

LM SUPPLIER TRAINING EXCELLENCE PROGRAM (STEP) ANTI-CORRUPTION/ANTI-BRIBERY



Thad Coakley
Director & Associate General Counsel,
Anti-Corruption Compliance
Lockheed Martin International



Steven Pegg
Senior Ethics Officer
International Operations
Lockheed Martin Corporation

Definitions

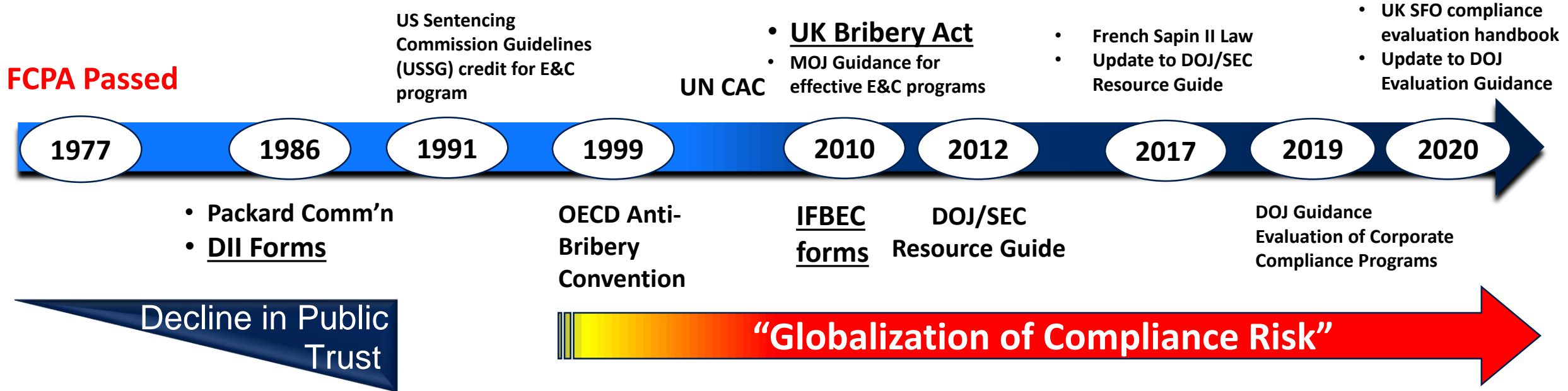
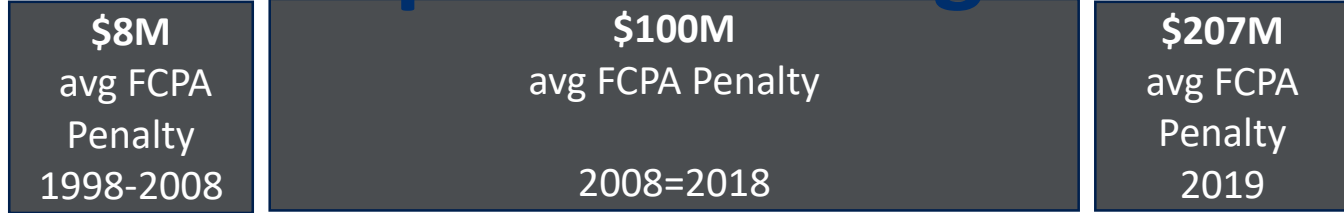
- ***Bribery***: directly or indirectly paying, promising, giving, offering, or authorizing to give anything of value to anyone for the purpose of influencing that person to misuse his or her position
- ***Corruption***: dishonest or fraudulent conduct by those in power, typically involving bribery, for personal gain

Importance of Integrity in Defence Companies

- Perceived (by NGOs and Media) as **High Risk of Bribery/Corruption** sector;
 - History of **bribes** to Government/Public Officials to win high value contracts
 - Extended **supply chains** difficult to monitor
 - Use of **third party intermediaries/consultants** in high risk countries
 - Global **political and foreign policy** environment changing
- What Could Go Wrong? Our Reputation is at risk
 - **Newspaper Headlines**
 - **Investigations & Fines:** Companies and Individuals
 - **Imprisonment**
 - **Debarment** from Government Contracts
 - **Share Price** sales & revenue



Evolution of “Ethics & Compliance” Programs



From Wild West “Anything Goes” Mentality to Regulation, Ethics & Governance

International Enforcement Increasing

- Prohibit commercial bribery
- Prohibit facilitation payments
- Books & Records provisions
- Supplementing with other criminal laws (e.g. money laundering)
- Extraterritorial jurisdiction
- Company compliance programs
- Whistleblower offices
- Credit for adequate procedures and cooperation
- Affirmative defense for reasonable/bona fide promotional expenses
- Declinations, NPAs, and DPAs
- Individuals & Personal liability

