

# BOARDS & GOVERNANCE

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## TOPICS COVERED // *Supply Chains*

Our rigorous ethics program is designed to prevent and detect misconduct, reinforce our compliance with legal requirements and promote an organizational culture where employees are empowered to speak up and do what's right. As recent headlines about banks, automakers and healthcare technology firms suggest, a high standard of business ethics remains a fundamental yet elusive sustainable business practice for some corporations.

Lockheed Martin is committed to enhancing and sustaining a solid standard for ethics across our business operations, including our supply chain. An ethical lapse involving one of our thousands of suppliers could damage our reputation, affect our ability to deliver high quality products and services or even bar our corporation from winning future government contracts. Virtually no other industry sector competes with the stakes as high, so we've built programs to reflect that.

Supplier content typically represents a majority of our finished goods, which is inherent to our business model as a systems integrator. Therefore, we actively extend the value of Lockheed Martin's internal, behavior based ethics program to contract laborers, joint ventures and our suppliers. Our successful program contributes to high confidence in ethics reporting tools among employees and a low overall rate of anonymous reporting of allegations of misconduct. Additionally, we provide employees with easily accessible online ethics guidance and training materials.

In 2013, we developed our own Supplier Code of Conduct, which is referenced in the ethics clause found in all of Lockheed Martin's purchase orders. The Supplier Code mirrors the standards we set for our employees and other business associates. For instance, we expect suppliers to practice environmental stewardship and conduct due diligence on any business activities that do not respect human rights, such as conflict minerals and human trafficking.

## A FOCUS NOT WORTH SHIFTING

Dr. Leo S. McKay, Jr., on the Ethics of Lockheed's Sustainable Business Practices

Written by Dr. Leo S. McKay, Jr.


*The core values of Lockheed Martin are do what's right, respect others, and perform with excellence. Our commitment to integrity, built on these values, drives us to hold our 98,000 employees, our board of directors and our suppliers to the highest ethical standards.*



Beginning in 2015, we also collaborated with peer companies to develop the Defense Industry Initiative (DII) Model Supplier Code of Conduct, which we now recognize as an acceptable standard to follow as an alternative to the Lockheed Martin Supplier Code of Conduct. Industry collaboration that led to the launch of the DII standard showed a collective resolve to enhance ethical business performance.

To further advance collaboration around business ethics with suppliers, Lockheed Martin expanded its Ethics Supplier Mentoring Program in 2016. This program, which is unique to the aerospace and defense industry, helps our large and small business partners meet their legal and regulatory requirements.

**And We Quote**



*Moral authority comes from following universal and timeless principles like honesty, integrity, treating people with respect.*

**- Stephen Covey**

*Our ethics program, like our proven technologies, thrives at the intersection of aspirational and attainable, which is how we make great things happen every day for our customers, business partners, and employees.*

The initiative also helps our suppliers create organizational cultures that encourage employees to speak up and do what's right, treat others with respect and perform with excellence. Suppliers can choose one on one mentoring sessions with our trained ethics officers and/or webinars on multiple business ethics topics ranging from codes of conduct to training and communications.

Periodically, Lockheed Martin also sends an optional survey to a number of suppliers to learn more about their management of ethical, labor and environmental issues. The information we gather helps us identify and understand gaps, make recommendations for improvement and spot trends that could inform strategic planning. We are also open to feedback from our suppliers on how to make our relationships more seamless, more sustainable and more profitable.

Our ethics program, like our proven technologies, thrives at the intersection of aspirational and attainable, which is how we make great things happen every day for our customers, business partners and employees. We refuse to cut corners or allow our suppliers to do so. We foster an environment of integrity, trust and innovation with a zero tolerance policy

for corruption. Our largest institutional shareholders expect it, as does society. And so does our management.

As our business operations and partnerships expand internationally, Lockheed Martin will continue to develop creative, thoughtful and meaningful ways to cultivate ethical thinking across our corporation, supply chain and industry. We always strive to do what's right and we expect the same integrity across our value chain.

### **Author Biography**

**Dr. Leo S. Mackay, Jr.** is Senior Vice President of Internal Audit, Ethics and Sustainability at Lockheed Martin. Before joining the corporation, Dr. Mackay served as Deputy Secretary of Veterans Affairs. The former Navy fighter pilot graduated from the United States Naval Academy and has a master's degree and Ph.D. in public policy from Harvard University. Dr. Mackay is also a member of the U.S. Naval Institute, Council on Foreign Relations and Aspen Strategy Group.