2018 SUSTAINABILITY REPORT

THE SCIENCE OF CITIZENSHIP

LOCKHEED MARTIN

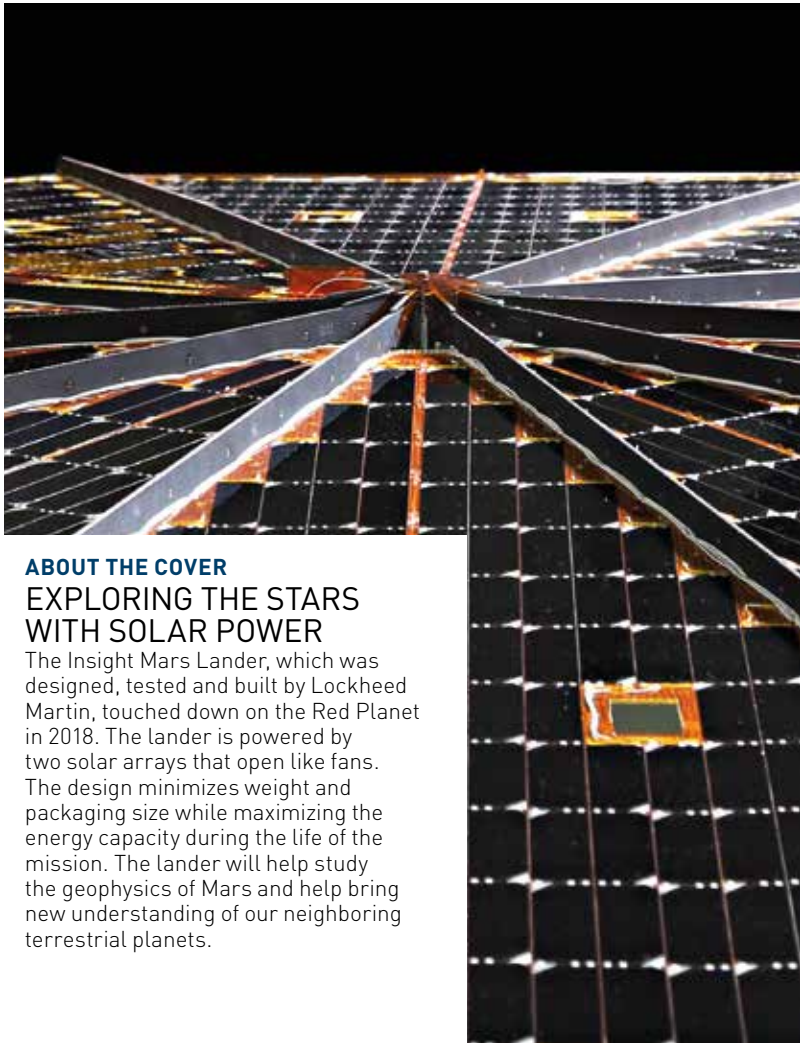
ABOUT THIS REPORT

This is Lockheed Martin's eighth sustainability report, published annually in April on sustainability.lockheedmartin.com. Unless otherwise noted, this report includes global data and activities for the calendar year 2018, from Lockheed Martin's corporate offices and four business segments: Aeronautics, Missiles and Fire Control, Rotary and Mission Systems and Space.

GRI Index: This is our seventh year using the Global Reporting Initiative (GRI) framework, the world's most widely used sustainability reporting framework. This report has been prepared in accordance with the GRI Standards: Core Option. The GRI Index is available on our sustainability website.

Assurance: DNV GL, an independent third party, assured this report, including the Lockheed Martin Sustainability Management Plan performance indicators and select GRI indicators. Verification details are in the assurance statement.

Contact us with questions or for more information: sustainability.lm@lmco.com.



ABOUT THE COVER

EXPLORING THE STARS WITH SOLAR POWER

The Insight Mars Lander, which was designed, tested and built by Lockheed Martin, touched down on the Red Planet in 2018. The lander is powered by two solar arrays that open like fans. The design minimizes weight and packaging size while maximizing the energy capacity during the life of the mission. The lander will help study the geophysics of Mars and help bring new understanding of our neighboring terrestrial planets.

REPORT CONTENTS

THIS IS LOCKHEED MARTIN

BUSINESS OVERVIEW

Lockheed Martin is a publicly traded global security and aerospace company principally engaged in research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services. Our mission is to solve complex challenges, advance scientific discovery and deliver innovative solutions to help our customers keep people safe.

Our primary customers are United States (U.S.) and allied government agencies and commercial entities in various sectors, including energy and transportation. In 2018, we employed approximately 105,000 people worldwide and generated net sales of $53.8 billion. We are headquartered in Bethesda, Maryland, U.S., and we own or operate 590+ facilities in 50 U.S. states and 52 nations and territories.

Proxy Statement Annual Report

OUR 2018 BUSINESS IMPACT[1]

CUSTOMERS

- **60%** U.S. Department of Defense (DoD)
- **28%** International[2]
- **10%** U.S. Civil, National Aeronautics and Space Administration (NASA) and Intelligence Agencies
- **2%** Commercial

ECONOMIC IMPACT

- **$46,488M** Cost of Sales[3]
- **$5,046M** Net Earnings
- **$792M** Federal/Foreign Taxes

SOCIAL IMPACT

- **$25.2M** Charitable Contributions
- **$11M** Employee Giving
- **$8.4M** Sponsorships

COUNTRIES WITH 200+ EMPLOYEES


98,200+ U.S.[4]


1,700+ U.K.[5]


1,600+ Poland[5]


900+ Canada[5]


800+ Australia[5]


200+ New Zealand[5]

HOW WE ARE ORGANIZED

We have four business segments dedicated to specific products and services. Our employees also work with Lockheed Martin International, which supports products, technologies and services to meet global customers' national security and citizen services needs; and Enterprise Operations, comprised of headquarters personnel, business function personnel and enterprise-wide shared services centers.