FCPA “Top 10” Penalties* Lists – 2010 vs Today

Top 10 FCPA Penalties as of 2010

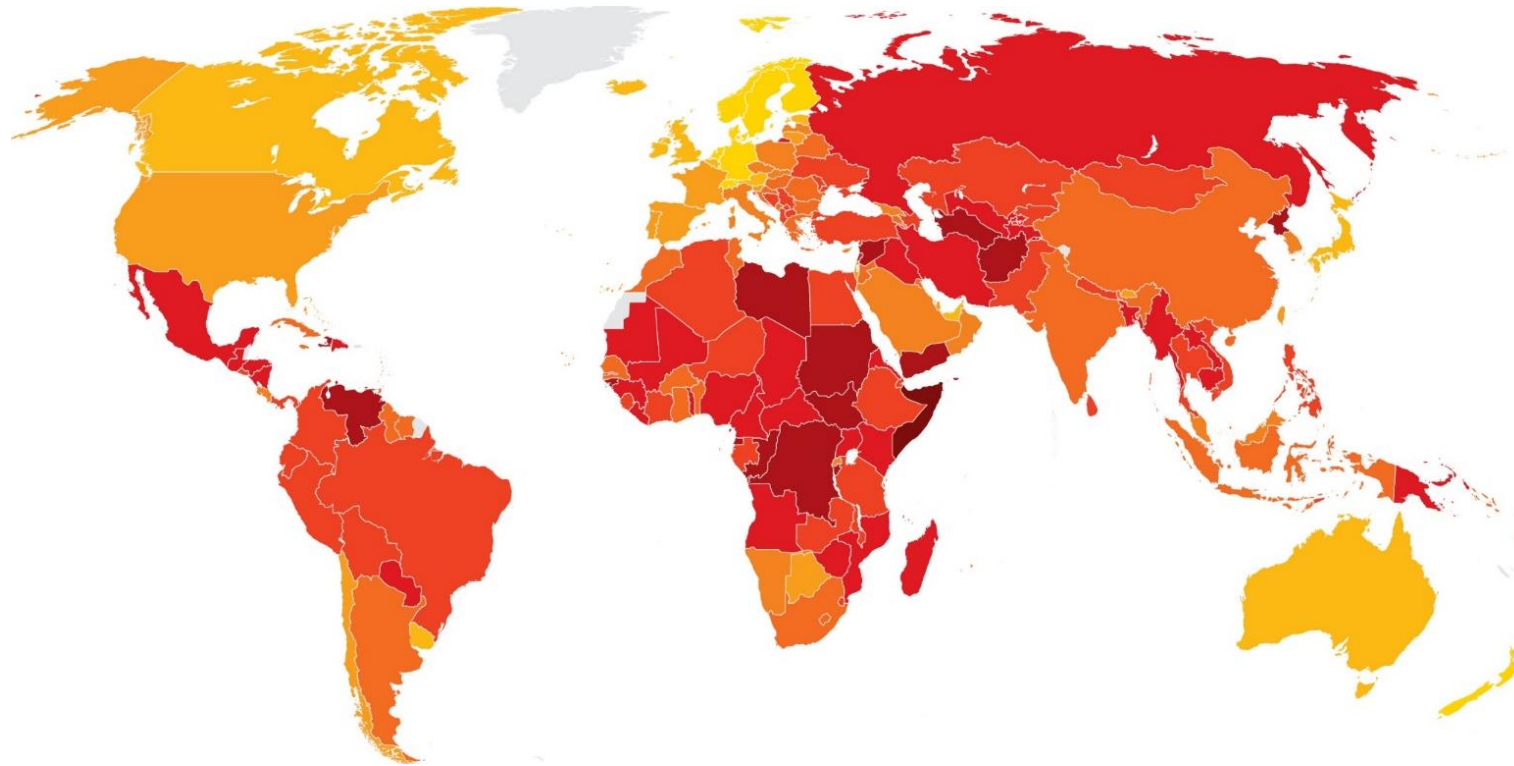
1. **Siemens (2008): US \$800M**
2. **KBR / Halliburton (2009): US \$579M**
3. **BAE (2010): US \$400M**
4. **Snamprogetti Netherlands BV (2010): US \$365M**
5. **Technip SA (2010): US \$338M**
6. **Daimler AG (2010): US \$185M**
7. **Baker Hughes (2007): US \$44.1M**
8. **Willbros (2008): US \$32.3M**
9. **Chevron (2007): US \$30M**
10. **Titan Corporation (2005): US \$28.5M**

