

SETTING UP AN EFFECTIVE ETHICS PROGRAM

PART OF ETHICS SUPPLIER MENTORING PROGRAM WEBINAR SERIES



PRESENTERS



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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.



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for determining the content
and scale of your program.

WEBINAR AGENDA

- Recap of Last Webinar
- Company Values
- Program Structure & Oversight
- Leadership Commitment

RECAP OF LAST WEBINAR

LOCKHEED MARTIN PERSPECTIVE



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

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

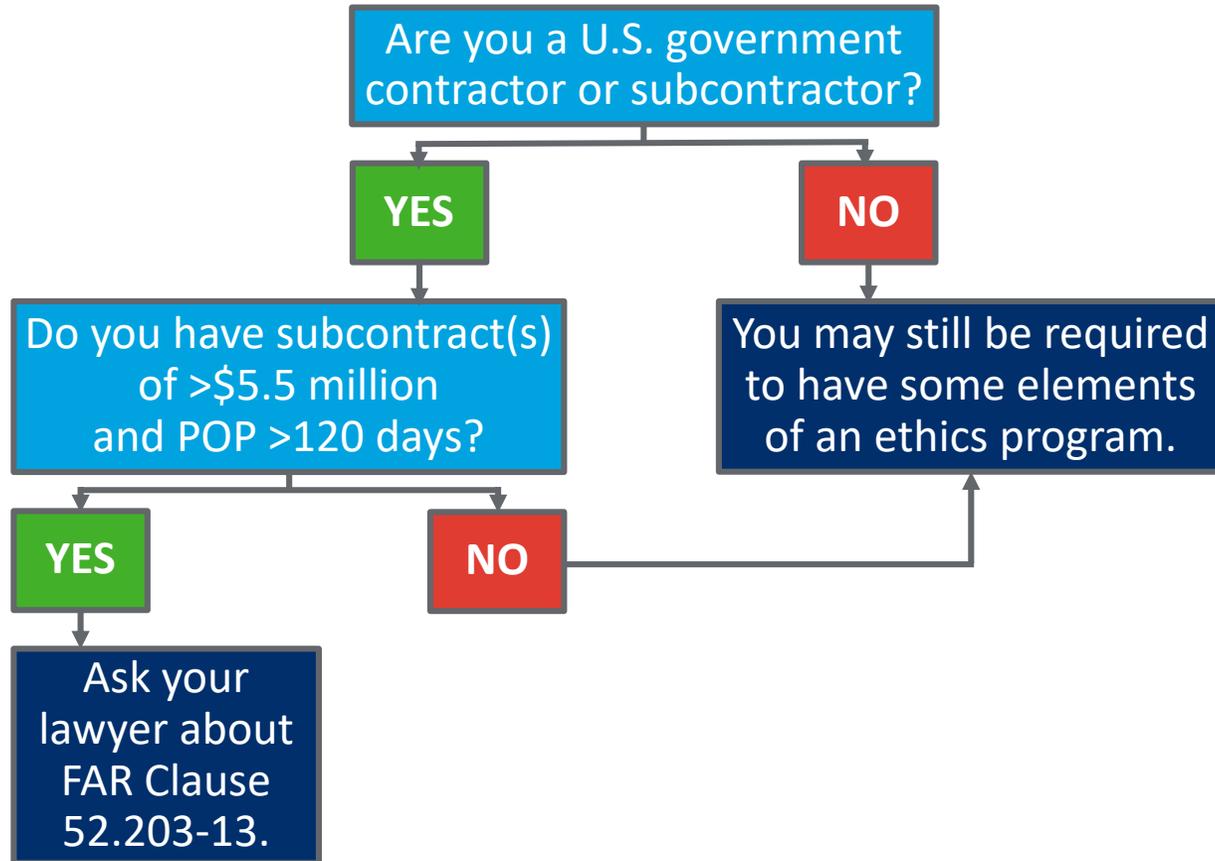
- Defense Industry Initiative on Business Ethics & Conduct (DII)
- International Forum on Business Ethical Conduct for the Aerospace and Defence Industry (IFBEC)

International Best Practices

- International Chamber of Commerce (ICC)
- Organisation for Economic Cooperation and Development (OECD)
- Transparency International

Growing list of program standards relatively consistent in expectations.

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%.

