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

PART OF ETHICS SUPPLIER MENTORING PROGRAM WEBINAR SERIES

LOCKHEED MARTIN

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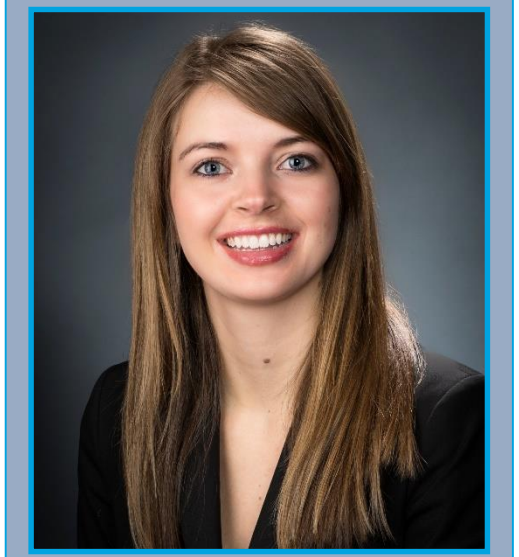
PRESENTERS



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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.

You are solely responsible for determining the content and scale of your program.

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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

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WEBINAR AGENDA

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RECAP OF LAST WEBINAR

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RECAP OF LAST WEBINAR

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

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RISK ASSESSMENT & MANAGEMENT

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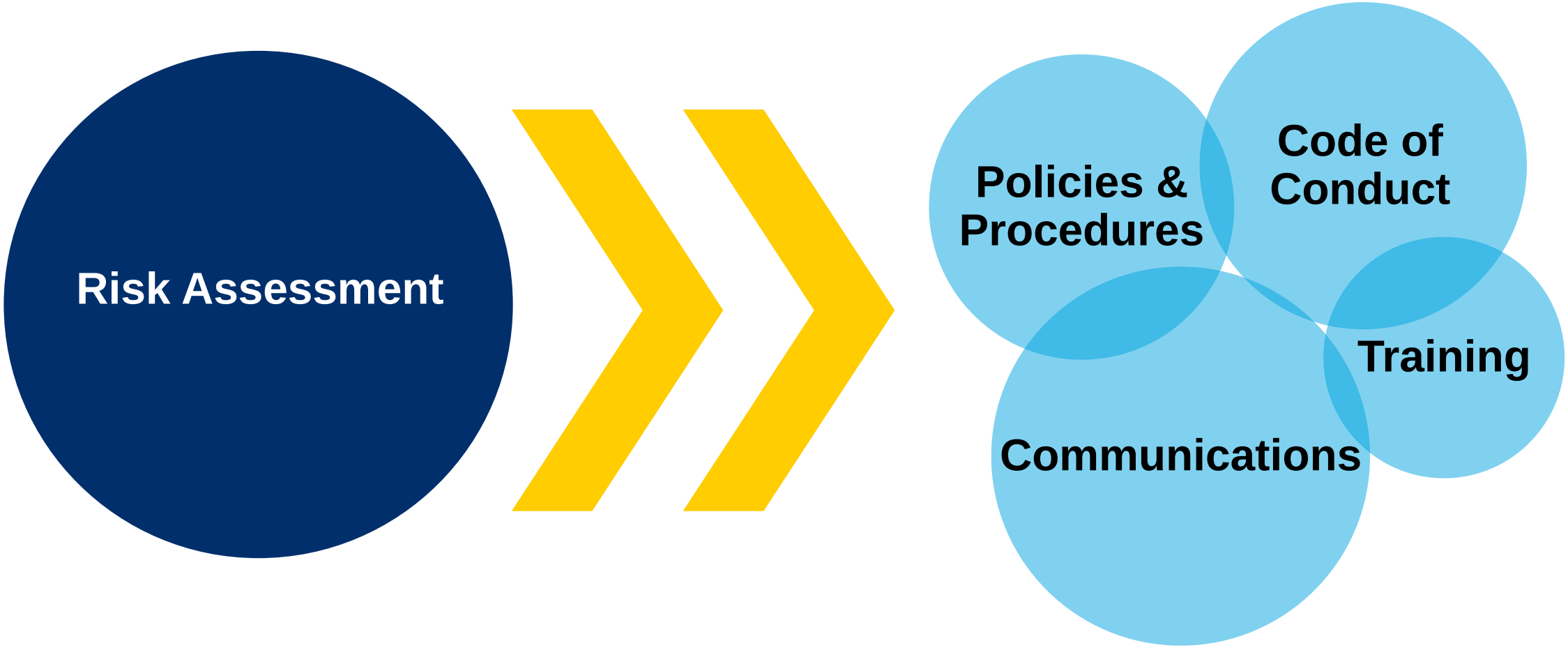
RISK ASSESSMENT – WHY?



