



# STANDARDS OF BUSINESS CONDUCT



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***NORTHROP GRUMMAN***

A MESSAGE FROM THE CHIEF EXECUTIVE  
OFFICER AND PRESIDENT

Our mission at Northrop Grumman is to contribute to the defense and protection of our nation. It is impossible to accomplish this mission without a commitment to the highest standards of ethics and integrity.

This Standards of Business Conduct booklet will assist all of us in making decisions every day. It provides guidance as we strive to uphold our commitment to the Northrop Grumman Values and sends the message: We do things the right way at Northrop Grumman. We don't take short cuts.



To be sure, a booklet like this cannot cover every situation or dilemma the workplace might present. I encourage you to discuss issues and concerns with your manager, with the law department, with your business conduct officer or to call the company OpenLine toll free at 1.800.247.4952.

Ethics and Values are central to our Northrop Grumman identity and are a ground rule in all our decisions. They are not a side issue or afterthought. They are at the heart of who we are and what we do.

Join me in demonstrating to all who have a stake in our business that integrity characterizes the culture of Northrop Grumman.

A handwritten signature in black ink, appearing to read 'Ronald Sugar'. The signature is fluid and cursive.

Ron Sugar  
Chief Executive Officer and President  
Northrop Grumman Corporation

We, the women and men of Northrop Grumman, are guided by the following Values. They describe our company as we want it to be. We want our decisions and actions to demonstrate these Values. We believe that putting our Values into practice creates long-term benefits for shareholders, customers, employees, suppliers, and the communities we serve.

**We take responsibility for QUALITY ...**

Our products and services will be “best in class” in terms of value received for dollars paid. We will deliver excellence, strive for continuous improvement and respond vigorously to change. Each of us is responsible for the quality of whatever we do.

**deliver CUSTOMER SATISFACTION ...**

We are dedicated to satisfying our customers. We believe in respecting our customers, listening to their requests and understanding their expectations. We strive to exceed their expectations in affordability, quality and on-time delivery.

**provide LEADERSHIP as a company and as individuals ...**

Northrop Grumman’s leadership is founded on talented employees effectively applying advanced technology, innovative manufacturing and sound business management. We add more value at lower cost with faster response. We each lead through our competence, creativity and teamwork.

**act with INTEGRITY in all we do ...**

We are each personally accountable for the highest standards of behavior, including honesty and fairness in all aspects of our work. We fulfill our commitments as responsible citizens and employees. We will consistently treat customers and company resources with the respect they deserve.

**value Northrop Grumman PEOPLE ...**

We treat one another with respect and take pride in the significant contributions that come from the diversity of individuals and ideas. Our continued success requires us to provide the education and development needed to help our people grow. We are committed to openness and trust in all relationships.

**regard our SUPPLIERS as essential team members ...**

We owe our suppliers the same type of respect that we show to our customers. Our suppliers deserve fair and equitable treatment, clear agreements and honest feedback on performance. We consider our suppliers’ needs in conducting all aspects of our business.

