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

SPRING SUPPLIER ETHICS MENTORING PROGRAM WEBINAR 1

April 21, 2020

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PIRA #: CHQ201863006
PRESENTERS

David Gebler
Senior Manager, Ethics Engagement & Integrated Training

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Corporate Ethics Engagement Analyst
HOW ARE YOU DOING?

“Thanks to the DOD’s leadership and foresight in changing progress payment policy, we estimate that we will be able to flow down over $450 million in accelerated payments to our supply chain partners who are critical to supporting our economy and national security.”

— MARILLYN HEWSON
Chairman, President, CEO
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 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?
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

NO

You may still be required to have some elements of an ethics program.

NO

Ask your lawyer about FAR Clause 52.203-13.

YES

NO
If misconduct does occur, having an effective ethics program can reduce fines by up to 90%.
WHAT IS 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?

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

'Speak-Up' Culture

Legal Compliance
An effective ethics program can reinforce compliance with any law, regulation or policy.
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

Multiple standards to comply with
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 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

- Identify Risks
- Prioritize Risks
- Mitigate Risks
POLICIES & PROCEDURES

Some topics your policies might cover:
• Hiring practices (EEO/AA)
• Conflicts of interest
• Use of company time, resources
• Gifts & business courtesies
• Confidential/proprietary information
CODE OF CONDUCT

Summary of expectations for employee behavior
TRAINING

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
## Program Assessment

### Supplier Self-Assessment

**Lockheed Martin Ethics Supplier Mentoring Program**

<table>
<thead>
<tr>
<th>Program Element</th>
<th>Self-Assessment Questions</th>
<th>Lockheed Martin Practices and Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 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, Reform with Excellence.</td>
</tr>
<tr>
<td>2. Program Structure &amp; Oversight</td>
<td>Who is responsible for ethics in your organization? What resources does this person or team have? Who has direct oversight of or accountability for that person or team?</td>
<td>Lockheed Martin’s Vice President 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 lean budget and full-time staff.</td>
</tr>
<tr>
<td>3. Risk Assessment</td>
<td>How effective are your company’s policies on risk assessment of ethical and compliance risks?</td>
<td>The risk areas identified by Lockheed Martin are addressed in our Code of Ethics and Business Conduct, setting the standard, and in our Business Conduct Compliance Training (BCTC) courses.</td>
</tr>
<tr>
<td>4. 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-Corruption Program on our extensiwebsite.</td>
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<td>5. Code of Conduct</td>
<td>Does your company have a code of conduct or other written expectations for employee behavior? Is it available to all employees and others who act on behalf of the company?</td>
<td>Lockheed Martin’s Code of Ethics and Business Conduct, setting the standard, states the high expectations we set for employee behavior, from our commitment to good governance 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, understand and will abide by our Code of Ethics and Business Conduct.</td>
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<td>6. Training</td>
<td>How often does your company train employees or their 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>7. Communications</td>
<td>Do your company communicate with employees about ethics and compliance, in addition to training? 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>8. 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>9. Inquiry &amp; Reporting Mechanisms</td>
<td>Does your company have a way for employees and external stakeholders to ask a question or report potential misconduct without fear of retaliation?</td>
<td>Lockheed Martin’s Ethics Process Works provides a process to employees and other stakeholders on how they can ask a question or report potential misconduct, and explains how contacts are handled.</td>
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<tr>
<td>10. Investigations &amp; Disclosures</td>
<td>How does your company identify, investigate, and report alleged misconduct? Do you have a process in place to ensure compliance with any mandatory disclosure obligations?</td>
<td>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.</td>
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Regular audits and/or monitoring of ethics program effectiveness
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 CAN YOU START DEVELOPING YOUR ETHICS PROGRAM TODAY?
 SELF-SERVE RESOURCES

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

www.lockheedmartin.com > Suppliers > Ethics


Infographic Guides

Supplier Self-Assessment Tool

…AND MORE!
LOCKHEED MARTIN ETHICS SUPPLIER MENTORING PROGRAM

Use our online self-serve resources, work 1-on-1 with a Lockheed Martin Ethics Officer – or both!

**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
ADVANTAGES OF ONE-ON-ONE MENTORING

1-on-1 mentoring has many advantages, in addition to personalized expert guidance.
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
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<tr>
<th>WEBINAR</th>
<th>DATE/TIME</th>
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<tr>
<td>Setting up an Effective Ethics Program</td>
<td>April 28 @ 11:00am ET</td>
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<tr>
<td>Developing Policies, Procedures and a Code of Conduct to Mitigate Risk</td>
<td>May 5 @ 11:00am ET</td>
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<tr>
<td>Training &amp; Communicating on Ethics; Assessing Your Ethics Program</td>
<td>May 12 @ 1pm ET</td>
</tr>
<tr>
<td>Enabling Employees to Speak Up and Addressing Issues Raised</td>
<td>May 19 @ 1pm ET</td>
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To register for upcoming webinars, visit our website: [https://www.lockheedmartin.com/en-us/suppliers/supplier-ethics.html](https://www.lockheedmartin.com/en-us/suppliers/supplier-ethics.html)
CERTIFICATE OF COMPLETION

Has Completed The 2019 Fall Supplier Ethics Webinar Series

Month, Day, Year

Jane Doe

Attend all five webinars to earn a certificate of completion.

LOCKHEED MARTIN PROPRIETARY INFORMATION

Supplier Ethics Mentoring Program Webinar Series

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THANK YOU!

SETTING UP AN EFFECTIVE ETHICS PROGRAM

NEXT

April 28
@ 11am ET

Company Values

Program Structure & Oversight

Leadership Commitment

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

@ ethics.suppliers@lmco.com