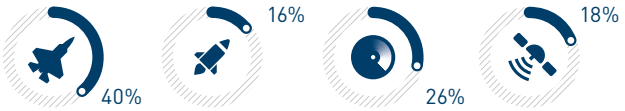

Aeronautics $21.2B, 40%: Research, design, development, manufacture, integration, sustainment, support and upgrade of advanced military aircraft, including combat and air mobility aircraft, unmanned air vehicles and related technologies.


Missiles and Fire Control $8.5B, 16%: Design and development of air and missile defense systems; tactical missiles and air-to-ground precision strike weapon systems; logistics; fire control systems; mission operations support, readiness, engineering support and integration services; manned and unmanned ground vehicles; and energy management solutions.


Rotary and Mission Systems $14.3B, 26%: Design, manufacture, service and support for various military and commercial helicopter, ship and submarine mission and combat systems, mission systems and sensors for rotary and fixed-wing aircraft, sea- and land-based missile defense systems, radar systems, the Littoral Combat Ship (LCS), simulation and training services and unmanned systems and technologies.


Space $9.8B, 18%: Research and development, design, engineering and production of satellites, strategic and defensive missile systems and space transportation systems.

NET SALES



[1] *In 2018, 70 percent of our $53.8 billion in net sales were from the U.S. Government, either as a prime contractor or as a subcontractor (including 60 percent from the Department of Defense (DoD)), 28 percent were from international customers (including foreign military sales (FMS) contracted through the U.S. Government) and two percent were from U.S. commercial and other customers.*

[2] *Foreign military sales to governments and direct commercial sales to international customers.*

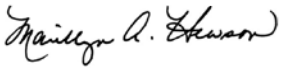
[3] *Includes salaries, global supply chain and other expenses.*

[4] *As of December 31, 2018. Does not include contract workers, interns or employees of certain subsidiaries or joint ventures.*

[5] *Local country nationals.*

A MESSAGE FROM OUR CEO

Marillyn Hewson
Chairman, President and CEO



At Lockheed Martin, our first priority is to support our customers' missions.

Around the world, we see a threat environment that is more complex, volatile, and far-reaching than ever before. Peaceful nations increasingly face threats from every domain – from land, sea, air, space, and the cyber realm. And in today's interconnected economies and societies, the impact of these threats can be serious and unpredictable.

As I meet with government and business leaders from around the world, they share their concerns about these threats. They also tell me that, in order to maintain international stability, we will need to work together to find innovative and resilient solutions to meet these dynamic challenges.

That's why, at Lockheed Martin, we're investing in our future and finding ways to operate more efficiently now to ensure sustainability and long-term growth in the future.

We also remain focused on keeping our sustainability goals an integral part of our strategic decision-making process.

Our commitment to sustainability is rooted in our dedication to conducting business with the utmost integrity. And it is linked closely with our enterprise risk-management practices. This holistic approach to business ensures that risk-management derived data informs decisions throughout the corporation. It also promotes smart collaboration and shapes annual imperatives at the highest levels of management.

We know that sustainability reaches far beyond environmental protection efforts. And we're proud to provide advanced technologies that play a role in ensuring a sustainable future for all.

In 2018, our teams launched satellites that help protect citizens from extreme weather-related disasters, designed technologies that detect cyber infiltrations on critical IT networks, and committed $100 million to workforce development initiatives. These are just a few examples of how our 105,000 employees are creating solutions that ensure a sustainable future for our environment, our governments, and our global society.

Our Strategy for Continued Sustainable Growth

Our Sustainability Management Plan includes the following five core areas:

Business Integrity: We cultivate a culture of ethical conduct with employees, and we conduct business with the utmost integrity.

Product Impact: We focus on continually improving the efficiency of our design and production processes in order to deliver safe, reliable, and affordable products and services to our customers.

Employee Wellbeing: We create an inclusive and engaging workplace environment that fosters a spirit of innovation and encourages high performance.

Resource Efficiency: We pioneer technologies and implement processes to mitigate risks and protect the environment.

Information Security: We secure our infrastructure and operations against cyber security attacks and expand access to these preventive technologies to our customer base.

Throughout this report, you will learn more about our Sustainability Management Plan and how it drives value for our customers, stockholders, employees, and communities.

I'm confident the men and women of Lockheed Martin are equipped with the talent, the ingenuity, and the resources to promote sustainable change, greater resiliency, and expanded opportunity. Through our combined efforts, we are solving complex challenges, advancing scientific discovery, and driving human progress, which will ensure a brighter future for all.

OUR APPROACH

OUR SUSTAINABILITY MISSION

To foster innovation, integrity and security to protect the environment, strengthen communities and propel responsible growth.

Lockheed Martin is the prime contractor building NASA's Orion spacecraft, our nation's exploration spaceship that will safely take humans into deep space, including to the Moon and Mars. By default, space missions must be as sustainable as possible because supplies are limited on spacecraft. Orion provides an opportunity to expand the frontiers of human experience and scientific discovery of the natural phenomena of Earth, other worlds and the cosmos.

THE SCIENCE OF CITIZENSHIP

Lockheed Martin is at the forefront of engineering solutions to enable safe, resilient, modern societies. Our Science of Citizenship approach to sustainability incorporates sound science and future-oriented thinking to address pressing environmental, social and governance issues including climate resiliency, ethical conduct, data reliability and equity in the workplace.

