage our suppliers to implement their own written code of conduct and to flow down the principles of a code of conduct to the entities that furnish goods and services to the supplier.

Reporting
Employees of our suppliers should have access to an adequate avenue of raising issues or concerns without fear of retaliation.

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 in turn trust 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.
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

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 other 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

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

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

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.
FEDERAL ACQUISITION REGULATION (FAR)

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

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

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.
WHAT’S AN ETHICS PROGRAM?
ETHICS AND COMPLIANCE

KNOWING THE RULES ISN’T THE SAME AS FOLLOWING THE RULES

Legal Compliance

Ethics
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.
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.
PROGRAM STRUCTURE & OVERSIGHT

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
RISK ASSESSMENT

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

Standards for mitigating key ethics and compliance risks

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

Summary of expectations for employee behavior
TRAINING

VOICING OUR VALUES

ASK QUESTIONS
OBTAIN DATA
TALK TO OTHERS
REFRAME THE ISSUE
REPORT VIOLATIONS

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

Insert picture of Ethics POC 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

Ethics and compliance messaging outside training
PROGRAM ASSESSMENT

Supplier Self-Assessment
Lockheed Martin Ethics Supplier Mentoring Program

Updated September 2016

Program Elements

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

Self-Assessment Questions

- Does your company have a values statement?
- Who is responsible for ethics in your organization?
- How often does your company conduct an assessment of the ethics and compliance risk?
- Do your company’s policies and procedures address the topic identified by your risk assessment?
- Does your company have a code of conduct or other written expectations for employee behavior?
- How often does your company train employees on their ethics and compliance responsibilities?
- Do these communications address the topics identified by your risk assessment?
- How do your company’s leaders demonstrate their support for ethics?
- Does your company have a way for employees and external stakeholders to ask a question or report potential misconduct without fear of retaliation?
- Do you have a process in place to ensure compliance with any mandatory disclosure obligations?

Supplier Notes

- Lockheed Martin’s core values are Do What’s Right, Respect Others, Perform with Excellence.
- Lockheed Martin’s VicePresident 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 a core budget and full-time staff.
- The risk areas identified by Lockheed Martin are addressed in our Code of Ethics and Business Conduct, setting the standard, and our Business Conduct Compliance Training (BCC) course.
- Most of Lockheed Martin’s policies and procedures are considered proprietary information, but we publish documents related to our Anti-Competition Program on our intranet website.
- 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 relationships 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.
- Lockheed Martin requires all employees to participate in our annual Online Values Ethics Awareness Training and to complete Business Conduct Compliance Training courses relevant to their role.
- 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.
- 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.
- Lockheed Martin’s Ethics Process Works brochure informs employees and other stakeholders how they can ask a question or report potential misconduct, and explains how contacts to the Ethics Office are handled.
- Lockheed Martin’s Ethics Process Works provides an overview of what reporting parties can expect after they report potential misconduct to the Ethics Office. Lockheed Martin’s Legal team handles all disclosures to the U.S. Federal Government.

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2019 Supplier Ethics Webinar Series

Regular audits and/or monitoring of ethics program effectiveness

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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

## Assess Your Existing Ethics Program

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<tr>
<th>By using Supplier Self-Assessment Tool</th>
<th>With the help of experienced Ethics Officer</th>
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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.

- Additional resources
- Clear focus and path
- Set time frame
- 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

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

All of our ethics resources, including 1-on-1 mentoring are completely free and voluntary.
SOME OF OUR ALUMNI
DEFENSE INDUSTRY INITIATIVE (DII) SMALL BUSINESS TOOLKIT

Governance & Organization

Training & Engagement

Policies & Procedures

Auditing, Monitoring & Mentoring

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.
## UPCOMING LIVE WEBINARS

<table>
<thead>
<tr>
<th>WEBINAR</th>
<th>DATE/TIME</th>
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<tbody>
<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>
</tr>
<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 > Suppliers > Ethics)
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
LOCKHEED MARTIN