COMPLIANCE WEEK 2016

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Compliance Change Management

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Orbital ATK

Agenda

- Merger Background
- Transition/Integration Teams and Process
- Key Strategies
- Merging of Best Practices
- Mission, Vision and Values
- Code of Ethics and Business Conduct Update
- Senior Management Ethics & Compliance Committee Charter
- Compliance Risk Assessment
- Lessons Learned
- Questions

Merger Background

Orbital ATK

Orbital
Innovation You Can Count On®

ATK
Aerospace Systems
Defense Systems
Innovation… Delivered

Orbital ATK, Inc.

Affordable Innovation in Space, Defense and Aviation

- $4.5 Billion global Aerospace and Defense Systems Company
- Innovative, affordable products for government and commercial customers
  - Satellites and Launch Vehicles
  - Missile Systems and Defense Electronics
  - Armament Systems and Ammunition
  - Aerospace Structures and Components
- 12,000 employees, including 4,300 engineers and scientists
- Substantial value-creating operational and financial synergies
- Strong revenue growth, earnings accretion and cash flow outlook

Merger Background

Medium-Class Launch Vehicles

Special Mission Aircraft and Protection Systems

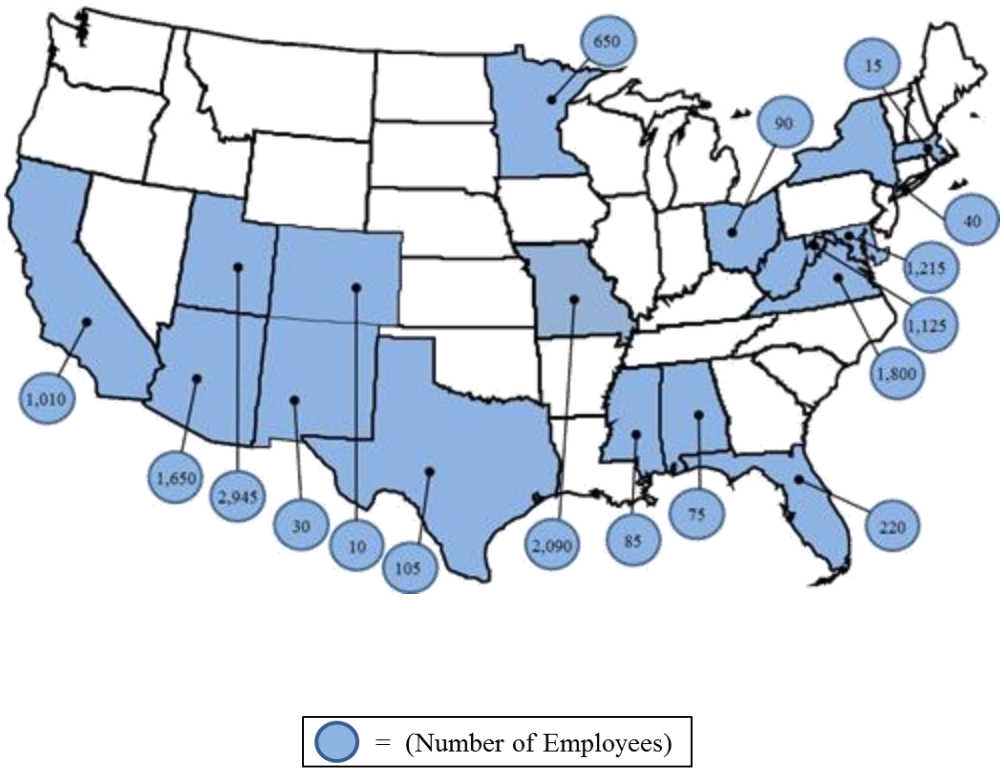
Human Space Systems

Large-Class Launch Vehicle Propulsion Systems

Space Engineering Services

Merger Background

- Over 12,000 employees dedicated to Aerospace and Defense business
  - 4,300 engineers and scientists
  - 7,400 manufacturing and operations specialists
  - 1,400 management and administration personnel
- Facilities in 18 states with 19.6 Million Sq. Ft. of R&D, manufacturing, test, operations and office space
  - 6.1 Million Sq. Ft. Owned
  - 5.4 Million Sq. Ft. Leased
  - 8.1 Million Sq. Ft. U.S. Government Owned