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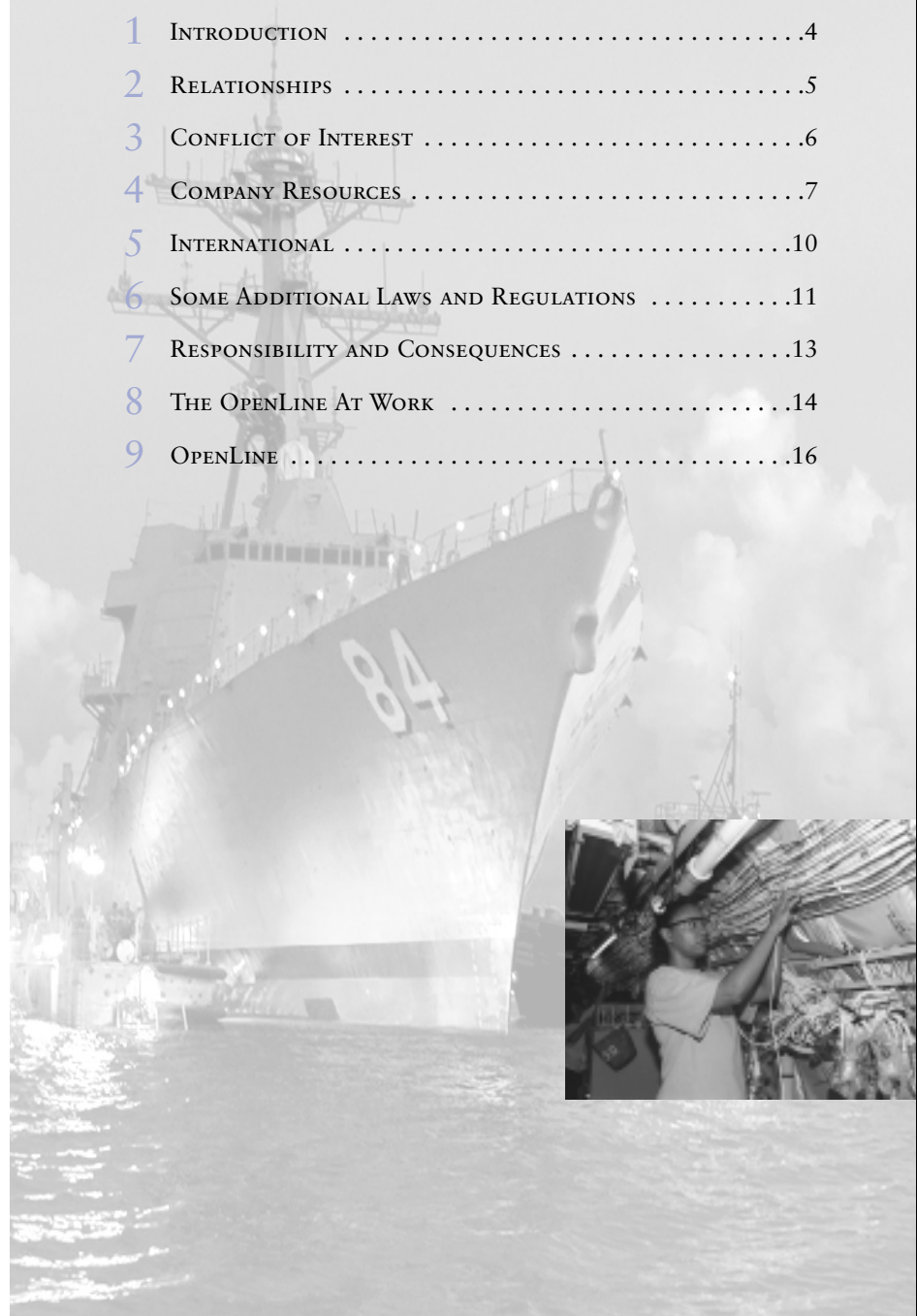
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# 1 INTRODUCTION

Behavior consistent with the Northrop Grumman Values and Standards of Business Conduct is one of our most important workplace responsibilities. We have set high ethical standards. Abiding by these standards and strictly observing all U.S. and foreign laws and regulations is not only a legal requirement but also an ethical obligation for all of us at Northrop Grumman.

This commitment applies to everyone regardless of position or level of responsibility. It also applies to non-employees who act on the company's behalf in any capacity. All are responsible for the integrity and consequences of their actions.

Company policies, procedures and publications on ethics, as well as the ethics website, your local Business Conduct Officer (BCO) and the corporate OpenLine (1.800.247.4952) can provide further information on what is expected in this area and respond to your questions.