As a global leader in aerospace and defense, our goods and services enable missions of critical importance and great magnitude, such as improving and defending critical transportation, communication and energy infrastructure on behalf of governments and commercial entities around the world. To generate long-term value, we bring together brilliant minds and next-generation technologies to push the boundaries of innovation and deliver products and services to improve lives now and for decades to come. Our cornerstone value of ethics, which guides us to hold ourselves to a higher standard even when the law may not require us to do so, extends to our sustainability agenda. We are committed to high integrity stakeholder relations and robust governance of the way we disclose and report company information.

OUR APPROACH

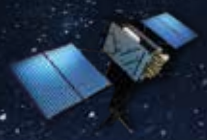
CLIMATE ADAPTATION STRATEGIES FOR SUSTAINABLE DEVELOPMENT

Growing resource constraints and changes to our climate require technologies that strengthen society's resilience and solutions for addressing impacts. At Lockheed Martin, we develop technologies and instruments that continuously monitor the climate from space to sea to support our customers in protecting and strengthening global infrastructure.

TECHNOLOGIES GATHER INVALUABLE DATA...

SPACE

GEOSTATIONARY OPERATIONAL ENVIRONMENTAL SATELLITE (GOES-R SERIES)
Used for weather forecasting and meteorology research, the GOES-R Series is designed to improve the forecasts of weather, climate, ocean, and environment by providing faster and more detailed data, real-time images of lightning, and advanced monitoring of solar activities and space weather.



AIR

WC-130
Modified from the C-130 Hercules, the WC-130 provides vital tropical cyclone forecasting information and is the primary data collector for the National Hurricane Center by collecting high-density, high-accuracy weather data from within the storm's environment. This helps aid accurate forecasting of tropical cyclone movement and intensity.

LAND

LMS-6 RADIOSONDE
Primary used for taking upper air observations, a radiosonde suspended from a large balloon will travel at speeds of 1000 feet/minute taking readings for pressure, temperature, relative humidity, wind speed, direction, and GPS location each second. This information is used for computer-based weather prediction models, climate research, local weather forecasts, and much more.

WINDTRACER
Designed to assist safe airport flight operations, the WindTracer light detection and ranging (LIDAR) measures wind and aerosol levels worldwide to improve aviation safety and efficiency. This system also complements existing sensors by monitoring current meteorological conditions such as wind monitoring and profiling.

SEA

OCEANOGRAPHIC INSTRUMENTATION
Oceanographic probes measure temperature, salinity, ocean currents, and sound velocity in the water as a function of depth. These probes provide vital information that is used for weather and climate forecasting as well as for seasonal, interannual and decadel climate research.

PROCESSING
Information and measurements are gathered, compiled, and analyzed for use in a variety of applications.

...THAT ARE ANALYZED TO SUPPORT CUSTOMERS...

COMMUNICATIONS
Safeguard and enhance communications systems to disseminate accurate weather assessments.

TRANSPORTATION
Ensuring safe, reliable and timely transportation routes.

HUMANITARIAN AID
Minimizing risk in rescue/aid missions during dangerous weather conditions.

MARINE LOGISTICS/ NAVIGATION
Protecting maritime navigation efforts and providing critical information for scientific applications.

...IN CREATING VALUE FOR GLOBAL SUSTAINABLE DEVELOPMENT.

MITIGATE CLIMATE RISKS FOR SUSTAINABLE INFRASTRUCTURE AND DEVELOPMENT

PRESERVE SAFETY AND HUMAN RESILIENCY

MONITOR AND UNDERSTAND CLIMATE IMPACTS

OUR APPROACH

SOLUTIONS ENGINEERED FOR THE FUTURE

Sustainability and Our Business Model

Governments and commercial entities need strong partners to help mitigate risks associated with infrastructure security, climate resiliency and other significant societal challenges. Lockheed Martin is a key partner. As a mission-driven organization, we innovate and develop long-lasting products and services to protect and strengthen systems, enable global cooperation and serve society's current and emerging needs.

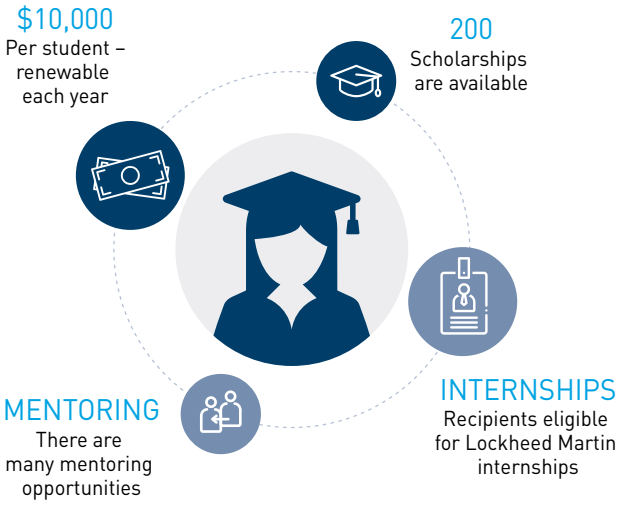
Many of our customers have the unique responsibility to address these wide-ranging and rapidly evolving challenges. We bring value to customers and help them address these challenges by integrating sustainability into all aspects of our business and taking a long-term perspective on everything we do. We actively engage with stakeholders to understand, anticipate and address their short- and long-term needs. During product design, we apply lifecycle thinking to ensure our solutions, such as radar warning receivers aboard helicopters and driver-less military supply vehicles to lighten loads for soldiers are relevant today and can be relied upon for decades to come. We assessed all active programs to determine how circular economy was being applied at Lockheed Martin. To date, more than 70 percent of our customer programs incorporate at least one business model in support of the circular economy.[1]