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

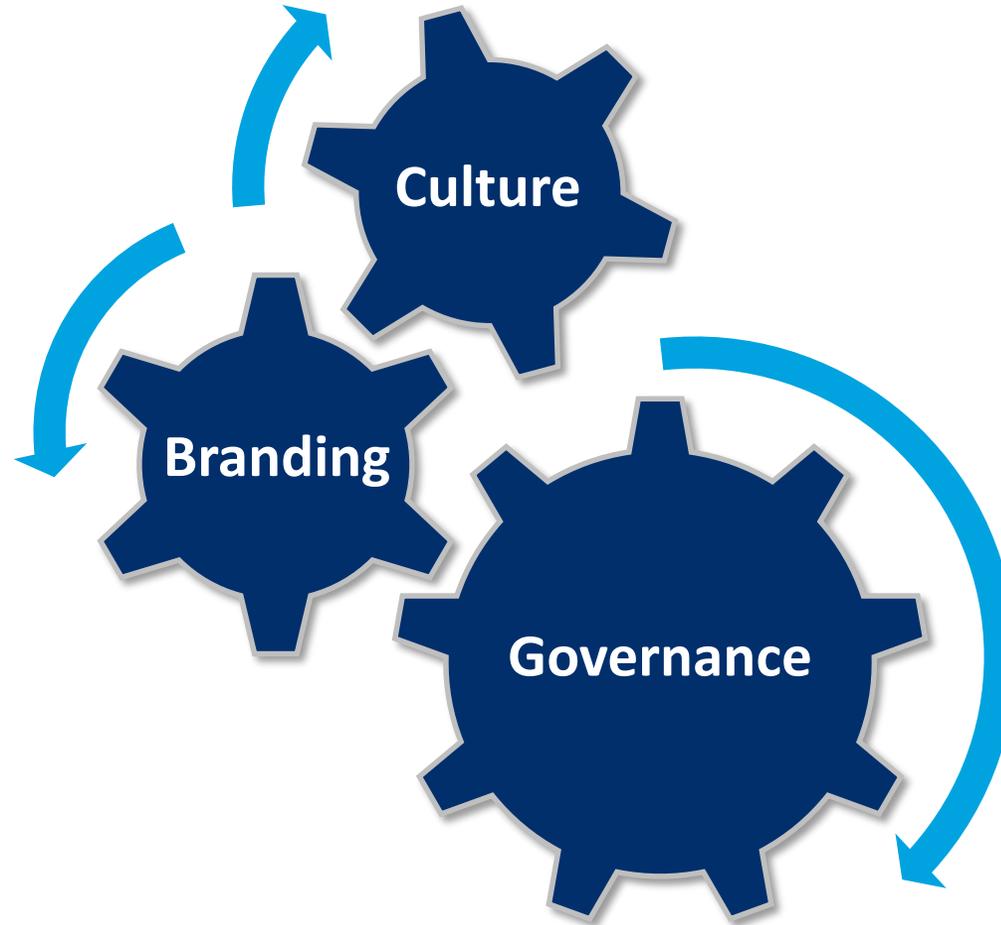
COMPANY VALUES – EXAMPLE



“Every ethics program starts with values. This is about more than words on a page. It’s a chance to lay out everything a company stands for – and all the things it wants to strive for. Lockheed Martin’s core values are non-negotiable: *Do What’s Right, Respect Others, and Perform With Excellence*. And these are the ideas that its ethics program stresses as well.”

Marillyn A. Hewson
Chairman, President, and CEO

COMPANY VALUES – WHY?



COMPANY VALUES – HOW?

STEP ONE

Gather ideas

www.ethics.org/resources/free-toolkit/definition-values

Customers and competitors

Mission and vision

COMPANY VALUES – HOW?

STEP TWO

Talk to team

Informal discussion

Survey or questionnaire

Focus groups

COMPANY VALUES – HOW?

Rework and revise

List all ideas

Combine similar values

Revise, revise, revise

Choose best options

STEP THREE

COMPANY VALUES – HOW?

Communicate

Present to team

**Include in code, policies,
training, website, and more!**

STEP FOUR

SMALL BUSINESS PERSPECTIVE

ABOUT US

- Founded in Kennesaw, Georgia in June 1988
- Mission Statement: To serve as a support shop delivering special tooling and precision machining on-time, to specifications, and at a profit.



- 48 employees (two shifts)
- Revenue: \$5 million / year
- Privately held
- Other characteristics
 - Veteran-owned small business
 - AS9100D-Certified
 - ITAR-Registered
 - 2017 Cobb Chamber of Commerce – Top 5 Small Business of the Year Award Winner

ABOUT US (CONT'D)

Involvement in the local community:

- CobbWorks Board
- Chattahoochee Technical College Foundation Board & Shadow Partner
- Mount Paran Christian School “Gears in Motion” Project
- Cobb County School District CTAE Advisory Board
- Manufacturing Day Tours



Involvement in the industry:

- National Tooling and Machining Association (NTMA)
- Women in Manufacturing (WiM)
- Georgia Manufacturing Alliance (GMA)
- OneVoice
- National Association of Manufacturers (NAM)

CORE COMPETENCIES

- Milling
- Turning
- Thread Cutting
- Surface Grinding
- O.D. Grinding
- I.D. Grinding
- Water-Jet Machining
- Assembly
- EDM Wire & Sinker
- Drilling
- Broaching
- Jig Grinding
- High Speed Tapping
- 5-Axis Capabilities

Secondary Processes:

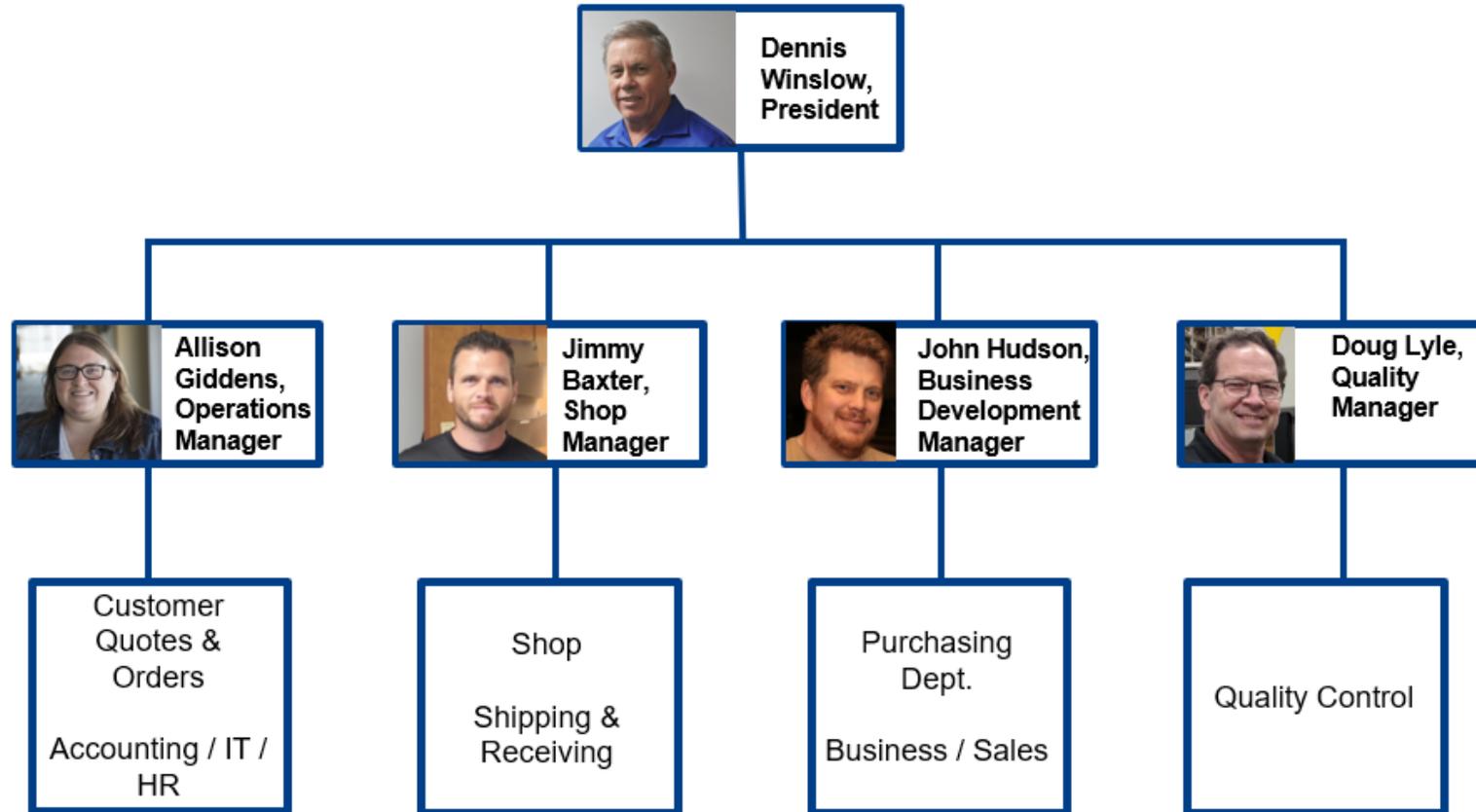
- IUID Marking
- Parkerize / Black Oxide (Commercial)
- Heat Treat (Commercial)
- Welding (Certified Welders, CWI)
- Laser Marking



RELATIONSHIP WITH LM

- **Relationship with Lockheed Martin began in the early 1990s**
 - Diverse Supplier of the Year Award (2011)
 - Have supported all LM business areas
- **Product(s) and/or service(s) supplied**
 - C-130 tooling and ground support
 - Repair and manufacture F-22 ground support
 - Manufacture standard tooling and F-35 parts (such as ejection seat carts and engine run holdbacks)
 - Assists with engineer prototypes for research and development efforts;
 - L-9 Test Lab support
 - Supply products for the P-3 and C-130 Hologram Programs
 - Supply parts for government spares via the LM Baltimore RMS group
 - Certified to weld and bend via LM Special Processes Approval

LEADERSHIP TEAM



Ethics Program Director (Allison Giddens) works closely with President (Dennis Winslow) to determine Ethics Program strategy and with other managers to disseminate program information to employees.

IDENTIFICATION OF CORE VALUES

Step 1 required us to start from scratch –

HR sat down with the owner to interview him and gather 30+ core values via conversation about the history of the company, what matters most to him day-to-day, and where he sees Win-Tech in the future.

Step 2 involved employee buy-in –

SurveyMonkey was used to collect data anonymously and invited open feedback to add values employees felt were missed in the original list.

