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

Supplier Training Excellence Program (STEP) Webinar

March 29, 2022

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PIRA #: CHQ201853006
David Gebler
Senior Manager, Ethics Engagement & Integrated Training
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 other not adhering to those standards?

Do you know the answers to these questions?
WHY DOES YOUR COMPANY NEED A FORMAL ETHICS PROGRAM?
LOCKHEED MARTIN PERSPECTIVE

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

- **Legal**: Allegations of misconduct can damage the reputation of a single company or the entire industry.
- **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.

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?

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 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
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
Continuous process of identifying and mitigating key ethics and compliance risks

RISK ASSESSMENT

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

Standards for mitigating key ethics and compliance risks
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]

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

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<tr>
<th>Program Element</th>
<th>Self-Assessment Questions</th>
<th>Supplier Notes</th>
<th>Lockheed Martin Practices and Resources</th>
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<tbody>
<tr>
<td>Company Values</td>
<td>Does your company have a values statement?</td>
<td></td>
<td>Lockheed Martin’s core values are Do What’s Right, Respect Others, Perform with Excellence</td>
</tr>
<tr>
<td>Program Structure &amp;</td>
<td>Who is responsible for ethics in your organization?</td>
<td></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 support and training 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 fixed budget and full-time staff.</td>
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<tr>
<td>Oversight</td>
<td>Who is responsible for ethics in your organization?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk Assessment</td>
<td>How effective is your program?</td>
<td></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 (BCT) courses.</td>
</tr>
<tr>
<td>Policies &amp; Procedures</td>
<td>Does your company’s policies and procedures address the topic identified by your risk assessment?</td>
<td></td>
<td>Most of Lockheed Martin’s policies and procedures are considered proprietary information, but we publish documents related to our Anti-Competitive Program on our internal website.</td>
</tr>
<tr>
<td>Code of Conduct</td>
<td>How effective is your program?</td>
<td></td>
<td>Lockheed Martin’s Code of Ethics and Business Conduct, setting the standard, describes the high expectations we set for employee behavior, from our commitment to good stewardship and anti-trust policy to anti-corruption. All Lockheed Martin employees, contractors, and members of the Board of Directors must certify that they have read, understood and abide by our Code of Ethics and Business Conduct.</td>
</tr>
<tr>
<td>Training</td>
<td>How effective is your program?</td>
<td></td>
<td>Lockheed Martin uses a 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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<tr>
<td>Communications</td>
<td>How effective is your program?</td>
<td></td>
<td></td>
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<tr>
<td>Leadership Commitment</td>
<td>How effective is your program?</td>
<td></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>Inquiry &amp; Reporting</td>
<td>How effective is your program?</td>
<td></td>
<td>Lockheed Martin’s ethics hotline informs employees and other stakeholders how they can report potential misconduct, and explains how contacts to the Ethics Office are handled.</td>
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<tr>
<td>Mechanisms</td>
<td>How effective is your program?</td>
<td></td>
<td></td>
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<tr>
<td>Investigations &amp;</td>
<td>How effective is your program?</td>
<td></td>
<td>Lockheed Martin’s Ethics Process Works provides an overview of what reporting avenues are open after they report potential misconduct to the Ethics Office. Lockheed Martin’s Legal team handles all disclosures to the U.S. Federal Government.</td>
</tr>
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<td>Disclosures</td>
<td>How effective is your program?</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?
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.
SOME OF OUR ALUMNI

EXPANCO

Proud participant in the Lockheed Martin Ethics Supplier Mentoring Program

Sylhan

CIA&D

Co-operative Industries Aerospace & Defense

ORT-E

Delta-Ray Industries

Spirit Electronics

R&D Electronics Inc

CTL Resources

Aviation Ground Equipment Corp.

Precision Metal Industries

Lockheed Martin

Inovex Information Systems

JWF Industries

W T Win-Tech Inc

Raloid Corporation

SearchPros

KencoA Aerospace

DCR

Advanced Logistics for Aerospace

ALA

Valley Precision LLC

Marathon TS

ESCO Aerospace
# MINICOURSE SERIES

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<td>2) Program Structure &amp; Oversight</td>
<td>Andy Whittemore</td>
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<td>3) Risk Assessment</td>
<td>Ellen Daly</td>
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<td>4) Policies &amp; Procedures</td>
<td>Andre Colella</td>
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<td>5) Code of Conduct</td>
<td>Fawn Hudson</td>
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<td>6) Training</td>
<td>Feyzan Dalay</td>
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<td>7) Communication</td>
<td>Danielle Bartos</td>
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<td>8) Leadership Commitment</td>
<td>Jenny Jackson</td>
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<td>9) Inquiry &amp; Reporting Mechanisms</td>
<td>Edward Cordia</td>
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<td>10) Investigations &amp; Disclosures</td>
<td>Wendy Evans</td>
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<td>Marie Walsh</td>
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<td>12) Program Evaluation</td>
<td>Golden Lopez</td>
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To register for free minicourses, visit our website: https://www.lockheedmartin.com/en-us/suppliers/supplier-ethics.html
HOW TO REGISTER

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DEFENSE INDUSTRY INITIATIVE (DII) SMALL BUSINESS TOOLKIT

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
THANK YOU!

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