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RISK ASSESSMENT – WHAT?

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RISK ASSESSMENT – HOW?

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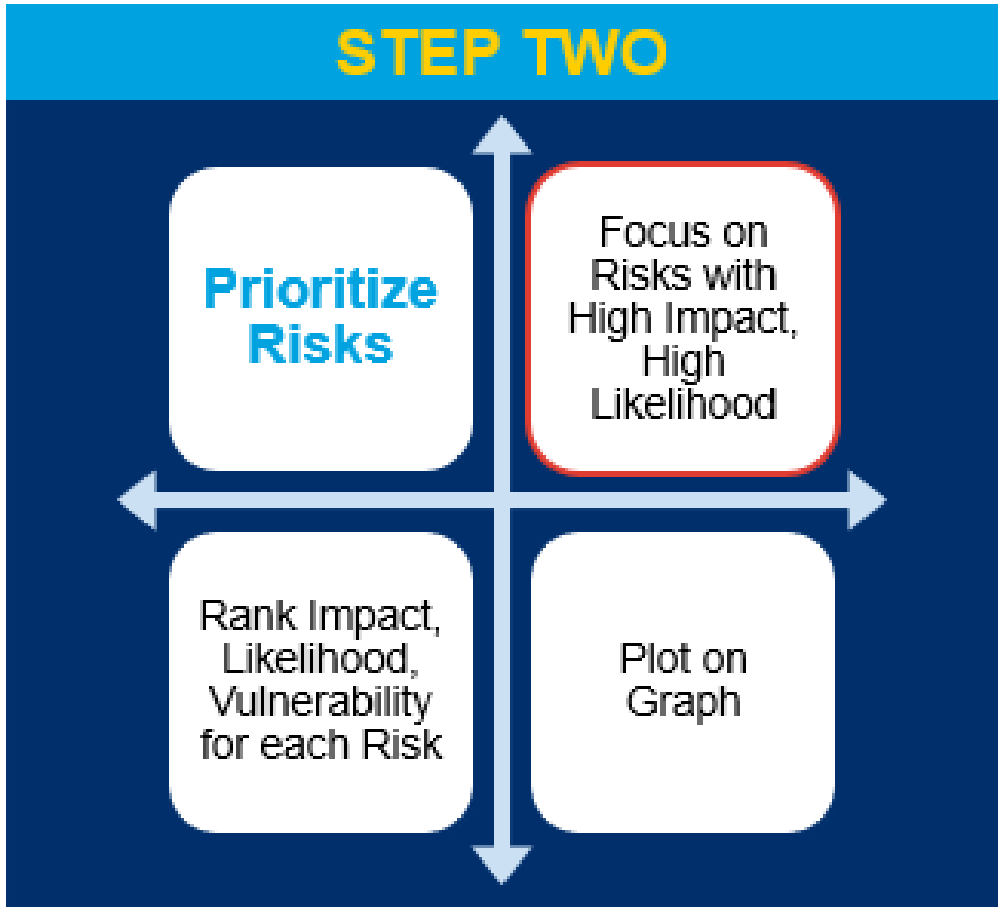
RISK ASSESSMENT – HOW?



