Partnering on Sustainability:

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

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LOCKHEED MARTIN

Christina Simon Corporate Program Manager, Supply Chain Sustainability

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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

SSCM Strategy and Plan Supplier Capacity Building Supplier Assessments Supplier Code of Conduct Internal LM Environmental Activities				
 External Conferences Strategic Plan Sustainability Report Sustainability Mgmt Plan SPLC involvement, challenges, Summit sponsor IAEG WG6 survey Sikorsky integration LM to Green against DoD SC Sustainability goals • Move LM to DII's industry Supplier Code of Conduct (Corporate Ethics)	 Mentor Protégé needs assessment training Online toolkit to build supplier capacity on Im.com External video for suppliers referencing sustainability Engage Indirect agreement supls on energy consumption during agreement renewals (CSO) Sustainability language into BA RFP's SSCM Working Group GSCO Legal Compliance Ethics EESH Sustainability BA SSCM reps Supplier Diversity	 Next round of supl assessment surveying Utilize results of LMWisdom sustainability pilot to down-select supls Develop questions based on LM SC material issues and ext reporting req Send aggregated reports to participants How do we make assessments a part of everyday LM business? How do we tie assessment results into existing supplier scorecards/ procurement processes/award programs? 	 DOE Better Plants Partners program Update LM Sustainable Packaging Guidelines Standards for definition of 'Green' by product type LM Chemical Sustainability efforts 	 Internal online toolkit for LM SC professionals White board video on Sustainability in the SC Integrate ESH due diligence assessments into supplier selection criteria Embed SSCM training into existing Supply Chain training curriculums

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

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- 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

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