*“Ethics and Values are central to our Northrop Grumman identity. They are not a side issue or an afterthought. They are at the heart of who we are and what we do.”*

Ron Sugar  
Chief Executive Officer and President  
Northrop Grumman Corporation



# 2 RELATIONSHIPS

- 1) **With Customers:** We expect our customers, both government and commercial, to select our products because of quality, service and price. We conduct our business in an open and above-board manner and we do not seek any improper influence. Our policies, procedures and practices are designed to prevent even the appearance of such influence.

All products must be exactly as specified by the customer in the contract and all testing and quality assurance steps must be followed. Any change to a contract must have the prior written approval of the contracts organization and an authorized customer representative.



The nature of our business requires that we be especially attentive to the strict standards that government agencies have established for their employees. As a general rule, business courtesies such as gifts, entertainment, services or favors should not be offered to any actual or potential government customer or representative. When dealing with non-government personnel in connection with government contract or subcontract activities, similar restrictions apply.

It is a crime to offer or give anything to a government employee because of an official act performed or to be performed. Also, offering, providing, soliciting or accepting anything of value to or from anyone in return for favorable consideration on a government contract or subcontract is called a kickback and is a crime.

Finally, business courtesies offered to commercial, non-government customers must demonstrate good business judgment and be reasonable (for example not frequent or lavish), legal and offered in a manner that could not hurt Northrop Grumman's reputation for impartiality and fair dealing.

## 2 RELATIONSHIPS *(continued)*

- 2) **With Suppliers:** Helpful, friendly, professional relationships are essential to any business. While cultivating such relationships with our suppliers, we must also maintain an honest, objective and efficient procurement process. The purchase of materials and services must be in accordance with Northrop Grumman procurement policies and procedures.

Northrop Grumman employees and members of their immediate families may not solicit or accept gifts, payment or gratuities from our suppliers. (Promotional items of nominal value may be accepted.) Any financial interests in a Northrop Grumman supplier or someone seeking to become a supplier must be reported to the company.

Northrop Grumman policies in this area go beyond the law prohibiting kickbacks. We must avoid even the appearance of improper conduct in all our business dealings. Exceptions to these standards are not allowed unless specifically provided for in the company's written procedures.

## 3 CONFLICT OF INTEREST

Every Northrop Grumman employee occupies a position of trust. We must be particularly sensitive to any situation, on or off the job, that might erode that trust or cause others to doubt our fairness or to question the good faith of our acts or decisions.

Situations in which personal or financial interests involving you or your immediate family conflict with Northrop Grumman responsibilities must be carefully avoided. If you or any member of your family has a substantial financial interest in any firm which is supplying goods or services to Northrop Grumman or which is bidding on or proposes to do work for Northrop Grumman, you must promptly advise your management and disclose in writing the nature of your interest on the Conflict of Interest (C-196) form. A substantial interest is defined on the form and in Corporate Procedure A201.



Before serving as a consultant to, a director, trustee, officer or employee of a company, organization or government agency that competes or deals with or is a supplier to Northrop Grumman or one which is involved in national defense work, you must obtain management's written approval.

If you are recommending or approving the recommendation of a particular supplier or taking any similar action and you know that a member of your family or that of another Northrop Grumman employee is employed by or controls a substantial interest in that supplier, you shall disclose this fact in writing to the head of the materiel organization in your company element as soon as you learn of it.

Close personal relationships which are not familial but which could lead to questions about the objectivity of your judgment should also be disclosed.

Potential conflicts can involve customers, suppliers, present or prospective employees, shareholders or members of the communities in which we live and work. Even if you are the most conscientious person, a conflicting interest may influence you and the mere existence of that interest may cause the good faith of your acts to be questioned.

Avoiding the appearance of a conflict can be as important as avoiding an actual conflict because others tend to judge a situation by what they think it is. If you have any questions in this area, ask for help and guidance.

## 4 COMPANY RESOURCES

Northrop Grumman resources made available to help you do your job include time, material, facilities, equipment, information and services. These resources should only be used for authorized business purposes unless a specific exception is approved by management.