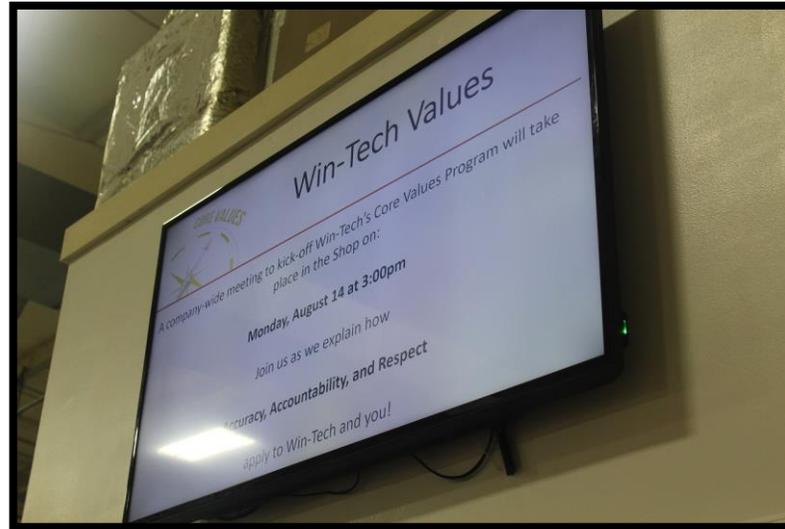
Step 3 weaved those interpretations and vision together –

Creating a program that centered around the top 3 chosen values that integrated Win-Tech mission to offer education and growth opportunities for employees.

COMMUNICATION OF CORE VALUES

Program:

Videos and articles



Employee and Manager:

Discussed material together

Intended result:

To offer employees the chance to grow in their roles at Win-Tech, Inc.

Additional result (unintended bonus!):

A new opportunity for valuable conversation



ETHICS CHALLENGE COIN



PROGRAM STRUCTURE & OVERSIGHT

PROGRAM STRUCTURE & OVERSIGHT – WHO?

JOB QUALIFICATIONS

- Demonstrated leadership skills
- Solid reputation/role model
- Fair, trustworthy, approachable
- Understanding of your business
- Experience with legal and regulatory compliance, issue resolution, investigations, training, communication

REPORTING STRUCTURE

- Reports to Board or CEO
- Part of Legal, HR, Internal Audit, Finance, Operations or Corporate Responsibility



TIME COMMITMENT/RESOURCES

- Ideally full-time
- Has time and resources to develop, implement, maintain ethics program

PROGRAM STRUCTURE & OVERSIGHT – HOW?



ETHICS PROGRAM MODELS

- **Decentralized:** some organization-wide program elements (code of conduct), other elements developed and implemented in business units
- **Centralized:** corporate develops and implements all program elements
- **Hybrid:** program elements developed by Corporate, customized and implemented by business units

PROGRAM STRUCTURE & OVERSIGHT – HOW?

**IF YOU HAVE A
STAFF OF ONE**



ETHICS PROGRAM MODELS

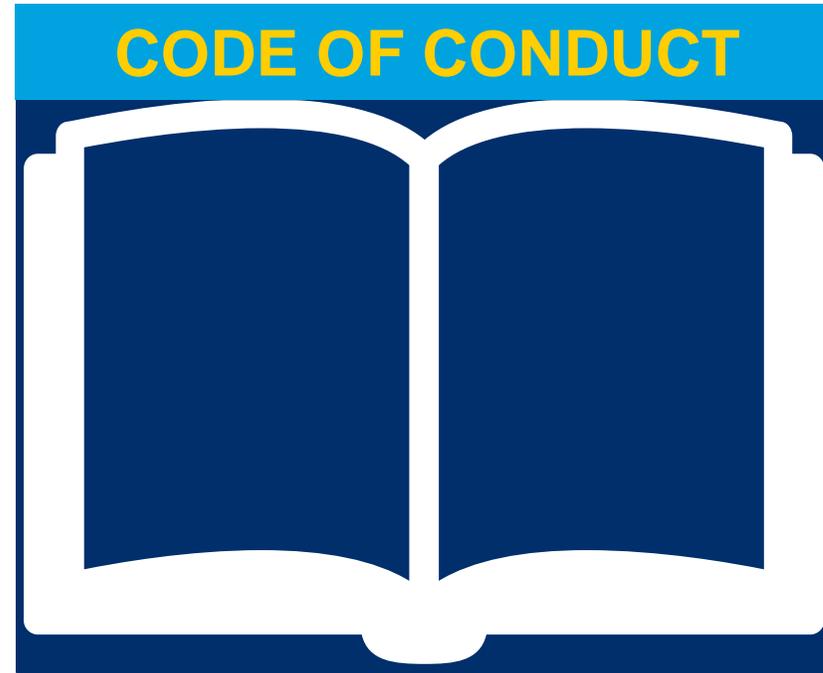
- **Ethics & Compliance Committee**
 - Senior leaders from different functions
 - Help identify and mitigate risks, identify training and communication needs
- **Working Groups**
 - Smaller divisions of E&C Committee
 - Help implement specific program elements
- **Ethics Liaisons**
 - Full-time employees in other roles
 - Serve as Ethics POCs for specific location or team

ETHICS & BUSINESS CONDUCT POLICY

ETHICS & BUSINESS CONDUCT POLICY – WHAT?