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RISK ASSESSMENT – HOW?

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POLICIES & PROCEDURES

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POLICIES & PROCEDURES – WHAT?

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POLICIES & PROCEDURES – WHY?

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POLICIES & PROCEDURES – EXAMPLES

Case Management Procedure

Non-Retaliation

Conflicts of Interest

Time Charging

Anti-Corruption / Business Courtesies

Use of 3rd Parties Operating Outside the U.S.

U.S. Export & Import Compliance

Anti-Trust and Fair Competition

Drug Free Workplace

Smoke Free Workplace

U.S. Equal Employment Opportunity/Affirmative Action

Non-Harassment

Workplace Violence Prevention

Contracting with the U.S. Government

Human Trafficking Prevention

IT Acceptable Use

Mandatory Disclosure

Confidential Information

Industrial Security Program

Information Security

Environmental, Health & Safety

Insider Information

Social Media

Government Relations

Records Retention

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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

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POLICIES & PROCEDURES – HOW?

STEP ONE

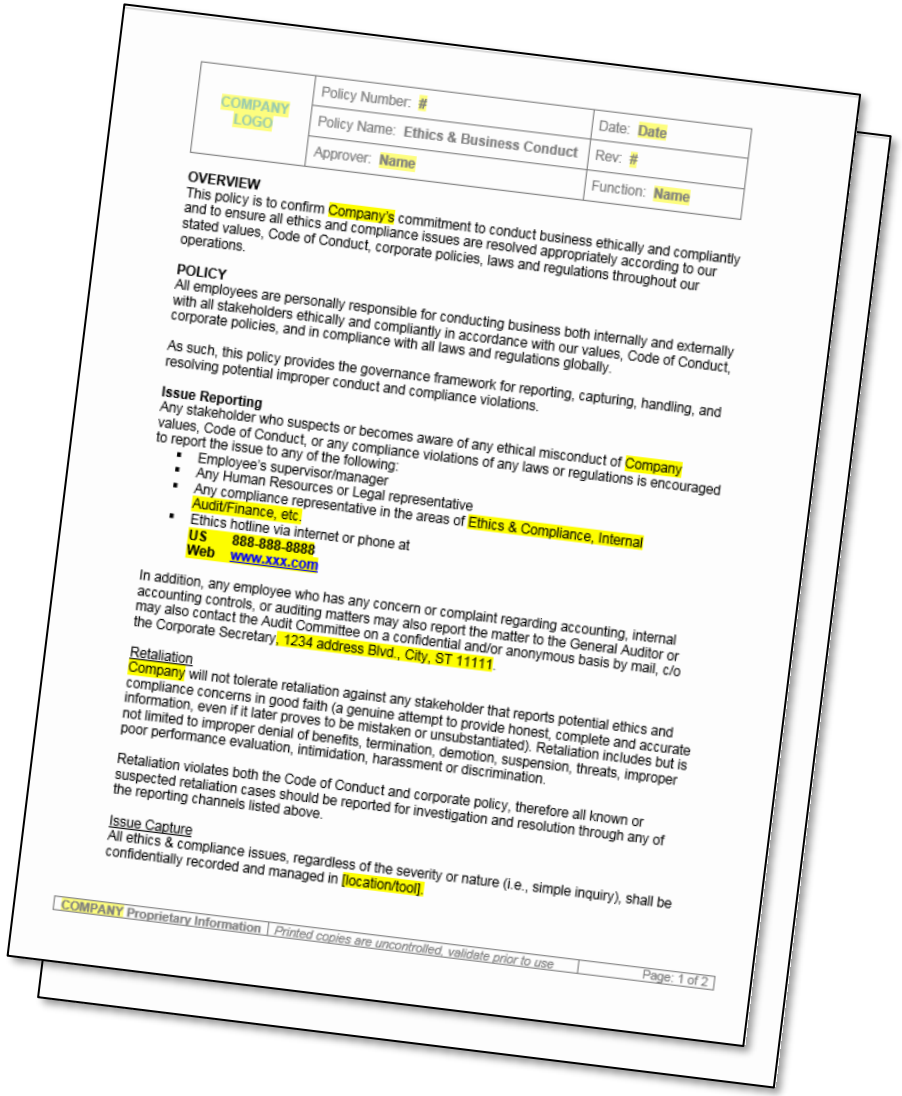
Download DII Template Policies

STEP TWO

Customize Template Content and Format

STEP THREE

Make Policies 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 [location/tool].

