

Partnering on Sustainability:

How to Overcome Barriers and Establish a Sound Supply Chain Sustainability Program

New Jersey Sustainable Business Initiative Meeting

April 20, 2016



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Sustainable Supply Chain Management

- Supply Chain Risk Mgmt
- Supply Chain Incident Detection Tool
- S2T2
- Rare Earth Elements
- Counterfeit Parts
- Cyber Security
- Customs-Trade Partnership Against Terrorism (CTPAT)

- Good Corporate Citizenship and Respect for Human Rights
- Trafficking in Persons
- Conflict Minerals
- Ethics Statement / Code of Conduct
- Supplier Diversity
- Supplier Ethics Mentoring Program
- California Transparency Act
- Anti-Corruption

- Life Cycle Assessment and Environmental Footprint
- Design
- Remediation
- Packaging
- Green Cafeteria Practices
- Green Procurement
- CMS
- REACH / Chemicals of Concern

Generally Accepted Sustainable Supply Chain Management (SSCM) Definition

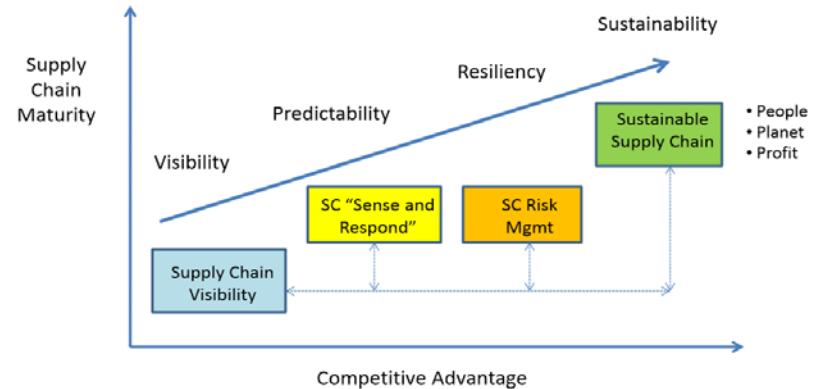


“Sustainable Supply Chain Management is management of raw materials / products / services from suppliers to manufacturer / service provider to customer and back with improvement of the social and environmental impacts explicitly considered”

