



LETTER FROM KURT RAVENFELD
Director Global Supply Chain Operations
Lockheed Martin Corporation

Dear Valued Supplier,

As the first quarter of 2017 closes, Lockheed Martin's Global Supply Chain Team wanted to provide our suppliers with information on some key corporate initiatives. In this installment of our quarterly newsletter, we will be reviewing Affordability & Innovation and Supplier Diversity. We also want to provide some key information on Cybersecurity Questionnaires, the International Aerospace Environmental Group (IAEG), and Lockheed Martin Confidentiality Agreements. As an added feature and at the request of our suppliers, we've added an overview of Lockheed Martin Corporation with specifics of each business area including key programs.

Lockheed Martin understands that success under these major initiatives and customer requirements comes from a strong relationship and alliance with our suppliers. We hope through continued communication and information flow, we will answer some of your questions and highlight opportunities for partnership growth.

Thank you for continued partnership and support.

A handwritten signature in black ink, appearing to read 'Kurt R. Ravenfeld', written in a cursive style.

Kurt R Ravenfeld
Director Global Supply Chain Operations
Corporate Engineering, Technology and Operations
Lockheed Martin Corporation



LOCKHEED MARTIN CORPORATION OVERVIEW

As Lockheed Martin grows, our business infrastructure continues to evolve. Due to the dynamic nature of today's aerospace and defense industry, certain business unit realignments become necessary to best serve our domestic and international customers. This can sometimes make it difficult for our suppliers to keep track of which sites belong to each business unit, which business unit owns each program, etc. With 97,000 employees spread out over 70 countries in 590+ facilities worldwide, knowing where all these pieces fit can be a daunting task. Below is an overview of our four core business areas along with a listing of their major sites and programs.

AERONAUTICS



Overview: Lockheed Martin Aeronautics delivers breakthrough capabilities and landmark aircraft that continually redefine flight. For more than 100 years, Aeronautics has been designing, building and sustaining the finest military aircraft in the world. **Main Sites:** Aeronautics is headquartered in Fort Worth, Texas, with additional production and operations facilities in Marietta, Georgia and Palmdale, California.

Major Programs: Aeronautics' programs focus primarily on the advancement of Tactical Fighters, Tactical / Strategic Airlift, Advanced Development and Sustained Operations. They include JSF F-35 Lightning II, F-22 Raptor, F-16 Fighting Falcon and C-130 Hercules.

MISSILES AND FIRE CONTROL (MFC)



Overview: Lockheed Martin Missiles and Fire Control (MFC) is a recognized designer, developer and manufacturer of precision engagement aerospace and defense systems for the U.S. and allied militaries. In addition, they offer a wide range of products and services for the global civil nuclear power industry and the military's green power initiatives. **Main Sites:** MFC is headquartered in Grand Prairie, Texas, with additional production and operations facilities in Orlando, Florida and

Archbald, Pennsylvania.

Major Programs: MFC's main programs support Air and Missile Defense, Tactical Missiles, Fire Control, Combat Maneuver Systems and Energy. They include Medium Extended Air Defense System (MEADS), Patriot Advanced Capability-3 (PAC-3) and Joint Air-to-Surface Standoff Missile (JASSM).



ROTARY AND MISSION SYSTEMS (RMS)



Overview: Formerly known as Mission Systems and Training (MST), Lockheed Martin Rotary and Mission Systems (RMS) provides surface, air and undersea applications for U.S. military and international customers. The recent acquisition of Sikorsky Aircraft Corporation further strengthens RMS's position as a leader in the aerospace industry.

Main Sites: RMS is headquartered in Moorestown, New Jersey. Additional production and operations facilities include Stratford, Connecticut (Sikorsky); West Palm Beach, Florida (Sikorsky); Owego, New York; Orlando, Florida, and Syracuse, New York.

Major Programs: RMS programs focus on the fields of Maritime Solutions, Radar and Surveillance Systems, Aviation Systems, Rotorcraft Platforms and Training and Logistics Solutions. Programs include Long Range Discrimination Radar (LRDR), Remote Minehunting System (RMS) and UH-60 Black Hawk.

