

Reporting Ethics Violations

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What if you suspected a co-worker of misleading a customer in order to make a sale? What would you do? Do you ignore the problem because the sale helps the company's bottom line, or do you take action? What if you saw your supervisor harassing a co-worker? Would you keep quiet to avoid trouble with your boss or would you report the incident?

In both of these cases, action should be taken. Northrop Grumman's ethics and compliance program requires all employees to report any suspected or observed wrongdoing. When we fail to report cases like this, we may think we are protecting our co-workers, our company, or ourselves. In fact, we are putting our assets and our reputation at greater risk.

What Must Be Reported?

To recognize and report wrongdoing and violations, we need to be familiar with the Standards of Business Conduct and other company policies. Violations include:

- Harassing, intimidating or other inappropriate behavior.
- Discrimination because of race, gender, or age.
- False or misleading promises to customers.
- Shipment of inferior products or material to customers.
- Alteration of safety or product test results.
- Falsifying financial data.
- Stealing or embezzling.

There are no acceptable reasons for these actions. They are wrong and should be reported.

Misplaced Loyalty

In some situations, you may feel that reporting a violation will betray Northrop Grumman or another employee. It's not disloyal to report your observations. By maintaining our reputation for ethics and compliance, you are actually benefiting Northrop Grumman and all employees.

In most situations, an individual's wrongdoing is not intentional and the sooner the error is reported, the quicker it can be resolved. You should also realize that if you have observed a situation that should be reported, chances are good that someone else has made a similar observation. In the long run, the employee may benefit from having the situation reported or reporting it himself.

At times, it may seem that pressure to reach a goal opens the door to ignoring policies or procedures. For example, when you're on a tight deadline it might save time to skip certain quality checks. If you're trying to make a big sale, it's tempting to offer the customer a larger-than-allowed discount, or enticements to sign the contract. Remember that Northrop Grumman never advocates cutting corners or bending policies or laws in order to achieve our goals. Don't misunderstand the desire to reach a higher goal as justification to circumvent procedures—this is never the case. You should work within Northrop Grumman policies to produce the highest standard of business.

How to Report Violations

Employees are required to report any observed or suspected wrongdoing, and Northrop Grumman provides many lines of communication to assist you. You should feel free to contact upper management, Human Resources, the Ethics Office, the OpenLine, or the Legal Department to clarify your questions or to make a report. All reports made in good faith will be thoroughly investigated. Making false accusations is irresponsible and can damage the morale of our company. You may be subject to discipline if you report in an irresponsible manner.

If you report a violation, you need not be concerned that your report will result in negative action toward you. Northrop Grumman has a policy of non-retribution. This means we do not tolerate any negative job action toward employees because of their responsible reports of wrongdoing to the company. Our company maintains a zero tolerance for any acts of retribution toward employees. If you observe or are subjected to retaliation for your responsible reports, you must shed light on the situation so that it can be investigated and corrected.

If for any reason you feel that you must report an incident anonymously, you can do so through our OpenLine process by phone at 410-765-1919 or toll-free at 1-800-247-4952.

Not Reporting Hurts

Not reporting suspected or observed wrongdoing can directly impact our bottom line. How? First, violations, or even the news of our involvement in a possible violation, affect customers, investors and our communities, who may refuse to support our company in future endeavors. Second, Northrop Grumman relies on its reputation in order to attract and retain the best and brightest employees. Not having top employees will affect our creativity and productivity. Finally, Northrop Grumman will be responsible for costs associated with a violation including court fees and penalties imposed by courts or industry regulators. These significant dollar amounts have completely destroyed other companies.

If you have questions or concerns about reporting an observed or suspected incident, contact your supervisor, Human Resources, the Ethics Office, Legal Department or the OpenLine. Reporting is essential for the health of our company.

Conflict of Interest

Q: My co-worker constantly puts unsubstantiated charges on his expense reports. I think that these are for personal items bought when he travels for business that are not allowed by our policies. What should I do?

A: Tell your Human Resources Generalist what is going on, or contact the OpenLine. Falsifying financial reports is against Northrop Grumman policies. Expense reports can be easily audited and you should not need to be involved after you have reported the situation.

Q: There's a lot of yelling in my office, and the atmosphere is tense. Should I report it?

A: Tension and stress are often found in competitive business environments. Your first step should be to discuss the situation with your supervisor and co-workers. Also, anger management or conflict resolution training could do a lot to improve the atmosphere in your office. If these steps fail to improve the situation, then report it to HR or the Ethics Office.

Q: How can I make a report anonymously? I know of a circumstance that should be reported but I do not want to be involved.

A: You may contact the OpenLine anonymously. Give as many details as possible so that the situation can be investigated. You will be provided a case number to refer to when checking status of your call.

Q: When I see that a situation is wrong, isn't it better to talk to my co-worker rather than call the OpenLine?

A: You do not have to call the OpenLine if there is a way to resolve the situation through discussion with your co-worker or your supervisor. The OpenLine exists in order to address situations that cannot be resolved through usual measures.