ADDRESSING GLOBAL CHALLENGES

For the past few years, we have tracked five megatrends relevant to our operations: Reimagining Work, Geopolitical Instability, Confidence in Institutions, Climate Resiliency, Data Reliability

REIMAGINING WORK

Technology is transforming how humans and machines work together. Machines will help us make better informed decisions, expanding reach and access, and increasing safety and productivity. In this new era of human-machine collaboration, researchers say the time workers spend using advanced technological skills will rise 50 percent in the U.S. and 41 percent in Europe by 2030. Almost all workers will need basic digital skills, which means companies must help employees learn and adapt to new work environments.[2]



Lockheed Martin Solutions:

- Lockheed Martin is preparing our employees to be successful in a more connected, digitally-enabled organization and investing in closing high-tech skills gaps. Our holistic programs serve the entire talent pipeline from college-bound students and employees who need upskilling to those who want to enter vocational trades. In 2018, the U.S. Department of Labor approved our National Standards of Apprenticeship, a common framework for registered apprenticeship programs for highly-skilled roles across our U.S. facilities. In our Cyber After Hours program, cyber and non-cyber employees study technology trends and refine and develop their skills in the evening after their day jobs have ended.
- Starting in 2019, we will award 200 science, technology, engineering and mathematics (STEM) scholarships of $10,000 each to students who need financial help or come from underrepresented or underserved communities. Looking ahead, we're investing $5 million in vocational and trade programs and creating 8,000 new apprenticeship and other workforce development opportunities through 2023.

[1] *Circular advantage: Innovative business models and technologies to create value in a world without limits to growth. Accenture, 2014.*

[2] *Skill shift: Automation and the future of the workforce, McKinsey Global Institute, May 2018.*

OUR APPROACH

GEOPOLITICAL INSTABILITY

Globalization has facilitated trade and cooperation that benefit millions. It has also created interdependence, where local economic and geopolitical fluctuations or tensions between countries can affect the entire system. Contending with market dynamics created by this interconnectedness is no longer restricted to governments; the private sector also has a role in responding to geopolitical instability and events that can threaten economies and societies.

Lockheed Martin Solutions:

- The Arctic presents potential economic opportunities as well as environmental and security concerns for nations such as the U.S., Canada, Norway, Denmark and Russia. It is critical for governments and commercial entities to document and monitor this demanding environment to lay the foundation for academic and commercial research. Territorial lines, however, are not firmly established in the newly emerging landscape, creating geopolitical challenges related to strategically important industrial resources and mineral deposits such as oil and gas, sea lanes for shipping and transit, environmental fragility and global ocean conventions ensuring maritime safety and pollution prevention.[1]

  The Arctic GeoData Cooperative was formed to build, improve, monitor and maintain dynamic terrain elevation models of the Arctic region. As a part of the Cooperative, Lockheed Martin will provide a scalable geospatial processing platform to enable persistent surveillance. The Cooperative also includes GeoNorth Information Systems and the University of Alaska Fairbanks' Alaska Satellite Facility.[2]

CONFIDENCE IN INSTITUTIONS

Investors are increasingly engaged about environmental, social and governance (ESG) factors that influence companies' long-term resilience. In the last 10 years, assets under management in sustainable investing portfolios grew 600 percent to approximately $23 trillion globally.[3] Continued rapid growth is expected, with ESG exchange traded funds projected to balloon from three percent of mutual fund assets today to 21 percent by 2028.[4] Likewise, investors, insurance providers and debt holders want assurance that companies are disciplined, enforce rigorous board oversight and are future-proofed against risks such as climate change, cybersecurity and human inequities.

Lockheed Martin Solutions:

- We enhanced our Proxy to explain Board directors' diversity and skills in ESG topics to better illustrate our governance structure. We also created a web portal to assist investors interested in accessing company policy and performance details for several ESG topic areas.
- We conduct ongoing employee and contractor ethics training including mandatory training on eradicating human trafficking and slavery in 2018. We will continue to develop and maintain training modules supporting our commitment to human rights and adherence to labor laws.

CLIMATE RESILIENCY

Many government institutions and commercial customers are beginning to respond to climate issues that involve more intense weather events, longer droughts, changes in precipitation patterns and rising sea levels. The impacts are far-reaching, affecting societal fundamentals such as agriculture, natural resources and human health. Governments and businesses are weighing climate adaptation and mitigation strategies to prepare for the resulting impacts and respond with solutions such as disaster relief, energy management and natural resource conservation.

Lockheed Martin Solutions:

- Natural disasters pose serious threats to communities and the power needed for our global operations and infrastructure. Lockheed Martin is developing a revolutionary, long-duration energy storage solution called GridStar® Flow, which will provide power for more than 12 hours, ensuring the most flexible resiliency solutions for government and commercial customers. GridStar® Flow was in the final stages of design and testing in late 2018.
- To continue providing sustainable solutions, we must imagine future needs and meet them. We are revolutionizing the way we see and respond to weather patterns with next-generation weather satellites built for NASA and the National Oceanic and Atmospheric Administration (NOAA). These spacecrafts transmit images around the clock, providing information from space to enable better decisions on Earth.