Top 10 FCPA Penalties as of Today

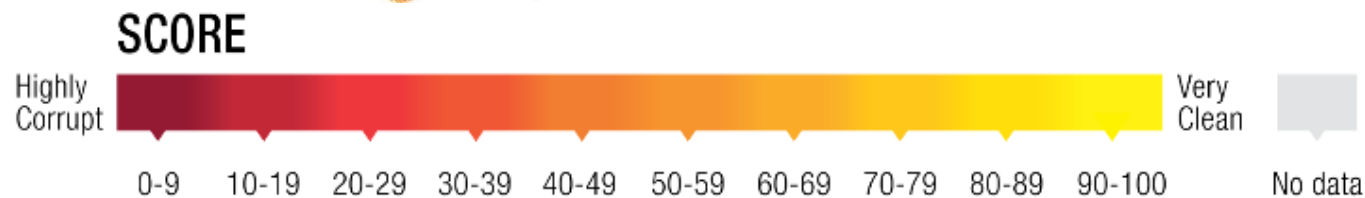
1. **Airbus SE (2020): US \$2.09B**
2. **Petrobras (2018): US \$1.78B**
3. **Telefonaktiebolaget LM Ericsson (2019): US \$1.06B**
4. **Telia Company AB (2017): US \$1.01B**
5. **MTS (2019): US \$850M**
6. **Siemens (2008): US \$800M**
7. **VimpelCom (2016): US \$795M**
8. **Alstom (2014): US \$772M**
9. **Société Générale SA (2018): US \$585M**
10. **KBR/Halliburton (2009): US \$579**

*Total USG financial penalties = criminal fines, civil disgorgement, and prejudgment interest.
Does not include additional penalties paid to other countries.

Transparency International Corruption Perceptions Index (CPI)



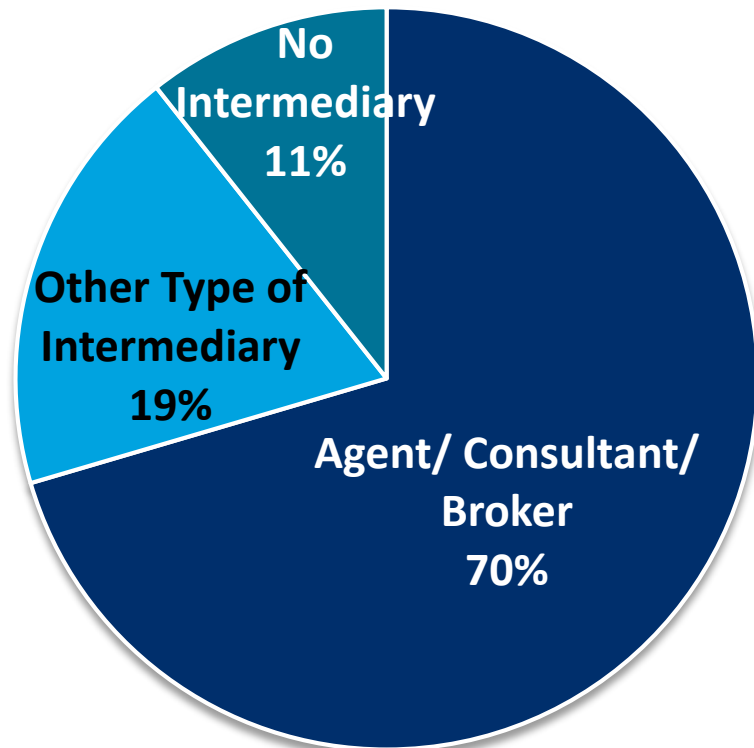
No country is free of corrupt actors, but some countries present a higher risk



Source: Transparency International
<https://www.transparency.org/cpi2019>

Intermediaries and Corruption Risk

FCPA Matters Involving Intermediaries
(1977-2019)



Nearly 90% of FCPA matters involved some type of intermediary.

Over 70% involved an agent, consultant or broker.

