

THE WHATS, WHYS AND HOWS OF AN EFFECTIVE ETHICS PROGRAM

ETHICS SUPPLIER MENTORING PROGRAM WEBINAR SERIES



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.

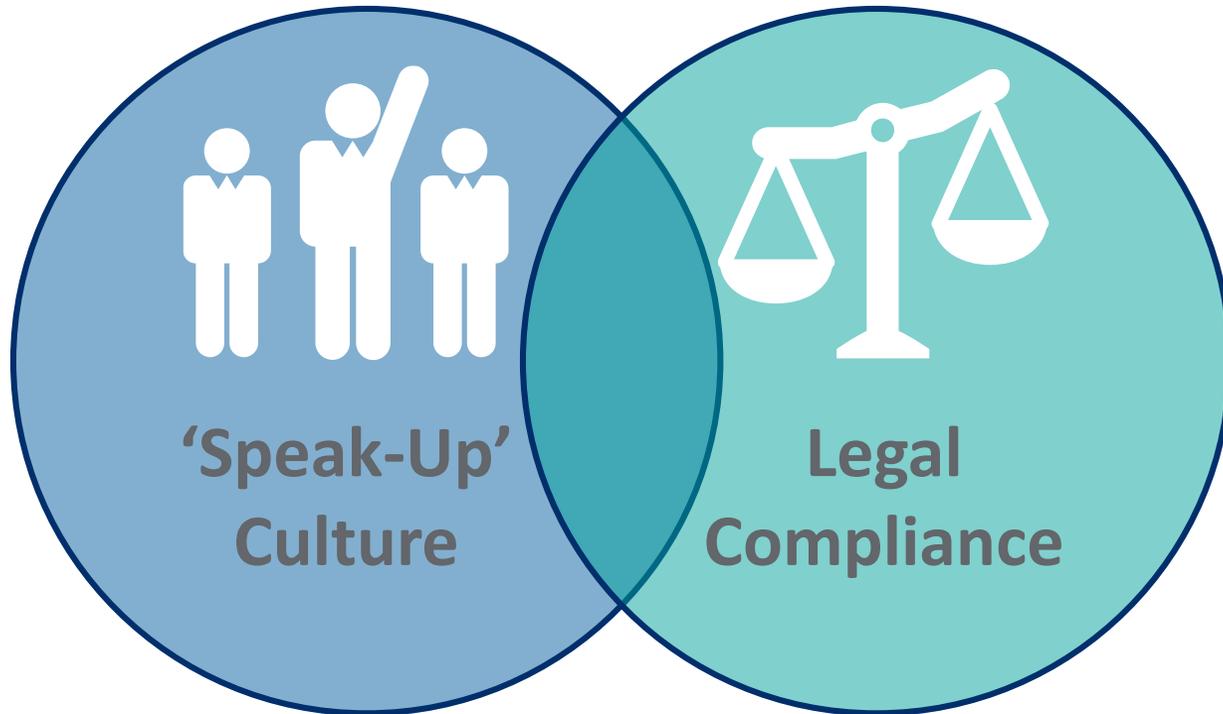
WEBINAR AGENDA



What is an ethics program?
Why do you need one?
How can you get started?

WHAT IS AN ETHICS PROGRAM?

WHERE CULTURE MEETS COMPLIANCE



Employees empowered to follow laws and policies, and speak up when something doesn't feel right.

COMPLIANCE AREAS



Bribery & Corruption



Conflicts of Interest



Financial Records



Trade Controls



Sensitive Information



HR & Labor Policies



Employee Safety & Health



Counterfeit Parts

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

Growing list of program standards relatively consistent in expectations.