[1] *Roston, Eric. Migliozzi, Blacki. "How a Melting Arctic Changes Everything," Bloomberg, May 16, 2017. Østreng, Willy. On the Geopolitical Significance of the Arctic States, Arctis Knowledge Hub, 2010.*

[2] *University of Alaska, GeoNorth Information Systems, Lockheed Martin Partner to Collect Arctic Surveillance Data for the National Geospatial-Intelligence Agency, Lockheed Martin, December 5, 2018.*

[3] *Morningstar Sustainable Funds U.S. Landscape Report, January 2018.*

[4] *BlackRock Takes Sustainable Investing Mainstream with Range of Low-Cost Sustainable Core ETFs, October 23, 2018.*

OUR APPROACH

DATA RELIABILITY

Data volume is growing at a staggering rate. In the next two years, the world will create 40 zettabytes of data, about the same amount as four million years of high definition video. The potential for more data to enhance decision-making, anticipate needs and safeguard critical systems, however, depends on our ability to organize, understand and use it correctly. Currently, only 10 percent of data is collected and maintained in ways that allow easy, secure analysis and sharing.[1] To gain full economic and social benefit, we must protect, glean accurate insights from, transfer and use data ethically and responsibly.

Lockheed Martin Solutions:

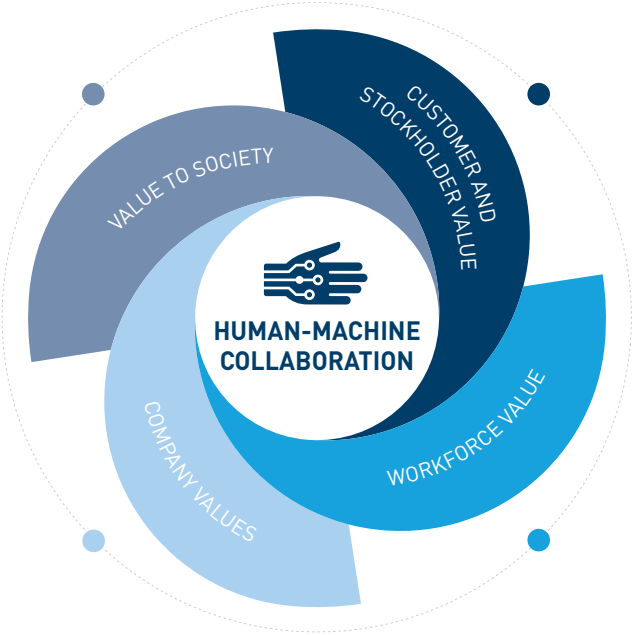
- Immediate and continuous access to current satellite data is critical to public safety, military missions, weather observation and other societal needs. To address the growing demand for satellite ground communications and data management, Lockheed Martin partnered with Amazon Web Services, Inc. (AWS) to combine our Verge™ antenna network with AWS Ground Station services. The integration allows customers to quickly download and upload large amounts of data even when unplanned outages like weather events affect parts of the network. The solution gives satellite operators more flexibility, resiliency and scale, and unlocks new opportunities for environmental research, scientific studies, security operations and real-time news media.
- Lockheed Martin was an early pioneer in data reliability and usage, building most of the global positioning system (GPS) satellites supporting the infrastructure of modern life. Our GPS satellites make up more than 60 percent of today's GPS constellation and we continue to build on our legacy of innovation.
- We see data and data analytics growing and increasing companies' and workers' speed and efficiency. At Lockheed Martin, for example, artificial intelligence (AI) and robotic processes are evolving the way we conduct audits. We must train current and future auditors to ensure our internal controls maintain high standards of integrity and accuracy.

[1] *Schlosser, Adam. "You may have heard data is the new oil. It's not." World Economic Forum, January 10, 2018.*

RESPONSIBLE LEADERSHIP FOR THE HUMAN-MACHINE COLLABORATION

The acceleration of artificial intelligence and autonomy is raising important questions and concerns about the transformative effects they will have on businesses and society. Lockheed Martin is committed to building a trusted and ethical approach to human-machine collaboration. Driven by our commitment to responsible leadership, our scientists and engineers are leveraging the power of AI and autonomy to deliver greater value to our business, our stakeholders and ultimately, society as a whole.

Successfully implementing ethical and responsible human-machine collaboration ultimately benefits society.



Using AI applications and/or autonomy to operate the Lockheed Martin business more efficiently leads to increases in customer and stockholder value.

Advancing ethical frameworks for the use of AI and autonomy both in business operations and product design advances company values.

Generating effective human collaboration with AI and autonomy in the making of our products and services creates workforce value.

PARTNERS IN CITIZENSHIP

DIALOGUE TO DRIVE PROGRESS

Stakeholders, who include our customers, employees, investors, suppliers and community organizations, are as integral to our sustainable business practices as they are to other aspects of our operations. We communicate and collaborate with them to understand issues and challenges and adapt solutions beneficial to them and to society at large. In addition to leveraging stakeholder relationships to learn about the issues themselves, we regularly ask for feedback through core issues assessments and formal and informal channels. This helps ensure our sustainability agenda and priorities are relevant and meaningful to stakeholders and informed by a wide range of views.

We build relationships with our investors to promote further transparency and accountability. During 2018, as a part of our active stockholder engagement program, we invited many of our largest stockholders to engage with us and we had 18 engagements by telephone conference or written correspondence on a variety of topics. Our annual cadence of stockholder engagement includes, but is not limited to:

- Spring: We publish our annual report, proxy statement and sustainability report and talk to investors about topics to be addressed at the Annual Meeting in April.
- Summer: We review Annual Meeting results, governance trends, regulatory developments and our policies and practices. We solicit input on proposed changes the Board may consider.
- Fall: We communicate investor feedback to the Board and use it to enhance disclosures, governance practices and compensation programs.
- Winter: The cycle concludes with the Board's annual self-assessment of its performance and effectiveness.

Exploring issues and solutions on a wide variety of topics and in various regions helps us understand how to evolve our sustainability strategy for positive impact on our business, our constituents, our society and the world.