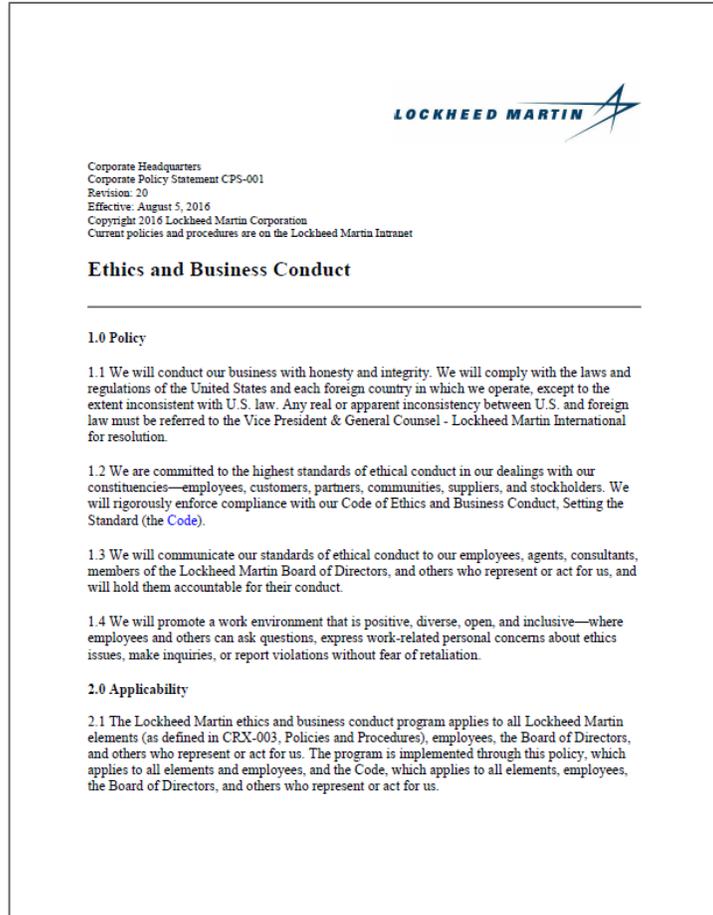


- Outline of Ethics Program
- Single internal policy



- Summary of expectations of employees
- References variety of policies

ETHICS & BUSINESS CONDUCT POLICY – EXAMPLE



POLICY

- Commitment to ethical behavior

APPLICABILITY

- Employees, Board, subsidiaries, JVs

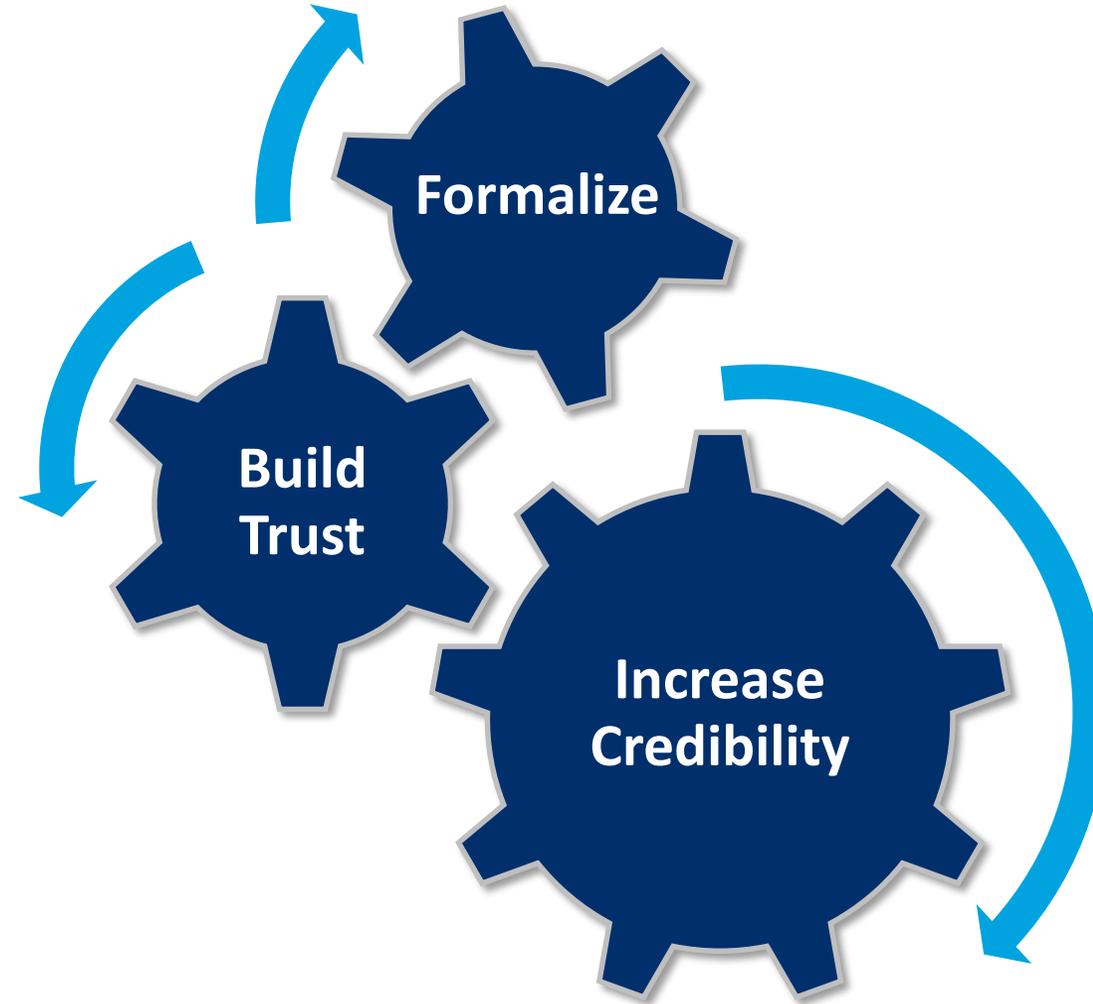
ETHICS PROGRAM

- Code of Conduct and Supplier Code
- Role of Ethics Executive
- Role of Executive Leadership and Steering Committees
- Ethics and compliance training
- Making inquiries and reporting violations

VIOLATIONS

- May result in disciplinary action

ETHICS & BUSINESS CONDUCT POLICY – WHY?



ETHICS & BUSINESS CONDUCT POLICY – HOW?

STEP ONE

Download DII
Template Policy



STEP TWO

Customize Template
Content and Format



STEP THREE

Make Policy Available
to Employees

COMPANY LOGO	Policy Number: #	Date: Date
	Policy Name: Ethics & Business Conduct	Rev: #
	Approver: Name	Function: Name

OVERVIEW
This policy is to confirm **Company's** commitment to conduct business ethically and compliantly and to ensure all ethics and compliance issues are resolved appropriately according to our stated values, Code of Conduct, corporate policies, laws and regulations throughout our operations.

POLICY
All employees are personally responsible for conducting business both internally and externally with all stakeholders ethically and compliantly in accordance with our values, Code of Conduct, corporate policies, and in compliance with all laws and regulations globally.

As such, this policy provides the governance framework for reporting, capturing, handling, and resolving potential improper conduct and compliance violations.

Issue Reporting
