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

Supplier Training Excellence Program (STEP) Webinar

March 4, 2021
PRESENTERS

David Gebler
Senior Manager, Ethics Engagement & Integrated Training

Nafeeza Rahaman
Corporate Ethics Engagement Analyst
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 an ethics program?
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?

Do you know the answers to these questions?
WHY DOES YOUR COMPANY NEED A FORMAL ETHICS PROGRAM?
Lockheed Martin Proprietary Information

Presentation Name or Footer (Optional)

© 2021 Lockheed Martin Corporation.

PIRA #: CHQ201803006

Supplier Ethics Mentoring Program Webinar Series

Lockheed Martin 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.
FAR 52.203-13 CONTRACTOR CODE OF BUSINESS ETHICS & CONDUCT

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.

If you are currently working on a qualifying contract or would like to be eligible for one, you’ll need an ethics program.
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%.
WHAT IS AN ETHICS PROGRAM?
ETHICS AND COMPLIANCE

LEGAL COMPLIANCE VS 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
COMPLIANCE AREAS

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

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

Mitigate Risks

Prioritize 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

Standards for mitigating key ethics and compliance risks
CODE OF CONDUCT

Summary of expectations for employee behavior

SETTING THE STANDARD

CODE OF ETHICS AND BUSINESS CONDUCT

Do What’s Right
Respect Others
Perform with Excellence

START
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]

Office Number: S203
Tel: (555) 555-5555
Email: ethics@yourcompany.com

Insert picture of Ethics POC here

Ethics and compliance messaging outside training
## PROGRAM ASSESSMENT

**Supplier Self-Assessment**

**Lockheed Martin Ethics Supplier Mentoring Program**

### Program Element
<table>
<thead>
<tr>
<th>Self-Assessment Questions</th>
<th>Supplier Notes</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, Perform with Excellence</td>
</tr>
<tr>
<td>2 Program Structure &amp; Oversight</td>
<td>Who is responsible for ethics in your organization?</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 regular briefings to the Ethics and Sustainability Committee of our Board of Directors. Lockheed Martin ethics organization is an independent department within the Corporation with its own budget and full-time staff.</td>
</tr>
<tr>
<td>3 Risk Assessment</td>
<td>How often does your company conduct an assessment of the effectiveness of your ethics and compliance risk?</td>
<td>The risk areas identified by Lockheed Martin are addressed in our Code of Ethics and Business Conduct, setting the standard, and by our Business Conduct Compliance Training (BCC) 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 external website.</td>
</tr>
<tr>
<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, details the high expectations we set for employee behavior. From our commitment to good citizenship to our zero-tolerance policy on corruption. All Lockheed Martin employees, contractors, 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>
</tr>
<tr>
<td>6 Training</td>
<td>How often does your company train employees on 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 Training. Our Ethics Awareness Training and Code of Ethics and Business Conduct training are two of our most comprehensive courses relevant to our ethics.</td>
</tr>
<tr>
<td>7 Communications</td>
<td>Does 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 variety of methods to communicate with employees and external audiences. For example, we produce a series of short, interactive videos called the Integrity Minute and other multimedia communications to engage employees outside of our annual training.</td>
</tr>
<tr>
<td>8 Leadership Commitment</td>
<td>How do your company’s leadership 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>
</tr>
<tr>
<td>9 Injury &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 Code of Ethics Process provides bite-sized information and other stakeholders how they can ask a question or report potential misconduct, and explains how contacts to the Ethics Office are handled.</td>
</tr>
<tr>
<td>10 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 Code of Ethics Process provides an overview of what reporting series can expect after they report potential misconduct to the Ethics Office. Lockheed Martin legal team handles all disclosures to the U.S. federal government.</td>
</tr>
</tbody>
</table>

© 2021 Lockheed Martin Corporation. All Rights Reserved.

PIRA #: CHQ201803006

---

**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

www.lockheedmartin.com
> Suppliers > Ethics


Infographic Guides

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

…AND MORE!
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 |

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
# MINICOURSE SERIES

<table>
<thead>
<tr>
<th>MINICOURSE</th>
<th>SPEAKER</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Company Values</td>
<td>Steven Pegg</td>
</tr>
<tr>
<td>2) Program Structure &amp; Oversight</td>
<td>Andy Whittemore</td>
</tr>
<tr>
<td>3) Risk Assessment</td>
<td>Ellen Daly</td>
</tr>
<tr>
<td>4) Policies &amp; Procedures</td>
<td>Andre Colella</td>
</tr>
<tr>
<td>5) Code of Conduct</td>
<td>Fawn Hudson</td>
</tr>
<tr>
<td>6) Training</td>
<td>Feyzan Dalay</td>
</tr>
<tr>
<td>7) Communication</td>
<td>Danielle Bartos</td>
</tr>
<tr>
<td>8) Leadership Commitment</td>
<td>Jenny Jackson</td>
</tr>
<tr>
<td>9) Inquiry &amp; Reporting Mechanisms</td>
<td>Edward Cordia</td>
</tr>
<tr>
<td>10) Investigations &amp; Disclosures</td>
<td>Wendy Evans</td>
</tr>
<tr>
<td>11) Discipline &amp; Incentives</td>
<td>Marie Walsh</td>
</tr>
<tr>
<td>12) Program Evaluation</td>
<td>Golden Lopez</td>
</tr>
</tbody>
</table>

To register for free minicourses, visit our website:

HOW TO REGISTER

To register for free minicourses, visit our website:

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
THANK YOU!

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