Supplier Ethics and Compliance Webinar

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Agenda

• Why?
• Present Responsibility
• Assessment
• Engagement
• Preventing Failures
• Our Annual Compliance Plans
Why have an ethics and compliance program

• Mitigating our business risks

• Meeting our customers’ expectations (there’s more than one)

• Continuously improving your company and our industry

• Need to demonstrate “present responsibility”

• Complying with laws and regulation
  – Environmental, Health, and Safety
  – Human Rights/Trafficking
  – Anti-Corruption
  – Conflict Minerals
  – Cybersecurity
  – Counterfeit Parts
Why—Increasing Risks

Increasing Whistleblower bounties and activities

2004
- Amendments to the *Federal Sentencing Guidelines*

2008
- *FAR Mandatory Disclosure*

2010
- *Dodd-Frank Act*

2012
- *SEC and DOJ* enforcement guidance

2013 and 2014
- High profile *data breaches*

2015
- *YATES Memo*
- *DOJ hired Compliance Lawyer*

Increasing enforcement actions - suspensions, proposed debarments and debarments by DoD SDO’s
Present Responsibility

• HII must ensure that its suppliers are “presently responsible”

• Responsible – generally means supplier is capable of performing Purchase Order in accordance with the requirements **AND** can do so in an ethical manner

• FAR Part 9.104-1 – baseline responsibility:
  – Contractor has adequate financial resources to perform the contract;
  – Contractor has ability to comply with the actual or proposed performance schedule;
  – Contractor has a satisfactory performance record;
  – *Contractor has a satisfactory record of integrity and business ethics*;
  – Contractor has the necessary organization, experience, accounting, operational controls and technical skills;
  – Contractor has the necessary production, construction, technical equipment and facilities; **AND**
  – Contractor is otherwise qualified and eligible under applicable laws and regulations.

• These requirements apply to both HII and its suppliers:
  – HII is responsible for vetting and monitoring its suppliers
  – How do we do that?
    • Annual reps and certs required for PO
    • Supplier scorecard
    • Quality audits/ site visits
    • Proactive supplier engagement / training
• Government has authority to monitor and audit HII’s subcontracts

• Failure to establish subcontractors’ “present responsibility” could result in significant legal consequences for subcontractors

• Penalties for contractual / legal non-compliance or acting unethically can include
  – “Non-responsibility” determination and loss of contract award
  – Existing contract(s) terminated
  – Suspension or debarment
  – Civil and Criminal False Claims Act liability
  – Individuals – loss of employment
  – Harm to business reputation
Assessment of Ethics and Compliance Program

• We continue to enhance our engagement of suppliers on ethics and compliance

• Questions we are starting to ask all tiers of our supply base:
  – Do you have an ethics and compliance program?
  – Do you have a written code of ethics?
  – What is your process for communicating your code of ethics and compliance to your employees? Does this include new hires?
  – Can you employees make anonymous reports? Are DOD posters in the workplace as required by 252.203-7004? Or Are DOE posters in the workplace (if applicable)?
  – Do you provide written communications to employees on whistleblower protection policies?
  – What is your process for reporting FAR Mandatory Disclosure violations?
  – What is your process to ensure complaints are addressed in a timely manner?
  – In the event that misconduct occurred, do you have a corrective and preventive process to prevent similar future misconduct?
Resources for Suppliers

• Supplier ethics and compliance toolkit developed aimed at small businesses
  – Form codes of conduct, and even a process for working with your employees to develop company values and a code of conduct
  – DoD hotline posters
  – DoD whistleblower posters
  – Sample policies on the basics of a compliance program
    • Non-retaliation
    • Investigations
    • Mandatory disclosure

• Visited just to discuss ethics and compliance with many of our key suppliers

Resources for Suppliers (contd.)

Ethics and Business Conduct Supplier Tools

To assist suppliers in having a robust ethics and compliance plan, Newport News Shipbuilding (NNS) is providing the following tools that can be used as reference material and/or starting point for your own comparable documents. You are free to use and update these documents to support your program.

Please click the links to access the content described below:

- DoD Hotline Poster - DoD Instruction 7050.01, "DoD Hotline Program," December 20, 2010 outlines the requirements to

HUNTINGTON INGALLS INDUSTRIES VALUES

We, the owners and leaders of Huntington Ingalls Industries, are guided by the following VALUES. These values are expected to be held by all employees and actions to enhance these VALUES. We believe that putting our customers and stakeholders first, including our communities, our stakeholders, and the communities we serve.

INTEGRITY

Integrity is at the heart of who we are and what we do. We hold ourselves and our partners to the highest standards of ethics and integrity. We will fulfill our commitments and work in the best interest of our customers, stakeholders, and the communities we serve.

SAFETY

Safety is the first issue of concern in all we do. We will ensure the health and safety of our employees, customers, and others who may be impacted by our operations.

HYDROPY

We are committed to being honest and fair with our customers, employees, and other stakeholders.

ENGAGEMENT

We are committed to open and engaged communication. Our employees are not only trusted to work and communicate effectively, but they are also encouraged to participate in the decision-making process.

RESPONSIBILITY

We are responsible for our actions and decisions, and we take responsibility for our mistakes.

PERFORMANCE

We are committed to a high standard of performance and excellence. We hold ourselves accountable for our actions and decisions, and we take responsibility for our mistakes.
Resources for Suppliers (contd.)

Supplier Training and Continuous Improvement

- Feedback & Suggestion Box
- NNS Facility Access Information
- Supplier Ethics and Compliance
- Other Useful Resources
- Announcements & Quality Alerts

Our skilled sets and experienced subject matter experts assist the supplier by administering the following Programs:

- Supplier Development and Continuous Improvement Program
- Supplier Training
- Supplier Feedback and Suggestion Box

Click on the links above to be directed to content details or use the following email address for more information. Please include your existing supplier number in all correspondence. If you are new to NNS and interested in becoming a supplier, please see the Prospective Suppliers webpage.

NNSSDCI@HII-NNS.com

Quick References to the SDCI emails contained within the Supplier Training, Development and Continuous Improvement web pages:

- NNSSDCI@HII-NNS.com
- SupplierTraining@HII-NNS.com
An effective **Compliance** program along with strong **Leadership** and a sound **Ethics** program work together to reduce the risks of misconduct or business failures.
Compliance Plans at HII

- Compliance plans
  - Core principles
  - Core elements (27 to 43)
  - Risk assessments
  - Core elements include metrics
  - Annual evaluations and assessments
  - Councils

- Core Principles
  - Maintaining Present Responsibility
  - Setting the right tone
  - Hiring the right people and business partners (due diligence)
  - Providing effective procedures
  - Providing effective training
  - Promoting the reporting of misconduct
  - Ensuring proper timekeeping
  - Creating incentives and enforcing discipline
Questions?

Please contact suppliertraining@hii-nns.com for any direct questions