

3RD PARTY MANAGEMENT & COMPLIANCE

SCCE TAMPA REGIONAL CONFERENCE

April 27, 2018



3RD PARTY MANAGEMENT & COMPLIANCE

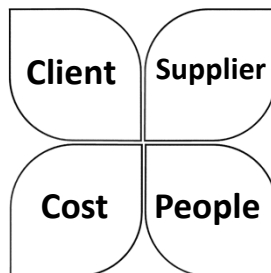
Why is 3rd Party Compliance so important?



Client's Satisfaction



Cost Efficiency



Our Valued Partners



All Employees

Using 3rd Parties

- 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



ETHICS & ANTI-CORRUPTION



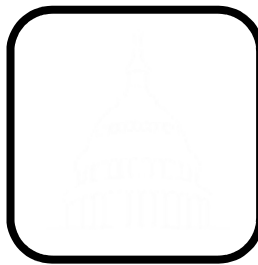
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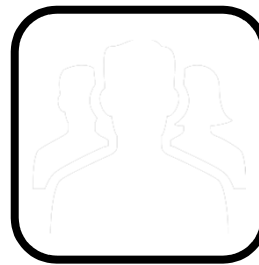
CONTEXT FOR LOCKHEED MARTIN'S ETHICS & ANTI-CORRUPTION RISK MANAGEMENT EFFORTS



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



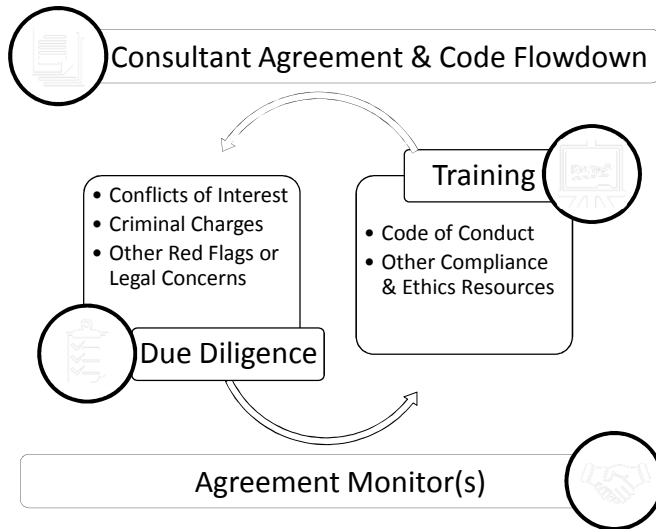
As a huge player in our industry, we have power and responsibility to effect systemic change



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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

SUPPLIER ETHICS & COMPLIANCE RISK



ETHICS SUPPLIER MENTORING PROGRAM



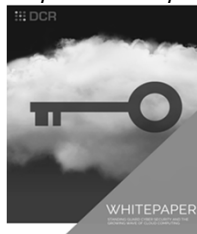
CYBERSECURITY

VMS/MSP CYBERSECURITY RISK MITIGATION STRATEGY



"You have to evaluate cybersecurity compliance not as an expense, but as a money saver. Sure, managing compliance takes resources, but it's nowhere near as expensive as the costs associated with a breach"

Cyber Security



Plan



Encrypt



Authenticate



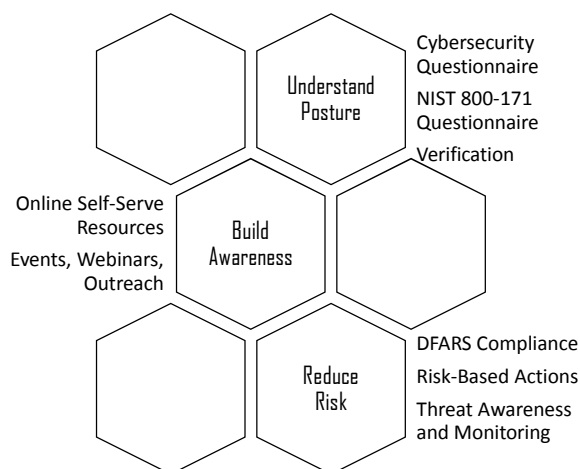
Monitor



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SUPPLY CHAIN CYBERSECURITY RISK MITIGATION STRATEGY



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EMPLOYMENT RISK

CONTINGENT LABOR EMPLOYMENT RISK MITIGATION STRATEGY

Practice What You Preach



- Lead by Example
- Build a solid foundation in your Core Values (Code of Conduct)

Hands On



- Internal Audits
- External Audits
- Legal Counsel
- Partnership with clients/suppliers

Educating, Training & Repeating



- Policy & Procedures
- Training/Examples
- Continuous and Evolving practices

Laws that You Need to Know

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



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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