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

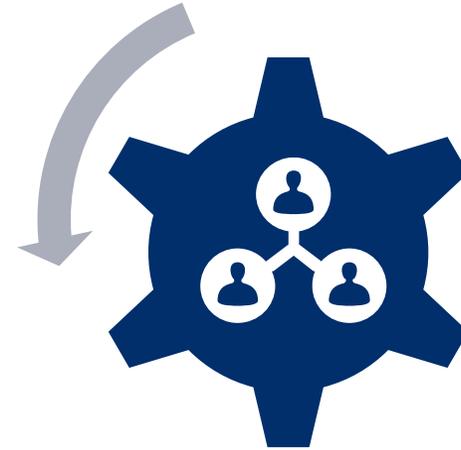
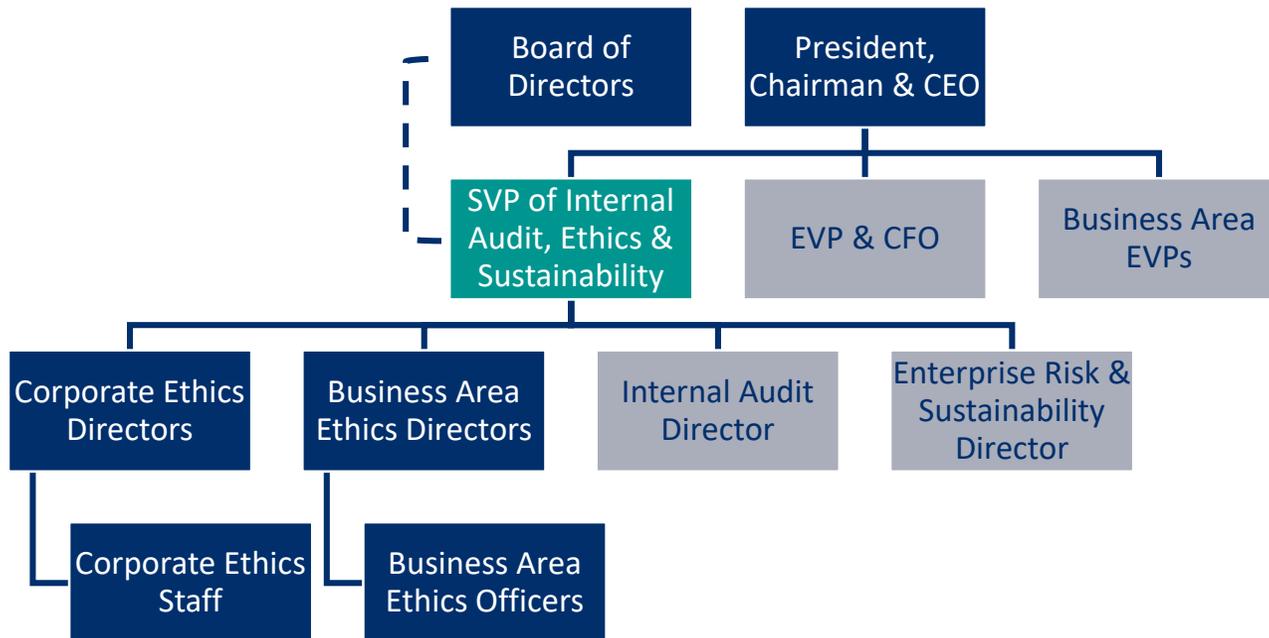
COMPANY VALUES



Key principles that describe your culture and guide your decisions



PROGRAM STRUCTURE & OVERSIGHT



People (or person) in charge of your ethics program – and their reporting structure