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CODE OF CONDUCT

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CODE OF CONDUCT – WHAT?

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CODE OF ETHICS & BUSINESS CONDUCT

- Based on core values
- Applies to all employees, Board of Directors, consultants, contractors, others acting on behalf of LMC
- Outlines expectations for key areas
- Links to relevant policies, other resources

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CODE OF CONDUCT – POLLING QUESTION

Does your company have a code of conduct?

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CODE OF CONDUCT – POLLING RESULT

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CODE OF CONDUCT – WHY?

Legal Requirements

FAR 52.203-13:

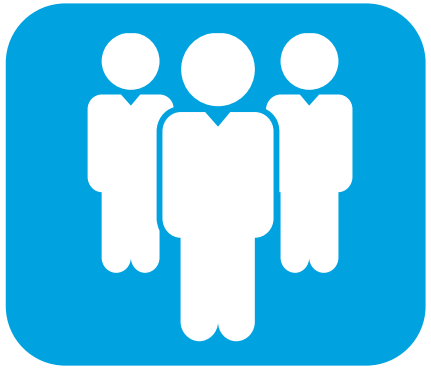
"Contractor shall… have a written code of business ethics and conduct; make a copy of the code available to each employee engaged in performance of the contract."

Customer Expectations

Purchase Orders:

LM "encourages all suppliers to implement an effective ethics program, including adopting a written code of conduct."

Good Governance



Well-written code of conduct ensures all internal and external stakeholders are on the same page about *how* the company will do business.

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CODE OF CONDUCT – HOW?

