Why is 3rd Party Compliance so important?

- Greater insight
- Increased visibility
- Manages risk associated with non-employees
- Maximizes your bottom line

What types of risk do you associate with 3rd parties?
KEY 3rd PARTY RISK AREAS

Ethics & Anti-Corruption  
Cybersecurity  
Employment

What are the high-level strategies or tools your company uses to mitigate 3rd party risks?

OVERVIEW OF OUR RISK MITIGATION STRATEGIES & TOOLS

- Policies & Procedures
- Due Diligence
- Training
- Self-Help Resources
- Industry Collaboration
- Audits
- 1-on-1 Partnership
ETHICS & ANTI-CORRUPTION

CONTEXT FOR LOCKHEED MARTIN'S ETHICS & ANTI-CORRUPTION RISK MANAGEMENT EFFORTS

LM has strong Ethics and Anti-Corruption Programs internally, but...

Government contractors are increasingly being held responsible for misconduct of 3rd parties.

With around 20,000 suppliers and hundreds of consultants, there's a lot of risk to mitigate.

As a huge player in our industry, we have power and responsibility to effect systemic change.

CONSULTANT ANTI-CORRUPTION RISK

- Maximum 2 year agreements
- Due diligence review or in-person ethics training every year (alternate)
- Required for all business development consultants

Consultant Agreement & Code Flowdown

Due Diligence

Agreement Monitor(s)

Training

- Code of Conduct
- Other Compliance & Ethics Resources

- Conflicts of Interest
- Criminal Charges
- Other Red Flags or Legal Concerns
SUPPLIER ETHICS & COMPLIANCE RISK

LM and DI Supplier Codes
in all Purchase Orders
FAR 52.203-13 Flowdown
in GIG contracts
>$5.5MM

ETHICS SUPPLIER MENTORING PROGRAM

CYBERSECURITY
**VMS/MSP CYBERSECURITY RISK MITIGATION STRATEGY**

“...evaluate cybersecurity compliance not as an expense, but as a revenue stream. Sure, managing compliance takes resources, but it’s nowhere near as expensive as the costs associated with a breach.”

**SUPPLY CHAIN CYBERSECURITY RISK MITIGATION STRATEGY**

**EMPLOYMENT RISK**
CONTINGENT LABOR EMPLOYMENT RISK MITIGATION STRATEGY

- Lead by Example
- Build a solid foundation in your Core Values (Code of Conduct)
- Internal Audits
- External Audits
- Legal Counsel
- Partnership with clients/suppliers
- Policy & Procedures
- Training/Examples
- Continuous and Evolving practices

New Hire/On-boarding
Civil Rights Violations
Federal Wage and Hour Laws

Practice What You Preach

Internal Audits
External Audits
Legal Counsel
Partnership with clients/suppliers
Policy & Procedures
Training/Examples
Continuous and Evolving practices

NOTABLE CASE LAWS

- Lawson v. GrubHub Inc. (Worker Misclassification – Feb 2018)
- Fausch v. Tuesday Morning (EEOC – Nov 2015)

“But the mere truth won’t do. You must have a lawyer.”

What are some challenges of 3rd party risk mitigation?
CHALLENGES OF 3RD PARTY RISK MITIGATION

- Availability or accuracy of data needed to assess risk
- Lack of cooperation/communication with partners
- "The Unknown" – You don’t know what you don’t know

“If you aren’t in over your head, how do you know how tall you are?”

Questions?

Thank you!

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