SPACE SYSTEMS COMPANY (SSC)



Overview: Space is a demanding environment and with systems built by Lockheed Martin, space is where the future takes flight, through partnerships that raise global communications, weather forecasting, space exploration and national security to new levels. **Main Sites:** SSC is headquartered in Denver, Colorado, with additional sites in Sunnyvale, California; Santa Cruz, California and Huntsville, Alabama.

Major Programs: SSC works towards advancements in the fields of Surveillance and Navigation, Strategic and Defensive Systems, Deep Space Exploration and Global Communications. Their main programs include Orion Multi-Purpose Crew Vehicle (MPCV), Space-Based Infrared System (SBIRS), Advanced Extremely High Frequency (AEHF) and Terminal High Altitude Area Defense (THAAD).



AEROSPACE AFFORDABILITY & INNOVATION

As we take flight and push the bounds of gravity and physics, we remain grounded in the needs of our customers and the millions of people we serve. Today, more than ever, this means meeting our customer's affordability needs without losing the innovative edge that is Lockheed Martin. In a world with declining programs and shrinking budgets, it is critical to continually seek opportunities to drive down costs. For this reason and many more, Innovation and Affordability have become a core and constant theme to our supply chain organization.

In this ever changing environment, our customers have made it clear that flat cost projections are not acceptable. There is more pressure than ever before to steadily increase delivered value while aggressively decreasing product costs. Internally, Lockheed Martin has made enormous strides in taking waste, redundancy, and inefficiencies out of our processes. This takes substantial investment of both time and resources. A great example lies within our Aeronautics Business Area. In 2016, Lockheed Martin Aeronautics kicked off a project to transform the C-130 line. This has included outside the box thinking about our processes, extending our digital capabilities, implementing lean systems, and re-engineering our product to reduce hours per unit and process variation. While labor intensive, the results yielded reduced operating costs to produce these planes, which will secure forecasted orders and create a positive return for our company and the war fighter. Between 50% to 70% of any given program's direct product costs are materials and systems that we procure from suppliers, hence we cannot achieve program commitments solely through internal improvements. Achieving affordability targets demanded by our customers require that this investment in time, energy, engineering, and innovation be systemic throughout our supply base. It's only when our suppliers are able to remove cost, and pass those savings on to us, that we can meet our customer's expectations. Without this mutually beneficial relationship, Lockheed Martin will not be able to continue to offer advanced products and services that allow us to keep partnering on future business.

Investing in innovation isn't limited just to doing new things with new technology/processes or huge investment. It also means creative ways of doing the same things we've always done, but with less variation and less defects in the process. Defects and escapes drive up our cost of doing business and require us to invest in additional inventory and oversight while degrading customer confidence. Poor quality carries significant costs hidden beneath the surface of our business operations. Investment in innovation to achieve reduced cost, isn't just good for business. It is at the very core of our relationship with our customers, suppliers and employees. Lockheed Martin is committed to seeking out suppliers who leverage innovation and investment to meet our affordability needs. Similarly we are committed to taking cost of poor quality and costs of poor performance completely out of our operating numbers. We do this by recognizing excellence in innovation, performance, and improvement, as well as recognition of poor performance and lack of attention or focus. Over the lifecycles of our portfolio of programs, we plan to establish long term relationships with suppliers that recognize their role in enabling us to meet performance and affordability objectives at a low risk level of execution.

We encourage you to communicate openly with your Lockheed Martin procurement representative about the innovations and improvements you've accomplished in order to achieve affordability goals. As we pursue strategic relationships with our top suppliers in the years to come, this will be a powerful discriminator for both our companies. Lockheed Martin is



committed to meeting our customers' needs for innovation and cutting edge solutions, at a lower costs and our suppliers play a critical role in meeting these expectations.



SMALL BUSINESS STRONG: IMPORTANCE OF SUPPLIER DIVERSITY

As the global leader in the aerospace and defense industry, our ability to sustain and enhance supplier diversity helps us expand opportunity, strengthens our supply chain, and ensures we can deliver the quality products our customers rely on. This strategic commitment also helps us meet our goal to be “Small Business Strong.”