STEP ONE

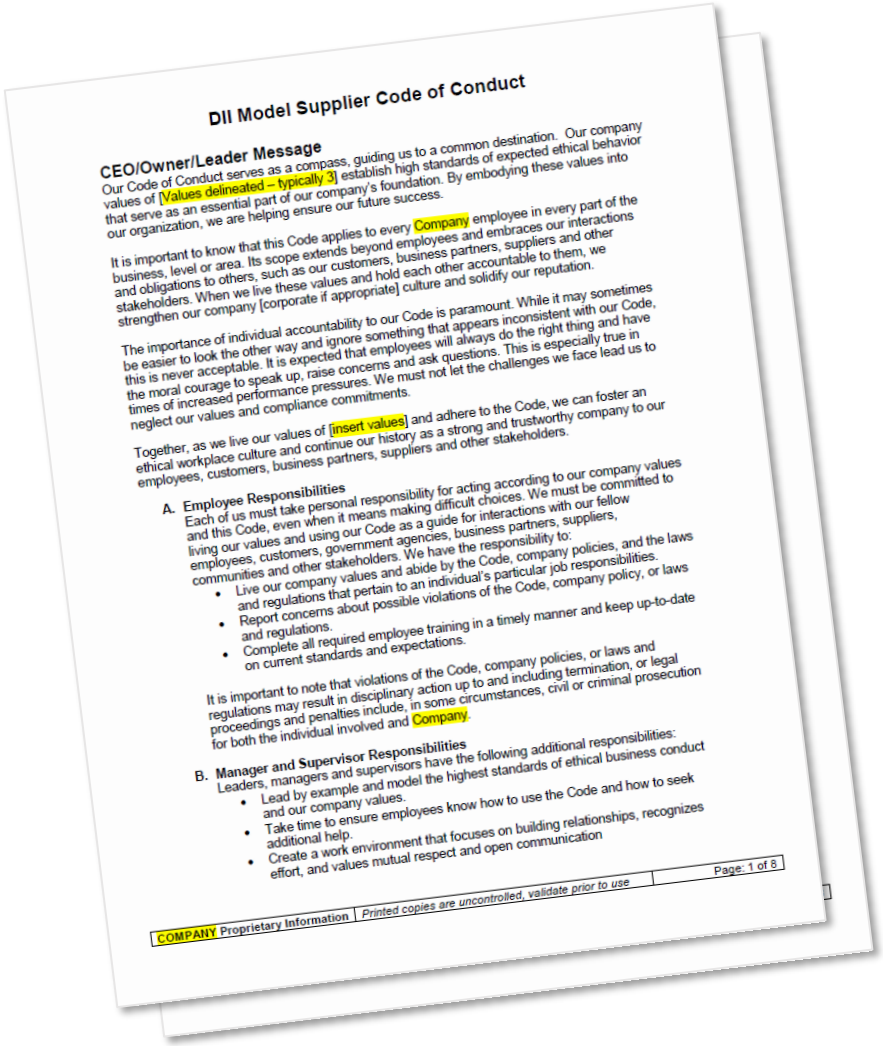
Download DII Template Code of Conduct

STEP TWO

Customize Template Content and Format

STEP THREE

Make Code Available to Employees



DII Model Supplier Code of Conduct

CEO/Owner/Leader Message

Our Code of Conduct serves as a compass, guiding us to a common destination. Our company values of [Values delineated – typically 3] establish high standards of expected ethical behavior that serve as an essential part of our company's foundation. By embodying these values into our organization, we are helping ensure our future success.

It is important to know that this Code applies to every Company employee in every part of the business, level or area. Its scope extends beyond employees and embraces our interactions and obligations to others, such as our customers, business partners, suppliers and other stakeholders. When we live these values and hold each other accountable to them, we strengthen our company [corporate if appropriate] culture and solidify our reputation.

The importance of individual accountability to our Code is paramount. While it may sometimes be easier to look the other way and ignore something that appears inconsistent with our Code, this is never acceptable. It is expected that employees will always do the right thing and have the moral courage to speak up, raise concerns and ask questions. This is especially true in times of increased performance pressures. We must not let the challenges we face lead us to neglect our values and compliance commitments.

Together, as we live our values of [insert values] and adhere to the Code, we can foster an ethical workplace culture and continue our history as a strong and trustworthy company to our employees, customers, business partners, suppliers and other stakeholders.

A. **Employee Responsibilities**

Each of us must take personal responsibility for acting according to our company values and this Code, even when it means making difficult choices. We must be committed to living our values and using our Code as a guide for interactions with our fellow employees, customers, government agencies, business partners, suppliers, communities and other stakeholders. We have the responsibility to:

- Live our company values and abide by the Code, company policies, and the laws and regulations that pertain to an individual's particular job responsibilities.
- Report concerns about possible violations of the Code, company policy, or laws and regulations.
- Complete all required employee training in a timely manner and keep up-to-date on current standards and expectations.

It is important to note that violations of the Code, company policies, or laws and regulations may result in disciplinary action up to and including termination, or legal proceedings and penalties include, in some circumstances, civil or criminal prosecution for both the individual involved and Company.

B. **Manager and Supervisor Responsibilities**

Leaders, managers and supervisors have the following additional responsibilities:

- Lead by example and model the highest standards of ethical business conduct and our company values.
- Take time to ensure employees know how to use the Code and how to seek additional help.
- Create a work environment that focuses on building relationships, recognizes effort, and values mutual respect and open communication