## 4 COMPANY RESOURCES *(continued)*

- 1) **Time:** In signing your timecard each week or reporting your time electronically, you are certifying that this record accurately reflects how your time was spent at work. Improperly shifting cost from one contract to another, improperly charging Non-Contractual Technical Activity, improperly charging labor or materials and falsifying timecards are strictly prohibited.

The accuracy of your input directly affects the accuracy of the data upon which our cost systems depend. Willful or careless false reporting or mischarging will result in discipline up to and including termination.



- 2) **Property:** Government-owned and company-owned equipment, including telephones, fax machines and computers should be used for authorized business purposes only. Exceptions must be specific and approved by management. Such equipment must never be used for purposes which are disruptive or to communicate messages which could be considered offensive or which violate company procedures in some other way.

Accountability for company-owned property means that it should be used, maintained, accounted for and, when necessary, disposed of properly as directed in company procedures. The unauthorized removal of company or government property may be considered theft.

In addition, employees should give the same respect to the resources of prospective or current customers or suppliers. Customer-owned property must be used for purposes specified in the appropriate contract requirements and government regulations.



- 3) **Information:** Information, knowledge or know-how which gives a competitive advantage is considered intellectual property under our law and that of most countries. It is an asset as valuable as money, property, time or skill and must be used for authorized company business purposes only. Employees must protect Northrop Grumman proprietary or private information which can include technical designs, employee records or information learned in a partnership or team arrangement.

In conducting our business, we will not seek any information to which we are not entitled, especially that involving the integrity of any competitive bidding involving the company. We will respect copyrights and honor the licensing requirements of computer software.

Northrop Grumman employees may not use any information about the company's business for personal gain unless that information is available to the general public and the use is permitted by company procedures. The unauthorized use of such information may not only violate company procedures but may also result in violations of laws and regulations such as Insider Trading, Antitrust, Export Control and others.

Northrop Grumman complies with Department of Defense requirements for the handling of government classified information. All classified documents must be handled and safeguarded in strict compliance with the requirements stated in your sector's security procedures.



- 4) **Expenses:** Northrop Grumman will reimburse employees for reasonable expenses incurred in the conduct of their work. Such expenses must be permitted in company procedures and must be adequately documented. Reports must be accurate and submitted promptly and special attention must be paid to any expenses involving business conferences or meetings with customers and suppliers.

## 4 COMPANY RESOURCES *(continued)*

- 5) **Records:** The use, expenditure and disposal of company resources must be documented as required by company procedures. All transfers of costs for accounting purposes or any alteration of company records must be properly approved and adequately documented. Any action by an officer, manager, employee or anyone acting on the company's behalf to circumvent the company's system of internal controls or to provide misleading information on company documents is strictly prohibited. See Company Policy F1 and Company Procedure F101 on Internal Control.

## 5 INTERNATIONAL

Employees and consultants or agents representing the company abroad or working on international business in the United States should be aware that the company's Values and Standards of Conduct apply to them anywhere in the world. Less than strict adherence to laws and regulations that apply to the company's conduct of international business would be considered a compromise of our Values and Standards of Conduct.



- 1) **Export Controls:** These are specific laws and regulations to be followed when dealing with exports which are items or knowledge provided to foreign persons in the United States or abroad and to U.S. citizens in foreign countries. Covered items or knowledge can be provided physically or materially, verbally in conversation or by telephone, or electronically by e-mail, internet, fax or by any other means. Exports require government permission in the form of a license or written approval. The license issued for a fixed period of time must be specific and identify the items, services or data to be exported.
- 2) **Foreign Corrupt Practices Act:** FCPA, as it is known, is intended to prevent bribery of foreign officials by representatives of U.S. companies for the purpose of securing an improper business advantage. It prohibits the payment or offering of anything of value directly or indirectly to a foreign government official, political party, party official or candidate for the purpose of influencing an official act of the person or the government in order to obtain such an advantage.