HIGHLY ENGAGED STAKEHOLDERS

Who they are	How we engage them
ACADEMIC INSTITUTIONS	We underwrite research and development as part of our product innovation cycle. We strengthen and support the STEM pipeline through education outreach activities for students in elementary school through college.
CUSTOMERS	We provide full mission support for our training logistics and sustainment programs and contribute to newly-formed customer stakeholder channels such as the National Space Council.
EMPLOYEES	We regularly ask employees at all levels and business segments via structured surveys to tell us how we're doing on sustainability issues including diversity and inclusion, business integrity and resource efficiency.
INVESTORS	More investors want to know how companies address ESG challenges in their operations. We created an investor ESG portal to communicate our strategies and progress. We provide our sustainability report at annual shareholders' meetings.
NONGOVERNMENTAL ORGANIZATIONS (NGOS)	We ask membership and philanthropic organizations for feedback to validate the effectiveness of our ethical controls and our sustainability strategy's impact on the community.
SUPPLIERS	We provide resources and education to our suppliers to help them build and maintain business relationships with Lockheed Martin, establish strong ethics programs and meet our anti-corruption and other policies consistent with our values.

LEADING WITH INTEGRITY

Lockheed Martin is a part of the infrastructure of modern life. From GPS and weather satellites to battery storage and trusted AI and autonomy, we are helping create a more sustainable future.

Leo S. Mackay, Jr.
Senior Vice President
Ethics and Enterprise Assurance

GOVERNANCE FOR VALUE AND RESILIENCE

Through our formal sustainability governance structure; our culture of doing what's right, respecting others and performing with excellence; and our legacy of anticipating and meeting customers' needs, we have built a business relevant to today and resilient for the future.

Through effective governance, we monitor and manage our economic, social and environmental impacts. Sustainability plays a key role in our success. We have leadership councils in our facilities; risk and compliance; Environment, Safety and Health (ESH); and supply chain operations who periodically evaluate our sustainability activities to improve our enterprise resiliency.

We have sound policies and procedures to guide our small business procurement, business conduct, anti-corruption controls, data security, workforce planning, risk management and other practices highly scrutinized by our primary government customers. We voluntarily work to reduce our greenhouse gas (GHG) emissions, increase water and energy efficiency, implement diversity and inclusion programs and uphold high ethics and supply chain standards. Further emphasizing the importance of good governance at Lockheed Martin is the fact that half of our outstanding shares are held by institutions with a strong ESG focus.

Sustainability Governance

Lockheed Martin's formal sustainability governance structure is made up of our Board of Directors, executive leadership team and key functional leaders responsible for sustainability initiatives. Our lead sustainability executive is the Senior Vice President (SVP) Ethics and Enterprise Assurance (EEA) who oversees ethics; enterprise risk; environment, safety and health; internal audit; and sustainability. He also sits on the corporate venture capital investments committee.

Incentive compensation for Lockheed Martin executives is linked to sustainability factors that we measure and report, including on topics such as diversity and talent management. See our 2019 Proxy Statement for details.

Our Corporate Sustainability Policy guides integration across the business.

Our Sustainability Governance Structure

Board of Directors
Monitors the corporation's adherence to our Code of Ethics and Business Conduct and oversees performance in corporate sustainability, employee safety and health, ethical business practices and diversity and inclusion.

Executive Leadership Team
Guides and governs corporate-wide sustainability objectives and initiatives.

Sustainability Working Group
Drives performance of our sustainability agenda, facilitates sustainability initiatives and coordinates stakeholder engagement.

AN INTEGRATED APPROACH

OBJECTIVE

Our sustainability strategy aligns stakeholder priorities with our corporation's ESG impacts. We take a formal, structured approach to determine our most relevant sustainability issues, objectives and performance measures. We regularly track and disclose progress against our objectives, reassess our issues and repeat the cycle.

HOW SUSTAINABILITY AND RISK MANAGEMENT WORK TOGETHER

At Lockheed Martin, we see a strong relationship between business resilience and enterprise risk. Risk management is a natural extension of sustainability and both keep the business viable not just for the next quarter, but for the next quarter century and beyond.

We aligned Sustainability and Enterprise Risk Management (ERM) under one department managed by our Director of Enterprise Risk and Sustainability.

- Our risk assessments explicitly probe sustainability factors for business impact, likelihood of occurrence and confidence in controls.
- Our performance tracking against sustainability goals informs acceptable risk tolerance levels and consistency of public disclosures and reporting.
- The benefits of coordinating these efforts extend to our business operations and support our core sustainability issues. Greater integration between sustainability and ERM enables our management teams to tap risk assessments and sustainability performance when conducting scenario planning exercises.

As a result, we can characterize human capital and manufacturing risks more accurately and more strictly to enforce risk controls such as corporate policies and resource allocation for decisions. As a best practice, we share our sustainability reports to prospective business partners when discussing long-term contract agreements.

The Audit Committee is responsible for overseeing ERM and all matters relating to the Corporation's independent auditors, Ernst & Young. As part of its annual and mid-year assessment of Ernst & Young, the Audit Committee has considered the materials on independence provided by Ernst & Young, work quality, and the length of time Ernst & Young has been engaged, among other factors.