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SUPPLIER CODES OF CONDUCT

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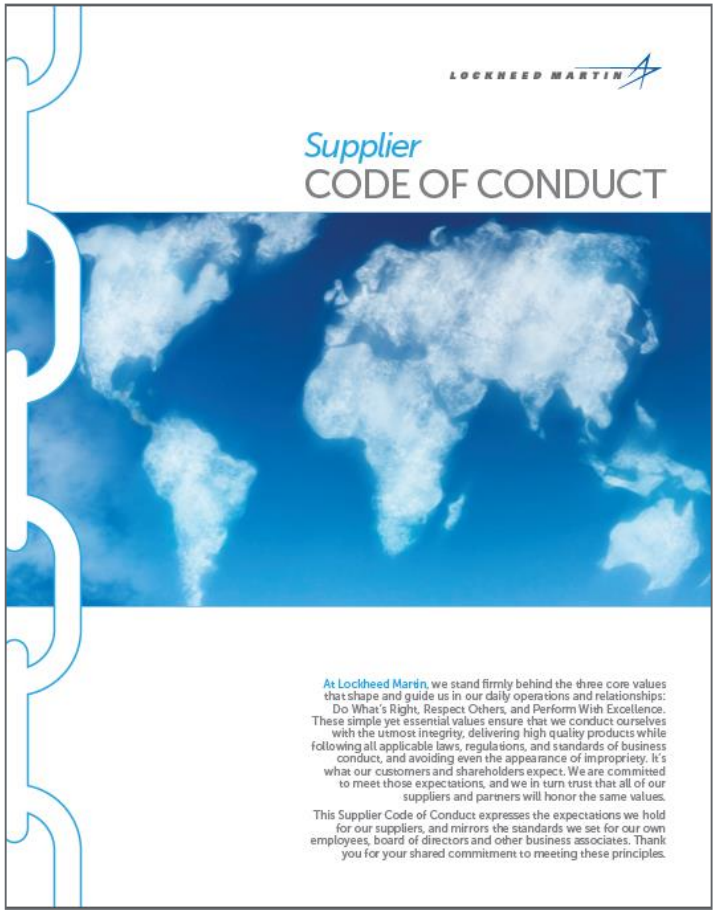
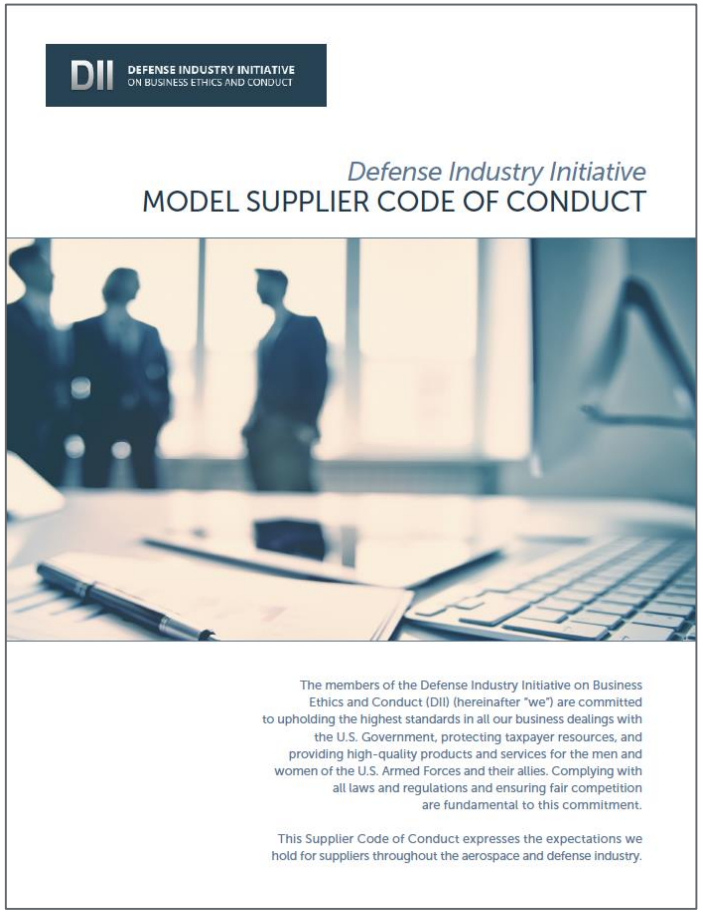
SUPPLIER CODES OF CONDUCT