Lockheed Martin SSCM Definition



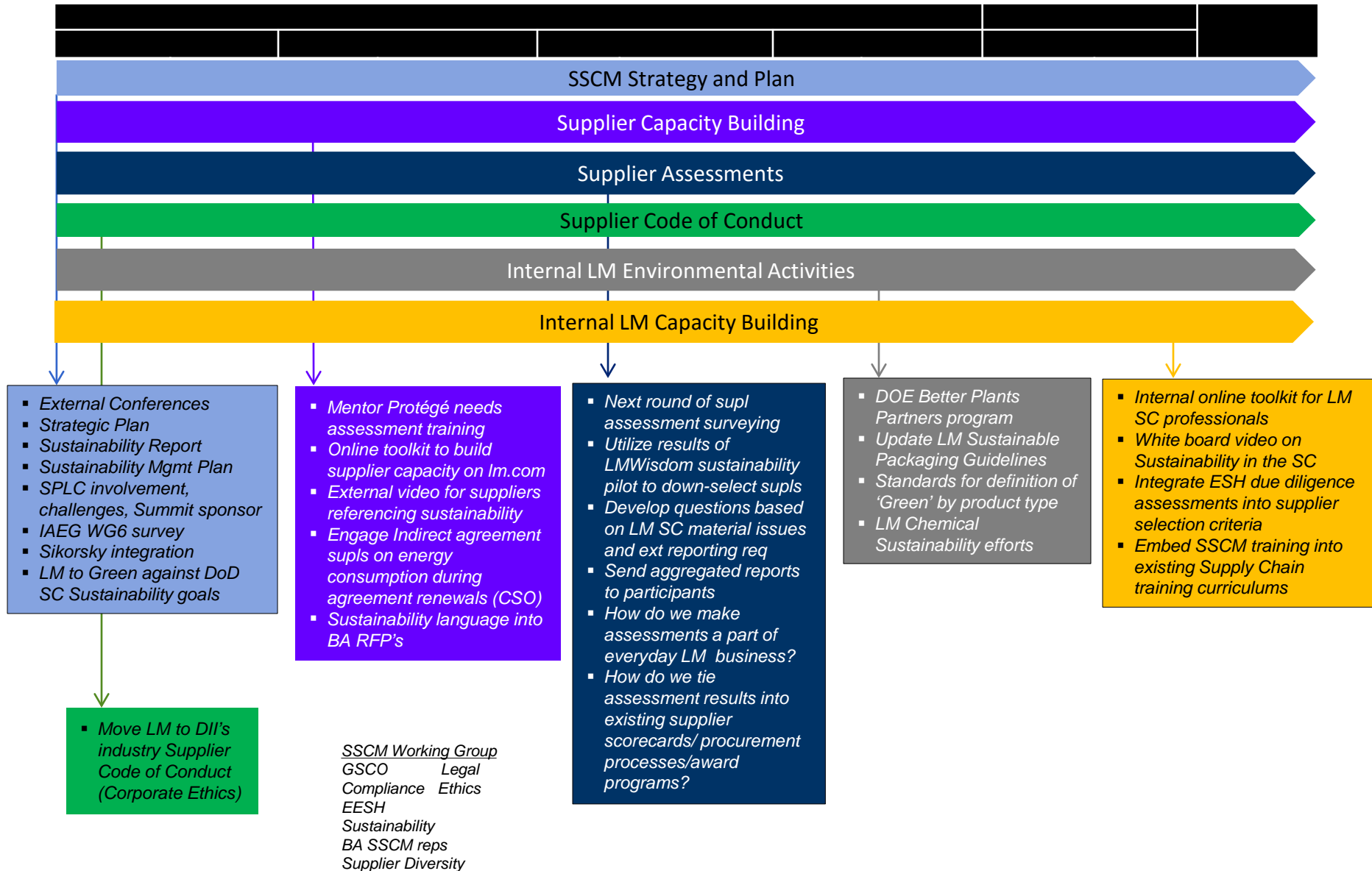
Sustainable Supply Chain Management (SSCM) is management of Lockheed Martin's supply base to drive affordability and innovation through social responsibility and environmental stewardship.



Source: G.Schlegel, "Risk Mgmt: Welcome to the New Normal", Supply Chain Mgmt Review, Jan.2012

Lockheed Martin will build sustainable supplier capacity by partnering with our supply base to reduce adverse environmental impacts, to promote human rights, health, safety and ethical behavior, and to enable responsible supplier growth and raise standards.

Supply Chain Sustainability Strategy



Barriers in Establishing Lockheed Martin's Supply Chain Sustainability Program



- 1. Size of our company**
- 2. Resources to set up program**
- 3. Hard to quantify cost benefits**
 - **When “green” goods don’t have cost parity, following the lifecycle savings often gets difficult**
 - **In the A&D industry, we don’t refresh our products on short cycles, so we have fewer chances to harness incremental improvements of “green” components**
- 4. Cultural alignment with functional traditions**
- 5. Active database of over 16,000 tier 1 suppliers from 50 countries**
- 6. Maintaining strong partnership with our suppliers and small businesses**
- 7. Multi-tier supply chain – issues may be tiers deeps**

Solutions



- **Solution 1:** Ensure that executive leadership is first and foremost the primary driver
- **Solution 2:** Learn to phrase sustainability in your audience's language
- **Solution 3:** Know your Business Case
- **Solution 4:** Hold a stakeholders prioritization event.
- **Solution 5:** Make sustainable supply chain EASY for your procurement community
- **Solution 6:** Measure everything!
- **Solution 7:** Report it!
- **Solution 8:** Win support from your suppliers for sustainability



**Use these solutions to make the case that:
Sustainable purchasing efforts lead to better
supplier visibility and less unknown risks**