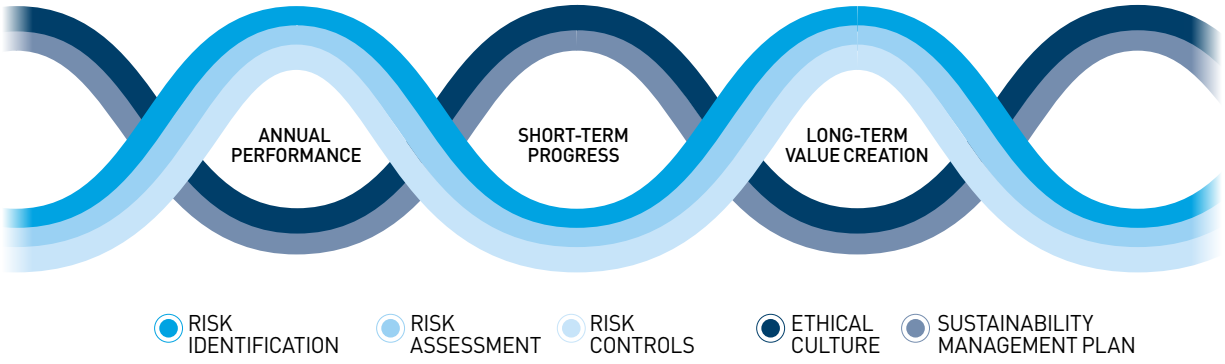
UPDATED PERFORMANCE MEASURES

We look at sustainability through immediate, near-term and long-term lenses. This means periodically updating our strategy through a structured process that includes stakeholder feedback; identification of priority topics, objectives and key performance indicators (KPIs); and proactively tracking current and emerging trends.

In our 2015 core issues assessment, we identified five core sustainability issues and twenty six performance measures for our SMP. Twelve measures had 2017 completion dates and others expire in 2020. In 2018, we added additional measures, also with 2020 targets.

In late 2017, we reviewed all measures ending that year. We held internal stakeholder workshops, evaluated institutional investor and ESG research firm feedback, looked at enterprise risk mitigation plans and examined frameworks of the GRI, Sustainability Accounting Standards Board (SASB) and the Committee of Sponsoring Organizations of the Threadway Commission (COSO). Through that assessment process, we identified additional measures with 2020 completion dates that align to our cores issues topics. We report on these on page 15 and throughout the report. The systemic process included holding internal stakeholder workshops, evaluating institutional investor and ESG research firm feedback, reviewing enterprise risk mitigation plans and examining GRI, SASB and COSO frameworks.

We are using what we learned while delivering on SMP objectives in the current cycle to develop ambitious new measures for the future. We will finalize these in 2019, for implementation in 2020 and beyond.



OUR FUTURE-FOCUSED AGENDA

LOCKHEED MARTIN SUSTAINABILITY CORE ISSUES AND FACTORS

In 2015, we identified five core sustainability issues we deemed were vital in the immediate term and would remain relevant in the future as trends and customer priorities evolved. Each core issue has Tier 1 factors, which are areas we strategically manage for significant impact, with goal completion dates by 2020. Most also have Tier 2 factors, which are important issues our stakeholders would like us to address. Tier 2 factors do not have specific target dates, but we post our progress, management processes and core issues assessment on our sustainability website.

Sustainability Microsite

Lockheed Martin's core sustainability issues detailed in this report are:

Business Integrity calls for responsible leadership, integrity and ethical conduct in all aspects of our business.

Tier 1

Ethical Governance and Leadership
Anti-Bribery and Corruption Controls
Supplier Conduct
Responsible Sales

Tier 2

Human and Labor Rights
Supplier Diversity
Conflict Minerals

Product Impact aligns our customers' needs, our product portfolio and global trends.

Tier 1

Global Infrastructure Needs
Total Cost of Ownership
Product Safety
Counterfeit Parts Prevention

Tier 2

Product Eco-Innovation

Employee Wellbeing reflects our support for people throughout the employee journey and fosters a high-performance, inclusive workplace.

Tier 1

Workplace Safety and Wellness
Talent Development
Talent Recruitment
Diversity and Inclusion

Tier 2

STEM Education

Resource Efficiency harmonizes business resiliency and accelerates carbon reduction through improved energy and water management, materials conservation and increased renewable energy use.

Tier 1

Energy and Carbon Management

Tier 2

Remediation
Hazardous Materials and Chemicals Management

Information Security emphasizes management and measurement of employee and customer data privacy and security.

Tier 1

Sensitive Data and Intellectual Property Protection
Customer Information Systems and Network Security
Employee Privacy and Data Protection

CORE ISSUES AND OBJECTIVES

Our sustainability strategy is structured around five core sustainability issues and objectives. Each issue and how we manage it are detailed in the corresponding chapters of this report. We have defined our five core issues as follows:

BUSINESS INTEGRITY

Advancing standards and controls for ethical business conduct that strengthen customer relationships, supplier partnerships and workplace integrity.

PRODUCT IMPACT

Delivering optimal lifecycle value by engineering innovative solutions for resilient energy, global security, telecommunications and other critical infrastructure.

EMPLOYEE WELLBEING

Creating a high-performance, inclusive workplace culture that engages employees and creates rewarding career paths for our current and future workforce.

RESOURCE EFFICIENCY

Increasing business resiliency and accelerating carbon reduction through improved energy and water management, materials conservation and increased renewable energy use.

INFORMATION SECURITY

Minimizing likelihood and impact of security incidents on our business operations and customer missions and protecting business-sensitive, customer and personal information from external and internal threats.

A PURPOSEFUL SUSTAINABILITY MANAGEMENT PLAN

This dashboard summarizes our core sustainability issues, factors, goals, target dates and progress, which we review and update periodically for relevance and future preparedness. Details on challenges and progress towards goal completion are in the core issues chapters of this report. We also report against GRI Standards indicators in our online GRI Index.