Merger Background

Orbital ATK

Estimated Revenue Synergies

- Increased customer demand due to substantial cost reductions
- New and enhanced products (e.g., Space Launchers, Tactical Missiles, Advanced Space Systems, Precision Weapons)
- Broaden customer relationships with greater value-added offerings
- Ammunition sales to ATK spin-off
- Expanded geographic presence and political support

Estimated Cost Synergies

- Vertical integration savings in key products
- Work center re-balancing in selected areas to maximize efficiency
- Supply chain integration and purchasing economies
- SG&A reductions due to larger scale, along with IT and facilities efficiencies
- R&D and bid & proposal savings

Pre-Merger/Transition Timeline

	Jan-14	Feb-14	Mar-14	Merger Announced (Apr 2014)	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Merger Closed (Feb 2015)
Due Diligence														
Documentation Reviews														
Historical Reviews														
High Level- Functional Baselining														
Roles and Responsibilities														
Strengths and Weakness														
Staff														
Milestones														
Code Development														
New / Revised Code														
Posted and Distributed														
Code of Conduct Training														
New/ Updated Training														
Conduct Training														
Communications														
Emails, Posters														
Internal & External Webpage														
Policy														
Reporting to Audit Comm														
Ethics Program Policy														
Helpline														
Contract Revisions														
Pilot for all new sites														

Transition/Integration Teams and Process

Integration teams established from the following functions

- Human Resources
- **Legal/Regulatory/Export Control/Ethics**
- Finance/Accounting/Tax/Internal Audit
- Contracts
- Government Compliance (DCAA/DCMA)
- Treasury/Risk Management/Real Estate/Facilities
- Information Services
- Classified Programs/Security
- Engineering and Operations
- Supply Chain Management/Subcontracts/Purchasing
- Quality/Mission Assurance
- Strategy/Business Development/International
- Government Relations
- Communications

Transition/Integration Teams and Process

- Setup (~ 1 Month)
  - Share and gain a common understanding of how each company operates (org. structure, roles and responsibilities, processes, policies, procedures, etc.)
- Design (~2 Months)
  - Provide detailed milestones, schedule and resources required to implement/complete integration and capture synergies
  - Receive Executive Leadership Team approval for design and detailed planning implementation
- Detailed Planning (~2-3 Months)
  - Establish and track detailed planning milestones
- Implement (~ 6-12 Months)
  - Execute integration planning activity
  - Track implementation and synergy sapture
  - Conduct post-transaction assessment

Key Strategies

- Understand and appreciate the "sensitive/people" aspect of mergers
- Leverage on the strengths of both programs
- Revise Code of Ethics and Business Conduct
- Continue current 3rd party helpline (The Network)
- Establish ethics committees and senior management oversight
- Strengthen employee ethical awareness programs
- Enhance compliance training programs
- Continue performing annual risk assessments

The whole is greater than the sum of its parts

Merging of Best Practices

- Orbital - Strengths
  - Strong focus on culture (speaking up and ethical leadership)
  - Recently updated Code of Business Conduct & Ethics
  - Extensive experience and broad skills
  - Effective business partner relationships
- ATK - Strengths
  - Strong program of ethics reporting and investigative follow-up
  - Recently updated Code of Business Conduct & Ethics
  - Ethics committees spread across all business units
  - Well established and trust-based ties to business units

Mission, Vision and Values

Our Mission: To conceive, develop and manufacture space, defense and aviation systems and products that are innovative, reliable and affordable. By doing so, we assist our customers in protecting the United States and our allies; in providing global transportation, communications and monitoring; and in conducting space science and exploration missions.

Our Vision: To create the most innovative and affordable aerospace and defense systems and products, enabling individuals, businesses and governments to be more secure, connected, informed and inspired.

Our Values: **Safety**, **reliability** and **integrity** are the three absolutes in everything we do.

For our customers, we will always act with integrity and responsiveness, working to earn and maintain their loyalty every day.