Any stakeholder who suspects or becomes aware of any ethical misconduct of **Company** values, Code of Conduct, or any compliance violations of any laws or regulations is encouraged to report the issue to any of the following:

- Employee's supervisor/manager
- Any Human Resources or Legal representative
- Any compliance representative in the areas of **Ethics & Compliance, Internal Audit/Finance, etc.**
- Ethics hotline via internet or phone at
US 888-888-8888
Web www.xxx.com

In addition, any employee who has any concern or complaint regarding accounting, internal accounting controls, or auditing matters may also report the matter to the General Auditor or may also contact the Audit Committee on a confidential and/or anonymous basis by mail, c/o the Corporate Secretary, **1234 address Blvd., City, ST 11111**.

Retaliation
Company will not tolerate retaliation against any stakeholder that reports potential ethics and compliance concerns in good faith (a genuine attempt to provide honest, complete and accurate information, even if it later proves to be mistaken or unsubstantiated). Retaliation includes but is not limited to improper denial of benefits, termination, demotion, suspension, threats, improper poor performance evaluation, intimidation, harassment or discrimination.

Retaliation violates both the Code of Conduct and corporate policy, therefore all known or suspected retaliation cases should be reported for investigation and resolution through any of the reporting channels listed above.

Issue Capture
All ethics & compliance issues, regardless of the severity or nature (i.e., simple inquiry), shall be confidentially recorded and managed in **locator/tool**.

COMPANY Proprietary Information | Printed copies are uncontrolled, validate prior to use | Page: 1 of 2