RISK ASSESSMENT



Continuous process of identifying and mitigating key ethics and compliance risks

MEET BOB

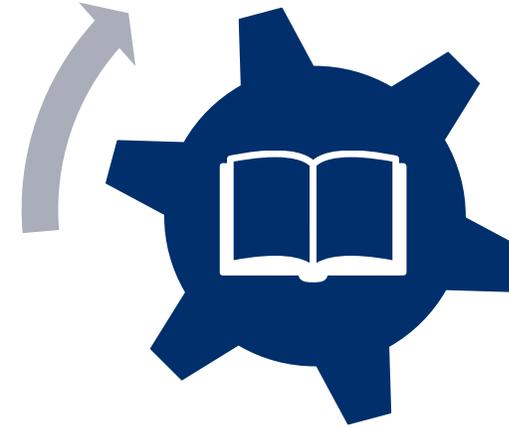


POLICIES & PROCEDURES



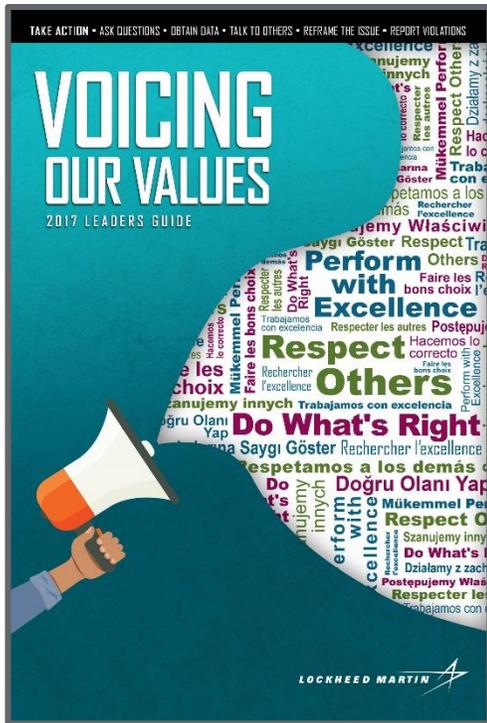
Standards for mitigating key ethics and compliance risks

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

Your Logo Here

**DO YOU KNOW YOUR
ETHICS OFFICER?**



*Insert picture of
Ethics POC here*

*"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

Your Logo Here



Ethics and compliance
messaging outside training

LEADERSHIP COMMITMENT



Alignment of management's words and actions with company values

INQUIRY & REPORTING MECHANISMS

Bob: Hi, is this Ethics?
I'd like some guidance on
an issue I'm having.
Can I remain anonymous?



Avenues for employees to
ask a question or report
potential misconduct

DISCIPLINE & INCENTIVES



Negative consequences for misconduct and rewards for ethical behavior

PROGRAM ASSESSMENT

Supplier Self-Assessment Lockheed Martin Ethics Supplier Mentoring Program



Updated September 2016

Program Element	Self-Assessment Questions	Supplier Notes	Lockheed Martin Practices and Resources
» Company Values	Does your company have a values statement?		» Lockheed Martin's core values are <i>Do What's Right, Respect Others, Perform with Excellence</i> .
» Program Structure & Oversight	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?		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 its own budget and full-time staff.
» Risk Assessment	How often does your company conduct an assessment of its ethics and compliance risks?		» 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 (BCCT) courses.
» Policies & Procedures	Do your company's policies and procedures address the topics identified by your risk assessment?		» 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.
» Code of Conduct	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?		» Lockheed Martin's Code of Ethics and Business Conduct, <i>Setting the Standard</i> , 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, 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.
» Training	How often does your company train employees on their ethics and compliance responsibilities? Does the training address the topics identified by your risk assessment?		» Lockheed Martin requires all employees to participate in our annual Voicing Our Values Ethics Awareness Training and to complete Business Conduct Compliance Training courses relevant to their role.
» Communications	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?		Lockheed Martin uses a wide variety of methods to communicate with employees and external audiences. For example, we produce a series of short, soap opera-style videos called the Integrity Minutes and other multimedia communications to engage with employees outside of our annual training.
» Leadership Commitment	How do your company's leaders demonstrate their support for ethics?		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.
» Inquiry & Reporting Mechanisms	Does your company have a way for employees and external stakeholders to ask a question or report potential misconduct without fear of retaliation?		» Lockheed Martin's <i>How the Ethics Process Works</i> 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.
» Investigations & Disclosures	How does your company identify and investigate alleged misconduct? Do you have a process in place to ensure compliance with any mandatory disclosure obligations?		» Lockheed Martin's <i>How the Ethics Process Works</i> 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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Regular audits and/or monitoring of ethics program effectiveness