Source: Stanford Law School Foreign Corrupt Practices Act Clearinghouse, a collaboration with Sullivan & Cromwell LLP
<http://fcpa.stanford.edu/statistics-analytics.html?tab=4>

Examples of Bribery & Corruption Red Flags



- **Poor Reputation**
- **Ties to Government & Public Officials**
 - Recommended by government official or customer
- **Questionable or Unusual Circumstances**
- **Unusual Compensation & Questionable Accounting or Invoicing**
 - Excessive or unusually high compensation
 - Request for payments to third countries or parties
 - Request for payments in cash or bearer instrument
- **Insufficient Capabilities**
 - Lack of experience or “track record” with product field or industry
 - Lack of facilities or qualified staff



[Reference Lockheed Martin List of Bribery and Corruption Red Flags](#)

Examples of Bribery & Corruption Red Flags

"I need to be paid this way"

"Call it something else"

"No one will ever know"

"That's the way business is done here"

"We didn't have this conversation"

"Baksheesh"

"This is a 'non-meeting'"

"I have a highly placed friend"

"Off the record"

"Everyone does it"

"This is what is expected to win the contract"

ZERO Tolerance for Corruption



1. Comply with all applicable laws in US and any country(ies) where you do business

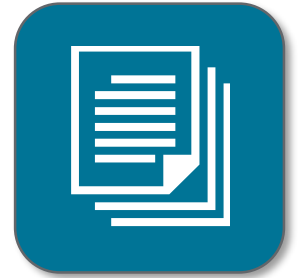
Otherwise face criminal or civil liability:

- U.S. Foreign Corrupt Practices Act
- U.K. Bribery Act
- U.S. Anti-Kickback Act
- All anti-corruption laws in the country and territory in which you conduct business



[Reference Lockheed Martin CPS-730, Compliance with Anti-Corruption Laws Policy](#)

ZERO Tolerance for Corruption



2. Maintain accurate business records

- **NO** falsified business records or invoices.
- **NO** 'slush funds' or 'off-the-books' accounts.
- Adequate internal accounting controls
- Record all transactions in your general ledger



[Reference Lockheed Martin CPS-730, Compliance with Anti-Corruption Laws Policy](#)

ZERO Tolerance for Corruption



3. Avoid improper payments

Never offer, give or receive
– directly or indirectly – money or anything of value to government officials, political parties, candidates for public office or commercial employees to obtain or retain an improper advantage



[Reference Lockheed Martin CPS-730, Compliance with Anti-Corruption Laws Policy](#)

ZERO Tolerance for Corruption



4. Avoid facilitation / concealment of bribery

- **NO** bank accounts in offshore tax havens
- **NO** payments to third-party or anonymous accounts
- **NO** payments outside country where business is normally conducted



Reference Lockheed Martin CPS-730, [Compliance with Anti-Corruption Laws Policy](#)

Gifts, Hospitality & Other Business Courtesies

A **business courtesy** is any gift, gratuity, favor, benefit, loan, commission, discount, forbearance or other tangible or intangible item having monetary value for which fair market value is not paid by the recipient.

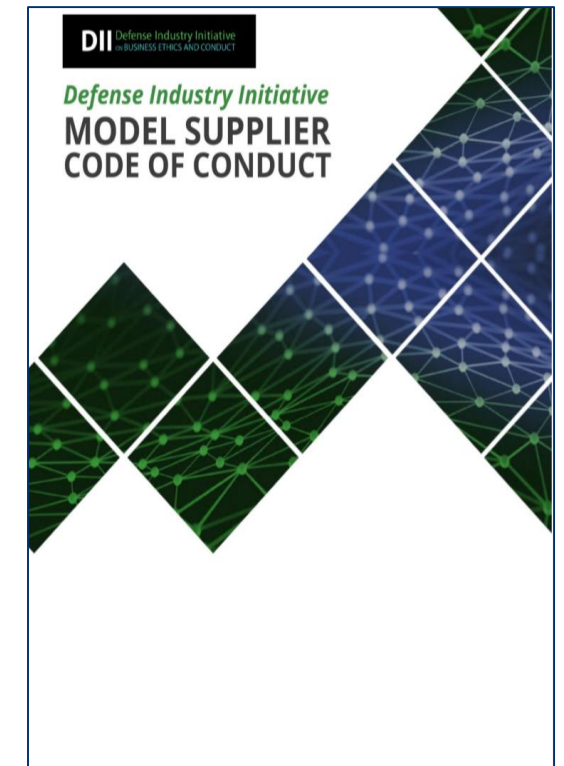


LM policy restricts employees in certain roles from accepting gifts, hospitality or other business courtesies from suppliers

Supplier Code of Conduct

The LM Supplier Code of Conduct summarizes our expectations for suppliers on anti-corruption and other issues related to ethics and business conduct

We also offer the DII Supplier Code of Conduct as an alternative



LMC Ethics Contact Information



Corporate HelpLine
1-800-LM-ETHIC
(1-800-563-8442)



Corporate.Ethics
@lmco.com

*Contact Ethics for potential
or actual violations of LM's
Supplier Code of Conduct*

QUESTIONS?

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