Lockheed Martin is committed to a diverse and inclusive supplier base that enhances competitive discriminators, creates economic growth and reflects corporate diversity goals and principles. With over 16,000 active suppliers, small business represents over 61% of our company’s supply base.

Small Business is a Source of Strength

- Lockheed Martin was one of the first companies to join the Small Business Administration’s Supplier Pay Initiative – paying small businesses on an accelerated schedule since 2014.
- Engaged with suppliers thru over 139 small business conferences in 2016, including 15 hosted Lockheed Martin supplier events and educational Supplier Wire webinars.
- Recently introduced a new “[Supplier Training Excellence Program \(STEP\)](#), a virtual collection of educational and learning resources designed to help small enterprises navigate and succeed.
- Served on 44 local and national small business-related affiliation boards and gave \$467K in sponsorships and memberships with small business focused affiliations and programs.

You are critical to our company’s, and our customer’s, success. Now that you know a little more about our commitment to Small Business Strong, we hope you take the opportunity to leverage the following resources.

- **Monitor and/or subscribe to the Immediate Needs Bulletin Board.** The Lockheed Martin Immediate Needs Bulletin Board is used to post unique procurement needs. If your firm matches a need, be sure to follow the instructions for consideration.
Immediate Needs Bulletin Board link: <http://www.lockheedmartin.com/us/suppliers/bulletin-board.html>. *To subscribe, send a request to:* Supplier.Communications@lmco.com
- **Meet influencers.** Lockheed Martin Small Business professionals and other procurement specialists attend many outreach events throughout the year. These representatives can serve as your advocate and mentor for marketing your company to internal programs that may require your company capabilities.
Lockheed Martin Calendar of Event link:
<http://www.lockheedmartin.com/us/suppliers/supplier-diversity.html>
- **Subscribe** to the Lockheed Martin Small Business Innovation Research (SBIR) Program directory. Each time the government releases SBIR solicitation topics, Lockheed Martin establishes a directory that contains all the topics, brief descriptions and Lockheed Martin point of contacts. The purpose of this directory is to help connect small business companies with the appropriate Lockheed Martin technical point of contacts to explore opportunities for partnership and innovation.
To subscribe, email: sbir.fc-lmc@lmco.com. *Lockheed Martin SBIR web site page link:*
<http://www.lockheedmartin.com/us/suppliers/govt-programs/sbir.html>

For further information, contact Supplier.Communications@lmco.com.



CYBERSECURITY QUESTIONNAIRES

The Supplier Training Excellence (STEP) Program hosted a webinar on changes in cybersecurity questionnaires. You can [view the charts](#) from the event to learn about Lockheed Martin expectations and tips on navigating through the questions.

Additional presentations will be scheduled later in the year. The Supplier Training Excellence Program (STEP) is a virtual collection of educational and learning resources designed to help small enterprises navigate and succeed in the defense industry. You will find live webinars on a variety of topics, recorded webinars, videos, and links to collateral information on specific topics as well as webinar information from various affiliates in which as a small enterprise, you can take part in free of charge. Take a STEP in the right direction!

<http://www.lockheedmartin.com/us/suppliers/video.html>. Learn more about [cybersecurity](#).



SETTING A STANDARD – REDUCING SUPPLIER BURDEN FOR MATERIALS DECLARATION

There is an increasing burden being placed on companies to declare detailed chemical substance and material information. To help alleviate this burden and to provide adequate information to help support Aerospace and Defense (A&D) product compliance and risk management efforts, the International Aerospace Environmental Group (IAEG®; www.iaeg.com) is developing a material declaration standard for the A&D industry.

Chemical regulations and material restrictions impacting A&D companies continue to expand in scope, including the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulation, conflict minerals reporting requirements required by the Dodd-Frank Act, and customer-specific requirements. Consequently, Lockheed Martin has an increasing need to understand the material content of our products down to the individual component level, including supplier provided parts and materials.

A lack of detailed material intelligence in complex products is a challenge that is impacting industry, and the global A&D industry is working together through the IAEG® to address this challenge. The IAEG® is developing a materials declaration standard for the A&D industry and the major elements to support the process and its adoption into the industry.