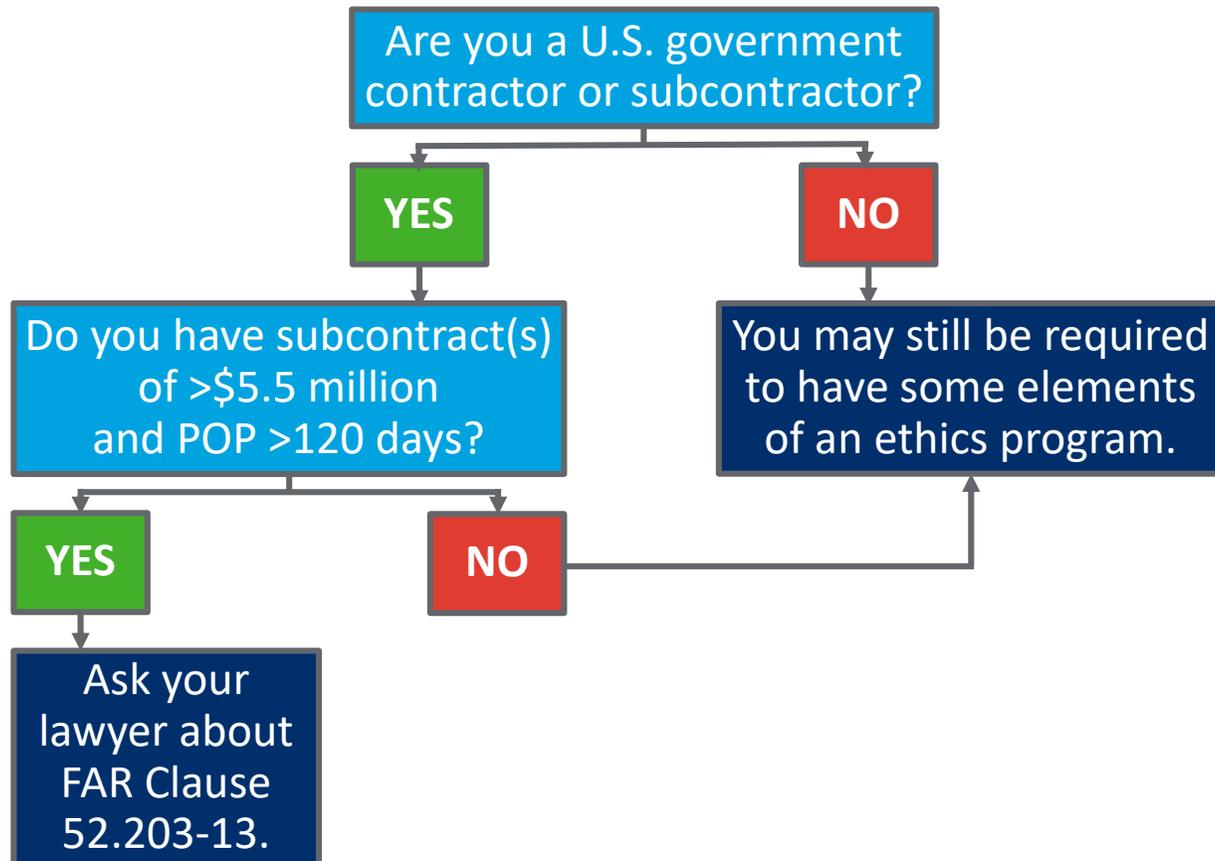
WHY DOES YOUR COMPANY NEED A FORMAL ETHICS PROGRAM?

LOCKHEED MARTIN PERSPECTIVE



Ethics programs reduce risk to your business and ours – and to the missions we serve.

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.

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%.

HOW CAN YOU START DEVELOPING YOUR ETHICS PROGRAM TODAY?

LOCKHEED MARTIN ETHICS SUPPLIER MENTORING PROGRAM



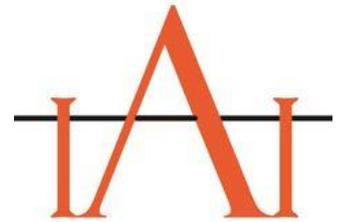
Use our online self-serve resources, work 1-on-1 with a Lockheed Martin Ethics Officer – or both!

ADVANTAGES OF ONE-ON-ONE MENTORING

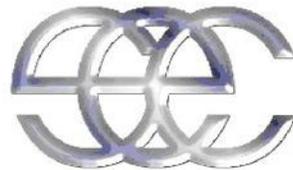


1-on-1 mentoring has many advantages, in addition to personalized expert guidance

ETHICS SUPPLIER MENTORING PROGRAM ALUMNI



VALLEY PRECISION LLC.
Specializing in CNC Turning & Milling



SELF-SERVE RESOURCES

www.lockheedmartin.com
> Suppliers > Ethics

Supplier Self-Assessment Tool

Program Element	Self-Assessment Questions	Supplier Notes	Lockheed Martin Practices and Resources
Company Values	Does your company have a values statement?		Lockheed Martin's core values are: Do What's Right, Respect Others, Perform with Excellence
Program Structure & Oversight	Who is responsible for ethics in your organization? What reports does this person or team have? Who has direct oversight of or accountability for that person or team?		Lockheed Martin's Vice President of Ethics and Sustainability manages the activities of our Ethics team, reports directly to our CEO, and gives quarterly ratings 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 separate budget and full-time staff.
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Training	How often does your company train employees on their ethical and compliance responsibilities? Does the training address the topics identified by your risk assessment?		Lockheed Martin requires all employees to participate in our annual Living Our Values Ethics Awareness Training and to complete Business Conduct Compliance Training courses relevant to their role.
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Infographic Guides

LOCKHEED MARTIN

ELEMENTS OF AN EFFECTIVE ETHICS PROGRAM CODE OF CONDUCT

WHAT IS A CODE OF CONDUCT?