- 3) **Laws of other countries:** Abiding by company Values and Standards of Business Conduct and strictly observing all U.S. and foreign laws and regulations is not only a legal requirement but also an ethical obligation for all employees and anyone who represents the interests of Northrop Grumman anywhere in the world.

## 6 SOME ADDITIONAL LAWS AND REGULATIONS

The laws and regulations which govern business activities with the federal government are complex. The following summaries of some of those laws are not comprehensive. Employees should look to their sector procedures, consult their Business Conduct Officer (BCO), sector legal counsel, website or OpenLine if they have any questions about them.

- 1) **Anti-Kickback Act of 1986:** Directly or indirectly offering, providing, soliciting or accepting anything of value in return for favorable treatment in connection with a government contract or subcontract is a violation of company policy and federal law that may result in company discipline as well as severe civil or criminal penalties.
- 2) **Byrd Amendment:** This law prohibits the use of federally appropriated money to pay any person for influencing or attempting to influence officials of the Executive or Legislative branches, including members of Congress and their staffs, in connection with the award or modification of U.S. Government contracts.
- 3) **Insider Trading:** Persons who possess material, non-public information concerning company business or that of company suppliers or partners may not trade in Northrop Grumman securities or those of such suppliers or partners nor reveal the information to anyone until it has been effectively disclosed to the public.



## 6 SOME ADDITIONAL LAWS AND REGULATIONS *(continued)*

- 4) **Political Contributions:** Corporations are prohibited from making contributions of money or other resources to candidates, officeholders and political parties at the federal level. Employees may participate in ENGPAC, the employee Political Action Committee. The company respects the right of employees to be involved in political activity, contributing their own time and resources. Such activity, however, must not take place on company time or property nor involve the company name.  
  
Laws governing contributions to local candidates vary from state to state.
- 5) **Procurement Integrity:** During the conduct of a federal government procurement, company personnel, representatives and consultants must not solicit, obtain or disclose contractor bid and proposal information or proprietary or source selection information. The Procurement Integrity act also places restrictions on employment discussions with current and former federal officials with regard to future non-government employment. Northrop Grumman employees should avoid such discussions and refer any questions or requests to Human Resources.
- 6) **Restrictive Trade/Boycotts:** A request to participate in any activity that could have the effect of promoting a boycott or restrictive trade practice fostered by a foreign country against customers or suppliers located in a country friendly to the United States or against a U.S. person, firm or corporation must be reported promptly to your sector legal counsel.
- 7) **Sarbanes-Oxley Act of 2002:** The Act focuses on reforming the oversight of public companies' auditing, improving the quality and transparency of their financial reporting and strengthening the independence of auditors. It seeks to promote honest and ethical conduct, sensitivity to conflict of interest and compliance with government rules and regulations.
- 8) **Sherman Anti-Trust Act:** This most important of the anti-trust laws prohibits and makes unlawful any contract, combination or conspiracy with any competitor, potential competitor or representative of same in restraint of trade activities like price fixing, boycotts or limitation of product and sales.

- 9) **Truth In Negotiations Act (TINA):** Employees involved in the negotiation of contracts or other business transactions related to U.S. Government procurement must ensure that all cost and pricing statements, communications and representations of fact to customer representatives are complete, current, accurate and truthful.

## 7 RESPONSIBILITY AND CONSEQUENCES

- 1) **Responsibility:** In addition to the Chief Executive Officer, the Chief Financial Officer and all other managers and employees, the Northrop Grumman Values and Standards of Business Conduct apply to members of the Board of Directors, consultants, agents, contract labor (job shoppers) and anyone who represents the company in any capacity. It is the responsibility of all of these parties to comply with the standards, to seek advice and guidance when questions arise and to report violations of the Standards of Business Conduct of which they have knowledge. Employees are encouraged to raise such issues with their manager first. In the event that is not possible, contact the local Business Conduct Officer, legal counsel, human resources or the Corporate or sector OpenLine. The company will treat such reports as confidential. You may make an anonymous report if you desire. In any case, company policy prohibits direct or indirect retaliation on anyone reporting a violation of the Standards of Business Conduct.