The goal of developing a standardized A&D approach for materials declaration is to ultimately reduce the burden on our suppliers from receiving multiple disparate requests from A&D companies, in a similar way that the Automotive and Electronics industries have developed standardized approaches. We are leveraging the collective knowledge of our industry partners in order to develop a solution.

The IAEG's® standard approach for the declaration of chemical substances and materials in products and processes will include the following:

- A common list of chemical substances that have regulatory significance to the A&D industry; i.e., the A&D Declarable Substances List (AD-DSL)
- A substance reporting tool for the reporting of the declarable substances
- Training content to help support suppliers

Information on the IAEG® Chemical Reporting tools can be found at:

<http://www.iaeg.com/chemicalrpt/>



With the involvement and support of Lockheed Martin, IAEG® has been collaborating with IPC® to develop a new draft standard; i.e., IPC-1754, *Materials Declaration for Aerospace and Defense and Other Industries*. Once finished, the standard will support IAEG®'s goal to develop a common process which A&D companies can use to obtain product-related chemical substance and material information from the industry suppliers through structured information exchange. Information on the draft IPC-1754 standard can be viewed at:

- https://ipc.kavi.com/kws/public/document?document_id=9020&wg_abbrev=2-18K
- <https://www.ipc.org/committeedetail.aspx?Committee=2-18K>

Lockheed Martin would like to engage our supplier community during the development of the A&D material declaration approach, and specifically on the development of the substance reporting tool and the IPC-1754 standard. We are looking for feedback on these draft work products. Please copy and paste the questions below into an e-mail, then provide your responses and send it to: Ashley Rubinsky (ashley.b.rubinsky@lmco.com) or Margaret Proul (margaret.proul@lmco.com).

Supplier Feedback

1. Are you familiar with the IPC Materials Declaration family of standards? [Y/N]
 - IPC-1751A provides Generic Requirements for Declaration Process Management
 - IPC-1752A provides a standard for companies in the supply chain to share information on materials in products
2. What feedback (high-level) do you have on the draft IPC-1754 standard and the IAEG chemical reporting tools? [Text]
3. What tools / resources would be helpful to aid with reporting to the IPC-1754 standard? [Text]



CONFIDENTIALITY AGREEMENTS OR STATEMENTS

On January 13, 2017, The Department of Defense (DoD), the General Services Administration (GSA), and the National Aeronautics and Space Administration (NASA) issued a final rule amending the Federal Acquisition Regulation (FAR) to implement a section of the Consolidated and Further Continuing Appropriations Act, 2015, that prohibits the use of funds, appropriated or otherwise made available, for a contract with an entity that requires employees or subcontractors to sign an internal confidentiality agreement that restricts such employees or subcontractors from lawfully reporting waste, fraud, or abuse to a designated Government representative authorized to receive such information. The final rule can be found in the Federal Register at 82 FR 4717.

The rule includes a mandatory flowdown clause, FAR 52.203-19 *Prohibition on Requiring Certain Internal Confidentiality Agreements or Statements* (Jan 2017) which Lockheed Martin will include in supplier contracts as required. In accordance with this clause, Lockheed Martin is notifying you that the confidentiality provisions contained in the terms and conditions of any current subcontracts and purchase orders or other contracts such as proprietary information nondisclosure agreements shall not be construed to prohibit or otherwise restrict you, as a subcontractor of Lockheed Martin from lawfully reporting waste, fraud, or abuse to a designated investigative or law enforcement representative of a federal department or agency authorized to receive such information under the procurement.

The foregoing rule is consistent with Lockheed Martin's existing policies with respect to reporting wrongdoing. Lockheed Martin's standard terms and conditions of purchase include a clause entitled "Communication with Lockheed Martin Customer" which expressly permits, among other things, communications of the nature covered by the final rule. We encourage you to visit our [Ethics](#) page on our company website. On that page, you will find a link to [Ethics Resources for Suppliers](#). Both pages include ways to contact us if you would like more information about this requirement or related matters.