A code of conduct is the foundation of an effective ethics program. A code summarizes a company's expectations for employees and others who act on its behalf. It should be simple and concise.

WHY CREATE A CODE OF CONDUCT?

- ✓ Comply with regulations, such as FAR Clause 52.203-13
- ✓ Establish the framework for your ethics program
- ✓ Communicate how you do business to internal and external stakeholders

OTHER RESOURCES

DII Model Supplier Code and Small Business Toolkit:
www.dii.org/featured-tools

Lockheed Martin Supplier Code:
www.lockheedmartin.com/content/dam/lockheed-martin/ethics/documents/ethics-supplier-code.pdf

Ethics & Compliance Initiative (ECI):
ethics.org/resources/free-toolkit

This resource is offered as part of the Lockheed Martin Ethics Supplier Mentoring Program
www.lockheedmartin.com/en-us/suppliers/ethics.html
ethics.suppliers@lmco.com

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...AND MORE!

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

UPCOMING LIVE WEBINARS

WEBINAR	NOTES	DATE/TIME
Setting up an Effective Ethics Program	featuring LM Supplier	Oct 16@ 1-2pm ET
Developing Policies, Procedures and a Code of Conduct to Mitigate Risk		Oct 30 @ 12-1pm ET
Training and Communicating on Ethics; Assessing Your Ethics Program		Nov 13 @ 1-2pm ET
Establishing Ways to Contact Ethics and Addressing Issues Raised	featuring LM Supplier	Nov 27 @ 11am- 12pm ET
DII Hosted Webinar: Remote Workforce: Connecting and Engaging	Hosted by LM Corporate Ethics Director Blair Marks	Dec 12 @ 2-3pm ET



www.lockheedmartin.com
> Suppliers > Ethics

To register for upcoming
LM or DII webinars, visit
our website

DEFENSE INDUSTRY INITIATIVE (DII) SMALL BUSINESS TOOLKIT

Governance & Organization

Training & Engagement

- Sample compliance training PowerPoint

Policies & Procedures

- DII Model Supplier Code of Conduct
- Template Code of Conduct
- Template Policies on 30+ ethics and compliance topics

Auditing, Monitoring & Mentoring

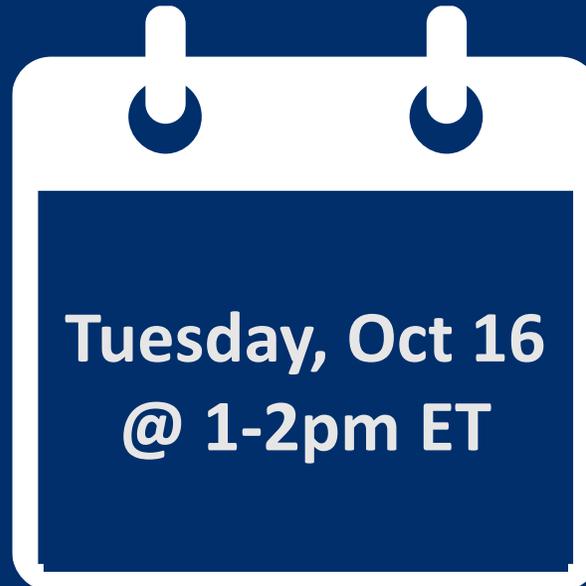
- Self-Auditing Your Ethics Program
- DII Model Code of Conduct Assessment
- DII Mentors (for DII signatories only)



If you use just one resource, make it the DII Small Business Toolkit – it's free and easy to use

THANK YOU!

NEXT WEBINAR



Tuesday, Oct 16
@ 1-2pm ET

SETTING UP AN EFFECTIVE ETHICS PROGRAM



Company Values



Program
Structure &
Oversight



Leadership
Commitment



[www.lockheedmartin.com/
en-us/suppliers/ethics.html](http://www.lockheedmartin.com/en-us/suppliers/ethics.html)



ethics.suppliers@lmco.com

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