- 2) **Consequences:** Employees who violate company standards of conduct, especially those relating to our relationships with the U.S. Government but also those related to commercial customers, will be subject to disciplinary action up to and including termination of employment. Violations may also result in civil or criminal penalties.

An employee who witnesses such a violation and fails to report it may be subject to discipline. Also, a supervisor or manager may be subject to discipline to the extent that the violation reflects inadequate supervision or lack of diligence.

The right choice isn't always obvious. The OpenLine offers a confidential way to ask questions, voice concerns, or report a suspected violation of our Standards of Business Conduct.



Employee is seeking guidance or reporting allegation

Employee goes to supervisor

Employee calls or writes to the Openline

Business Conduct Office gathers information

**GUIDANCE**



**GUIDANCE**  
Questions about business conduct arise when an employee needs guidance to make the right decision.

Business Conduct Office acts as "coach" provides guidance/interpretation

Employee makes an informed decision

**ALLEGATION**  
Issues about business conduct arise when an employee suspects wrongdoing.



**ALLEGATION**

Employee is assigned a confidential ID number

Employee agrees on date/time to call back for case status

Employee calls or is notified of case status

Issue resolved

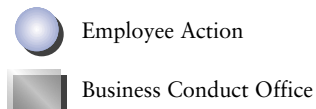
**CASE CLOSED**

Business Conduct Office opens case assigns case number

Business Conduct Office oversees impartial investigation

Business Conduct Office concludes case with employee

**Getting answers.** The OpenLine is one of Northrop Grumman's support processes. It's a confidential resource for guidance. Your Business Conduct Office can help you get answers that may not be readily available elsewhere.



## 9 OPENLINE

The Corporate Office of Ethics and Business Conduct provides a nationwide 800 number for anyone who would like to seek guidance on an ethics or compliance issue or concern or would like to report a violation. That number is: 1.800.247.4952. Sectors provide OpenLines as well and employees can feel free to make a contact locally or with the Corporate Office of Ethics and Business Conduct. Employees in Europe can access the European OpenLine: 0041 1 319 9251.

### Give Us A Call

The Corporate Ethics and Business Conduct Office, with reporting requirements to the Compliance, Public Issues and Policy Committee of the Board of Directors, is responsible for the Northrop Grumman ethics program.



The program is administered in each sector by a lead Business Conduct Officer (BCO) working with a Sector Ethics Committee and local BCOs.

For information on the program, contact your sector or site BCO.

■ Component Technologies	1.800.247.4952
■ Electronic Systems	1.410.765.1919
■ Information Technology	1.888.257.7258
■ Integrated Systems	1.877.901.5606
■ Mission Systems	1.800.445.4714
■ Newport News	1.800.423.9378
■ Ship Systems	1.800.644.2612
■ Space Technology	1.888.814.4567
■ Northrop Grumman Corporate Toll Free Line	1.800.247.4952

### Access the Ethics and Business Conduct Website

1. Access Northrop Grumman Internal Home Page – The Gateway
2. Click on “Ethics and Values”

or

<http://home.northgrum.com/ethics/default.htm>

The Sarbanes-Oxley Act of 2002 requires the Audit Committee of the Board of Directors to establish procedures to receive employees' confidential or anonymous concerns regarding questionable accounting or auditing matters.

While the OpenLine is one channel for reporting already in place, any employee with a concern about a financial, accounting or auditing matter can write directly to:

Chair, Audit Committee  
Northrop Grumman Board of Directors  
c/o Corporate Ethics Office  
1840 Century Park East  
Los Angeles, CA 90067

Mail will be delivered unopened to the Chair of the Audit Committee. Concerns dealing with other than finance, accounting or audit will be returned to the Ethics Office OpenLine process.