LOCKHEED MARTIN

Supplier
CODE OF CONDUCT

At Lockheed Martin, we stand firmly behind the three core values that shape and guide us in our daily operations and relationships: Do What's Right, Respect Others, and Perform With Excellence. These simple yet essential values ensure that we conduct ourselves with the utmost integrity, delivering high quality products while following all applicable laws, regulations, and standards of business conduct, and avoiding even the appearance of impropriety. It's what our customers and shareholders expect. We are committed to meet those expectations, and we in turn trust that all of our suppliers and partners will honor the same values.

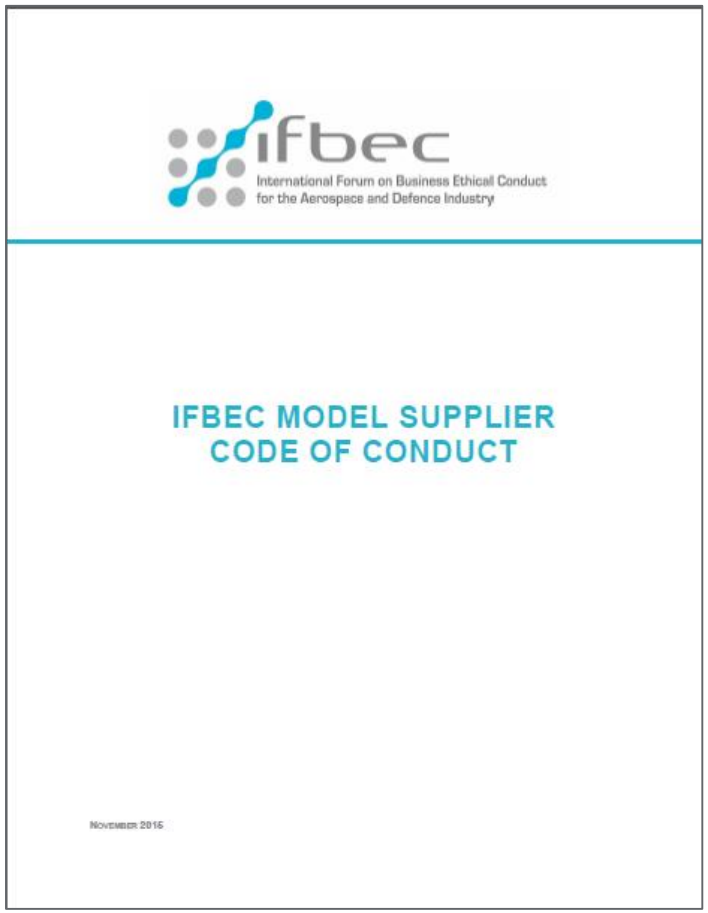
This Supplier Code of Conduct expresses the expectations we hold for our suppliers, and mirrors the standards we set for our own employees, board of directors and other business associates. Thank you for your shared commitment to meeting these principles.


DII DEFENSE INDUSTRY INITIATIVE ON BUSINESS ETHICS AND CONDUCT

Defense Industry Initiative
MODEL SUPPLIER CODE OF CONDUCT

The members of the Defense Industry Initiative on Business Ethics and Conduct (DII) (hereinafter "we") are committed to upholding the highest standards in all our business dealings with the U.S. Government, protecting taxpayer resources, and providing high-quality products and services for the men and women of the U.S. Armed Forces and their allies. Complying with all laws and regulations and ensuring fair competition are fundamental to this commitment.

This Supplier Code of Conduct expresses the expectations we hold for suppliers throughout the aerospace and defense industry.


ifbec
International Forum on Business Ethical Conduct for the Aerospace and Defence Industry

IFBEC MODEL SUPPLIER CODE OF CONDUCT

November 2015

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SUPPLIER CODE OF CONDUCT – POLLING QUESTION

Does your company have a supplier code of conduct or written set of ethics and compliance expectations for suppliers?