For our investors, we will manage our business with discipline and deploy its capital to enhance long-term returns to shareholders.

For our employees, we will encourage the highest levels of engagement, diligence and creativity, and reward their dedication and teamwork.

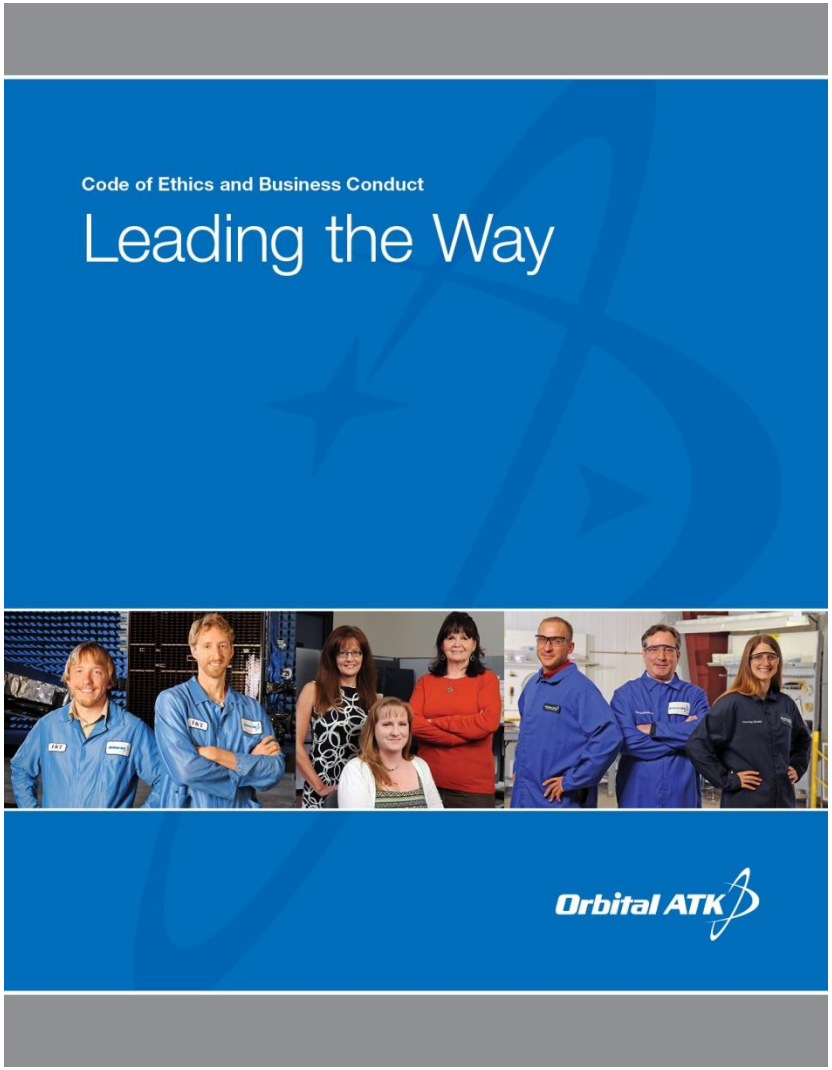
For our suppliers, we will be honest and fair, seeking opportunities for beneficial collaboration in long-term alliances.

For our country, we are proudly patriotic and deeply grateful to those who defend our freedom. In addition, we are an involved and responsible corporate citizen of the communities where we live and work.

Code of Ethics & Business Conduct Update

- Both company codes were recently updated
- Objective going forward to maintain the best of both codes
- Theme for revised code is “Leading the Way”
  - Strong focus on “speaking up” and ethical leadership
- Plan to roll out revised code within 90 days of merger close
- Code posted electronically on Intranet “InSite” and public website
- Revise annual code training
- Develop communications plan

Code of Ethics & Business Conduct Update



Code of Ethics & Business Conduct Update

Day One Webpage

Code of Ethics & Business Conduct Update

Day One Webpage

http://insite/Ethics/SitePages/EC%20Contact%20Info.aspx | Team Site - EC Contact Info | Home - Ethics and Governmen...