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+ topics

Auditing, Monitoring & Mentoring

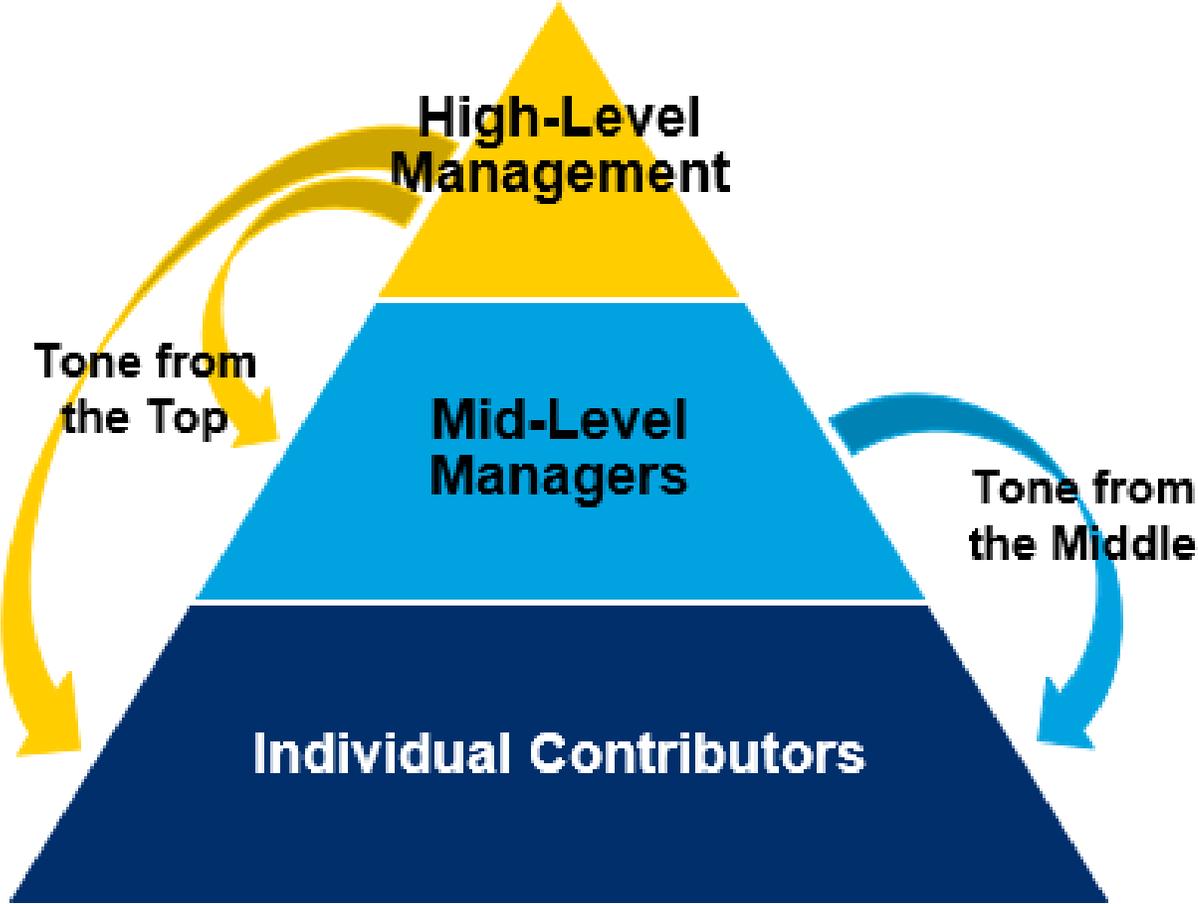
- Self-Auditing Your Ethics Program
- DII Model Code of Conduct Assessment
- DII Mentors (for DII signatories only)



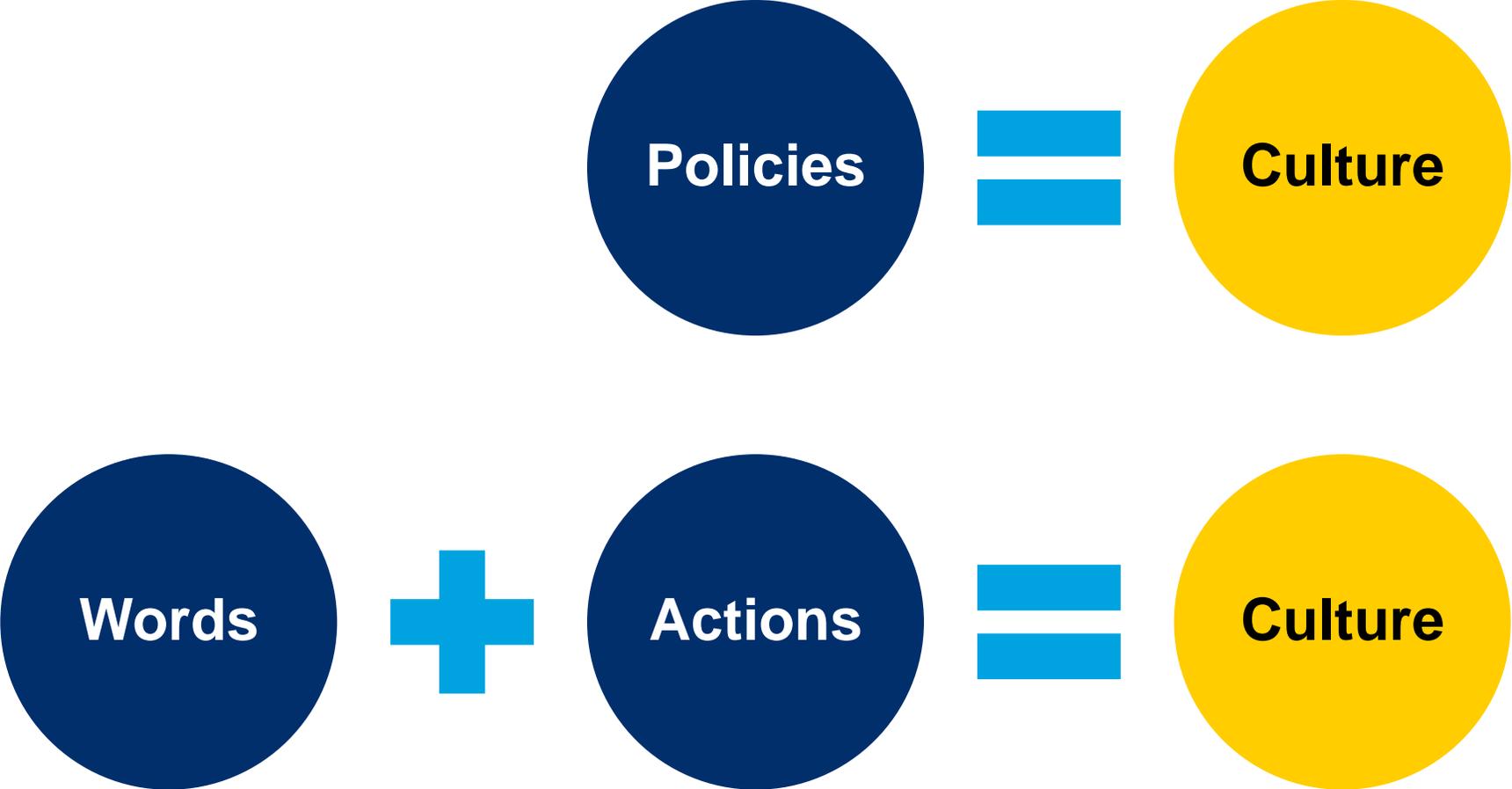
If you use just one resource, make it the DII Small Business Toolkit – it's free and easy to use

