

Hello, I'm John Johnson, VP GM of Aerospace Division. I am here to address the importance of compliance.

Our systems are on the front line of the war on terrorism and stand ready as a deterrent to acts of aggression against this great country and our interests abroad. The men and women operating our equipment depend on Northrop Grumman to field systems for mission success and most importantly, save lives.

We have a moral, ethical and professional responsibility; to fulfill contractual obligations, follow the prescribed procedures and processes in developing and producing systems for our customers, upholding the highest standards while meeting customer requirements and understanding our individual role and responsibilities in compliance with government regulations. Our commitment to our customers is to produce products that meet the needs of the war fighter, that are the highest quality, delivered on time and within budget. Compliance is everyone's responsibility, from top down to bottom up, each of us must ensure our actions and those around us are in compliance with our policy.

There is no prioritization of compliance, it sits at the very top of everyone's list. Failure to follow our policy is not an option and would certainly impact our future business. Non-compliance can result in measured fines and penalties, but much worse is the immeasurable and longer term harm to our reputation as a trusted provider.

As we continue to grow the business, we depend more on suppliers and subcontractors to support this growth. Communicating and insisting on following compliance procedures across a larger portfolio of companies supporting our enterprise pursuits will become an unwavering task. This sense of compliance must be instilled in each of our suppliers. They must understand that we take these values seriously and expect the same from them if they work on our programs. This is the biggest challenge. Our suppliers have to provide us with quality products every time. Unfortunately, we still have a number of instances where we find supplier non-compliant products in our assembly and test process and in some cases it's discovered after we have shipped product to our Customers. Our people everyday work with supplier material and if we see an issue we must document the non-conformance and communicate it rapidly back to the supplier to correct it. We cannot have "quality" escapes. This is an area we can do better and we must.

We have to work with our suppliers to make them successful since we depend a great deal on them for our own success. For most of our programs the material content is anywhere between 50% to 70% of our cost so it is vitally important that we expect nothing less than full compliance to our requirements.

Also, failing to comply with export regulations can cause delays in getting much needed products to the war fighter while incurring additional costs and oversights and possibly penalties to the corporation.

Each employee plays a key role in ensuring we are compliant by doing the best job they can do each and every day they come to work and keeping in mind the men and women that depend on our products for their safety and mission success. Each of us has an obligation to be compliant and ensure those around us understand and also practice compliance. If it's not happening, say so! We must not put the war fighter's mission or life in jeopardy and we certainly owe it to ourselves not to tarnish Northrop Grumman's great reputation.