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Ethics and Compliance Office

At Orbital ATK we are proud of our commitment to building a Culture of Ethics and Compliance. We are dedicated to conducting our operations ethically and in compliance with the laws and regulations that govern our business. Our **Code of Ethics and Business Conduct (coming soon)** should be used as a guide to help you make the right decisions and to understand our expectations for both legal and ethical conduct.

It all starts with you "Leading the Way" and by "Speaking up" to bring your concerns to the open to resolve problems in a timely manner and to prevent future harm. If you have a question, comment, or wish to raise an ethical issue you can contact any of the following:

- Supervisor or manager
- Ethics Committee Representative
- Human Resources Departmen
- Orbital ATK Legal Advisor
- Orbital ATK Corporate Ethics and Compliance Office at **1-844-873-8449**
- Orbital ATK Ethics Helpline at **1-800-345-8594** or www.orbitalatkethics.com

Contacting the Ethics Helpline

All concerns are taken seriously and contacts with the Ethics Helpline are confidential to the extent possible. When you use the Ethics Helpline you have the option of remaining anonymous, although sometimes it is helpful to know your identity in order to resolve your concern(s).

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Senior Management Ethics and Compliance Committee Charter

Responsibilities The Senior Management Ethics and Compliance Committee generally has the following responsibilities:

- Ensure the effectiveness of the Ethics and Compliance Program
- Provide input regarding risk assessment and risk mitigation
- Provide input to the Compliance Officer and the Compliance Lead with respect to the implementation of the Ethics and Compliance Program
- Review and track resolution of significant reports of violations of the Code of Business Ethics and Conduct and the Ethics and Compliance Program
- Review significant ethics and compliance matters involving the Company
- Provide input regarding the currency, accuracy, and effectiveness of this Ethics and Compliance Program Policy
- Take such other actions as the SMECC shall determine necessary in furtherance of ensuring an effective Ethics and Compliance Program

Senior Management Ethics and Compliance Committee Charter

Membership The Senior Management Ethics and Compliance Committee shall consist of the following members:

- Senior Vice President, General Counsel (Co-Chair)
- Vice President, Ethics and Compliance (Co-Chair)
- Chief Operating Officer
- Chief Financial Officer
- Executive Vice President, Chief Technology Officer
- President, Defense Systems Group
- President, Flight Systems Group
- President, Space Systems Group
- Senior Vice President, Human Resources
- Senior Vice President, Corporate Finance
- Vice President, Chief Information Officer
- Vice President, Internal Audit
- Vice President, Investor Relations & Communications

Meetings Quarterly meetings will be held a week or two before the corresponding quarterly meeting of the Governance Committee of the company's Board of Directors.

Lessons Learned – Transition

- Transition/Integration Efforts
  - Work closely with counterpart to establish transition plans
  - Establish key milestones and objectives – set a timeline
  - Day 1 readiness milestones established
  - Establish 30, 60, 90 day post merger closing milestones
- Try to think in terms of what a new program needs, then ensure you have one for the new company
- Be aware of sensitivities
  - Mergers are stressful, especially at the corporate level
  - Cost synergies involve eliminating "good" people
  - Everyone wants to hang on to the "old ways"
- Be aware of the work load
- Don't let the legacy programs stop your group or program
- Be a "survivor"
  - Stay positive and optimistic
  - Make the best of merger challenges
  - Look for opportunities to always improve the program

Lessons Learned – Post Merger

- Doing "More" with "Less"
  - Be efficient with scarce resources
- Code of Conduct Update
  - Combine code content / establish best practices
  - Reviewed by subject area experts
- Policy and Procedure Updates
  - Perform complete review of P&Ps
  - Communicate and publish policy updates
- Senior Management Ethics Committee
  - Establish charter & committee members
  - Obtain high level buy-In for E&C program initiatives
- Compliance Risk Assessment
  - Identify compliance risk areas
  - Systematic approach including conducting interviews of risk owners
- Obtain/Maintain a Steady State
  - Establish a strong position moving forward
  - Keep pulse on regulatory changes and industry best practices

Questions

Thank you

We want your feedback! Use the conference app or visit the Registration desk.

Be sure to join the Twitter conversation: @CW_2016