

Hi, I'm Suzanne Jenniches, vice president and general manager of the Government Systems Division, commonly known as GSD. By now I'm sure you're well aware of our compliance campaign and have come to see just how seriously we take our commitment to this vital aspect of our business.

In February of 2008, Jim Pitts kicked off this video series with an overview of the importance of compliance and how we, as Northrop Grumman employees, need to take personal responsibility for ensuring compliance. He also mentioned that Electronic Systems has had more than 200 non-compliance issues in 2007 alone, many of which could have been avoided simply by adhering to our existing policies and procedures.

Today, I would like to speak with you about a compliance issue that has particular significance to me not only as the head of GSD, but also in my role as the head of the sector's International Campaign Council. And that is the issue of compliance as it relates to the regulation of the export and import of products and information.

GSD, along with other divisions within the corporation, provides technology solutions to customers both domestically and internationally. Many of GSD's customers include countries located in the Middle East and North Africa. In addition, over the last several years our supplier base has broadened to include

more and more business partners in other nations. This international customer and supplier base directly contributes to our ability to compete globally.

Simply put, our continued success as a division—and as a sector—depends upon our ability to do business internationally. This means that every person in our organization has an inherent responsibility to learn about, understand and comply with unique regulations, laws and requirements associated with conducting international business.

If uncertainty arises, it is essential that you contact an Export and Import Manager or the sector's Export and Import Operations departments for answers to your questions. As a company, we simply cannot afford to lose our privilege to export and import technology. Improper classification, failure to follow specific regulations or other noncompliance violations can lead to serious delays, failed execution, and severe penalties.

For instance, we need to be aware that anti-bribery provisions of the Foreign Corrupt Practices Act, or FCPA, make it unlawful for a U.S. person to make a corrupt payment to a foreign official for the purpose of obtaining or retaining business. If violated, severe civil and criminal penalties can and will be imposed up to and including steep fines and imprisonment.

To bring this closer to home, as recently as March of 2008, Northrop Grumman entered into a \$15 million consent agreement with the Department of State. This violation was based upon incorrectly classifying defense article parts as commercial parts. Other companies have also faced these violations. It is publicly known ITT Corporation agreed to pay \$100 million in a plea agreement for willful export violations in 2007.

Fortunately, the compliance programs we in Electronic Systems have instituted thus far have given us favorable recognition as a responsible and trustworthy corporate citizen. Northrop Grumman was recently awarded Tier III status in the Customs-Trade Partnership Against Terrorism, also known as C-TPAT, acknowledging us as an industry leader in freight security, as well as for the measures taken to ensure our supply chain and the safety of our nation's borders. Because of your individual compliance efforts, Northrop Grumman is now one of only 3 percent of applicant companies that have been granted this status.

Insuring compliance is everyone's job, even a General Manager's. On a recent trip to the Middle East, I wanted to talk specifically about our execution of an on-going contract with the Jordanian Royal Highness who oversees the program. I filed a TDEA (Technical Data Export Authorization) for the discussions and for the visuals that I might use in support of those discussions. These approval forms cover all of our discussions and no one is exempt from being vigilant.

I often counsel GSD travelers to be aware that casual conversations on the plane, in the airport, in hotels and restaurants, can be overheard and constitute an “export”. Therefore, knowing all the rules and regulations, filing the proper paperwork for permission from our government to discuss even potential issues and technologies that may come up in conversation, and guarding against unintentional disclosure is an absolute requirement for anyone who is traveling overseas. It takes common sense, AND the necessary export documentation.

Working together for compliance has resulted in government acknowledgement of Northrop Grumman Electronic Systems as a successful partner in protecting our nation. Continuing to make compliance a top priority will only enhance our integrity and improve our reputation as a preferred solutions provider

It is important for you to take personal responsibility for ensuring compliance:

- Know the rules and requirements of your job
- Ask questions and seek clarification if you are uncertain of the rules, and
- If you think a situation is not compliant, report it at once to your manager or another person in authority.

Our reputation and success depends upon our continued vigilance and I know we can count on you for your full support.

Thank you very much.