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SUPPLIER CODE OF CONDUCT – POLLING RESULT

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KEY TAKEAWAYS

Risk assessment helps determine focus of ethics program

Policies and procedures should address risk

Code summarizes company's expectations of employees, including key policies and procedures

Setting expectations for suppliers via code or supplier code is best practice

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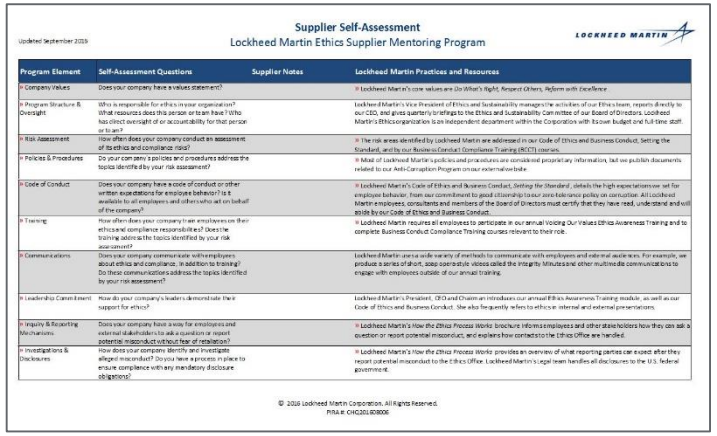
SELF-SERVE RESOURCES

www.lockheedmartin.com
> Suppliers > Ethics

Supplier Self-Assessment Tool



Supplier Self-Assessment
Lockheed Martin Ethics Supplier Mentoring Program

Updated September 2019

LOCKHEED MARTIN

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, Reform with Excellence*.
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, 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, 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 Valuing 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 *How the Ethics Process Works* 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 *How the 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.

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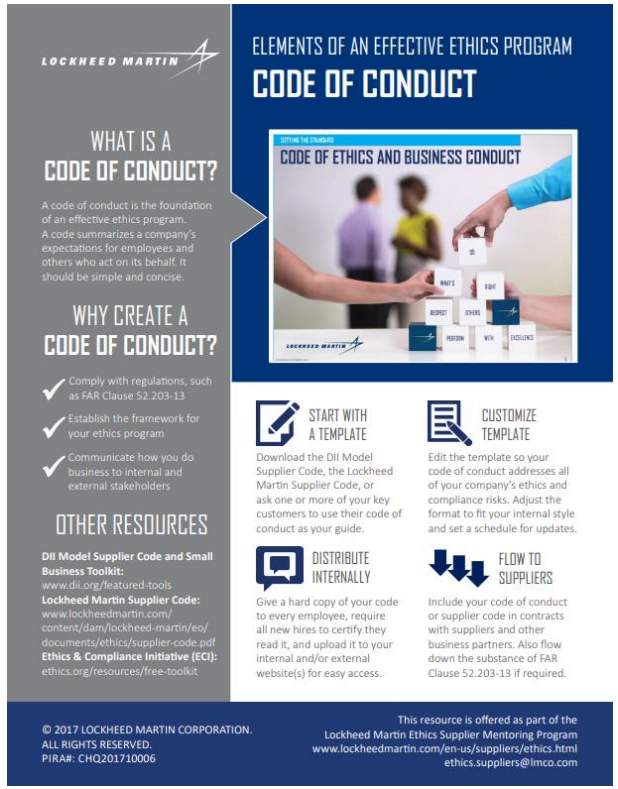
Infographic Guides



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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/eo/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.

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THANK YOU!

NEXT WEBINAR

Tuesday, June 12 @ 2-3pm ET

TRAINING AND COMMUNICATING ON ETHICS, AND ASSESSING YOUR ETHICS PROGRAM

Training

Communications

Program Assessment

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

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