LEADERSHIP COMMITMENT TO ETHICS

LEADERSHIP COMMITMENT – WHAT?



LEADERSHIP COMMITMENT – WHY?



LEADERSHIP COMMITMENT – EXAMPLE



“Our colleagues, our customers, and our suppliers need to know that they can trust us to do the right thing in our business dealings, every time. Honesty and integrity are fundamental to those relationships, and critical to our business success and growth.”

LEADERSHIP COMMITMENT – HOW?



LEADERSHIP COMMITMENT – HOW?

STEP TWO

Establish expectations

Brainstorm with leaders

Discuss with employees

LEADERSHIP COMMITMENT – HOW?

Communicate expectations

STEP THREE

LEADERSHIP COMMITMENT – HOW?



KEY TAKEAWAYS

Company values shape organizational culture, ethics program

Many ways to structure ethics program, even with team of one

Framework of ethics program should be documented

Leaders need to “walk the talk” for ethics program to be credible

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.
Risk Assessment	How often does your company conduct an assessment of its ethics and compliance risk?		The risk areas identified by Lockheed Martin are addressed in our Code of Ethics and Business Conduct, Setting the Standard, and the Business Conduct Compliance Training (BCT) course.
Practices & Procedures	Do your company's policies and procedures address the topics identified by your risk assessment?		In lieu of Lockheed Martin specific practices and procedures, we consider 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 other stakeholders? Is it approved by your Board of Directors?		Lockheed Martin's Code of Ethics and Business Conduct, Setting the Standard, details the high expectations we set for employee behavior. These are complemented by good citizenship issues that our policies can capture. All Lockheed Martin employees, consultants and members of the Board of Directors must certify that they have read, understood and will abide by our Code of Ethics and Business Conduct.
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.
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 other stakeholders. For example, we produce a series of short, bite-sized videos called the Integrity Minutes and other multimedial 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 questions or report potential misconduct without fear of retaliation?		Lockheed Martin's How the Ethics Process Works brochure informs employees and other stakeholders how they can ask a question or report potential misconduct, and includes how contacts 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 How the Ethics Process Works provides an overview of what reporting parties can expect when 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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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

START WITH A TEMPLATE

Download the DII Model Supplier Code, the Lockheed Martin Supplier Code, or ask one or more of your key customers to use their code of conduct as your guide.

CUSTOMIZE TEMPLATE

Edit the template so your code of conduct addresses all of your company's ethics and compliance risks. Adjust the format to fit your internal style and set a schedule for updates.

DISTRIBUTE INTERNALLY

Give a hard copy of your code to every employee, require all new hires to certify they read it, and upload it to your internal and/or external website(s) for easy access.

FLOW TO SUPPLIERS

Include your code of conduct or supplier code in contracts with suppliers and other business partners. Also flow down the substance of FAR Clause 52.203-13 if required.

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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

...AND MORE!

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

THANK YOU!

NEXT WEBINAR

Tuesday, May
22 @ 2-3pm ET

DEVELOPING POLICIES, PROCEDURES AND A CODE OF CONDUCT TO MITIGATE RISK



Risk Assessment



Policies &
Procedures



Code of Conduct



[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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