PROGRESS KEY ◉ Goal in progress ● Goal met

	Factors	Goals	Target Date	Progress
BUSINESS INTEGRITY	Anti-Bribery and Corruption Controls	Achieve 100 percent completion rate of applicable employee training on business courtesies and international Business Conduct Compliance Training (BCCT) modules.	2020	◉
		Achieve 100 percent completion rate of applicable training on ethics for business consultants.	2020	◉
		Assess risks for 100 percent of all international consultants and other consultants identified through audits.	2020	◉
	Responsible Sales	Maintain transparency of hardware exports made without regulatory authorizations as a percentage of all exports.	2020	◉
	Supplier Conduct	Increase participation in our virtual ethics supplier mentoring program.	2020	◉
	Ethical Governance and Leadership	Meet or exceed global benchmark for Ethics Index based on All Employee Survey.	2020	◉
PRODUCT IMPACT	Product Safety	Track and report product failure or nonconformance due to manufacturing processes.	2020	●
	Total Cost of Ownership	Add criteria to fully identify cost drivers early in product design cycle within each business segment's proposal planning and proposal review processes.	2020	●
		Achieve ≥$700M in corporate cost and supply chain efficiencies	2020	●
		Generate $1 billion of lifecycle cost reductions from manufactured products related to the use of resources and impacts on human health and the environment.	2020	●
	Counterfeit Parts Prevention	Maintain or reduce instances of counterfeit parts in delivered systems confirmed as our responsibility.	2020	●
	Global Infrastructure Needs	Achieve $4 billion in product sales with direct, measurable benefits to energy and advanced infrastructure resiliency.	2020	●
EMPLOYEE WELLBEING	Workplace Safety and Wellness	Achieve or outperform day away case and severity rate goals.	2020	◉
	Diversity and Inclusion	Develop the best workforce for our customers by increasing representation of women, people of color, veterans and people with disabilities.	2020	◉
		Increase employee participation in company-sponsored diversity events, employee resource groups (ERGs) and leadership associations.	2020	◉
	Talent Development	Maintain a lower voluntary attrition rate among top performing employees as compared to the employee population.	2020	◉
		Increase succession planning for senior leadership.	2020	◉
	Talent Recruitment	Achieve an intern conversation rate of greater than, or equal to, 50 percent.	2020	◉
RESOURCE EFFICIENCY	Energy and Carbon Management	Reduce energy use by 25 percent, scope 1 and 2 carbon emissions by 35 percent and water use by 30 percent.	2020	◉
		Increase square footage of facilities with green building certifications.	2020	◉
		Increase annual renewable energy consumption.	2020	◉
		Help energy customers reduce carbon emissions by at least twice the carbon impact of our business operations.	2020	◉
INFORMATION SECURITY	Sensitive Data and Intellectual Property Protection AND Customer Information Systems and Network Security	Monitor employee cybersecurity engagement to counter malicious email threats and monitor number of vulnerabilities per device on core IT networks.	2020	●
		Monitor data loss incidents within core IT networks for business operations	2020	●
		We track two other proprietary goals to improve the security of IT networks.	2020	●
	Employee Privacy and Data Protection	Achieve desired thresholds for identifying vulnerabilities to employees' personal data exposure within our IT systems.	2020	●
		Achieve annual certification of EU-U.S. Privacy Shield Framework for all seven framework principles.	2020	●

BUSINESS INTEGRITY

As international sales grow, ethics and business integrity are integral to our customer relationships and for our operational performance standards. The F-35 was designed with sustainment in mind to control cost at the individual aircraft, squadron, service and global fleet levels.

Find out more about this innovation on:
www.lockheedmartin.com/en-us/who-we-are/business-areas/aeronautics/mmro.html

BUSINESS INTEGRITY OVERVIEW

OBJECTIVE

Advancing standards and controls for ethical business conduct that strengthen customer relationships, supplier partnerships and workplace integrity.

IMPORTANCE

Our Ethics and Enterprise Assurance (EEA) organization is comprised of several integrated functions: Ethics, Sustainability, Internal Audit, Enterprise Risk Management (ERM) and Environment, Safety and Health (ESH). These groups all report to the SVP of EEA. They work collaboratively to ensure the effectiveness of Lockheed Martin internal controls, increase transparency, serve as a resource for business leaders and employees, and develop a risk and opportunity aware culture. By leveraging complementary expertise and sharing reporting tools and data analysis, EEA empowers our colleagues to make informed decisions that benefit our business and our customers.

CHALLENGE

All EEA programs share elements of enterprise risk, sustainability and business strategy and often use similar reporting tools of risk and assurance processes; effective employee training on multiple business conduct topics; and maintaining high confidence in and access to grievance mechanisms and methodologies. The challenge is ensuring proper alignment, which includes building trust and breaking down silos.

Tier 1

Ethical Governance and Leadership
Anti-Bribery and Corruption Controls
Supplier Conduct
Responsible Sales

Tier 2

Human and Labor Rights
Supplier Diversity
Conflict Minerals

DID YOU KNOW...

Setting the Standard, our Code of Ethics and Business conduct, is available in 15 languages.

THE SCIENCE

We apply proven methodologies and innovative training techniques to cultivate ethical thinking among our employees and develop resources and tools to advance integrity across our industry.

OF CITIZENSHIP

Conducting business with the utmost integrity engenders trust and fosters a resilient value chain and a high-performing, transparent work environment. This not only attracts more customers and helps us retain the best talent, it reduces risk and ensures corruption does not subvert societies' or citizens' safety.

ETHICAL GOVERNANCE AND LEADERSHIP

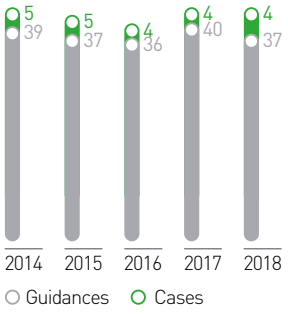
OBJECTIVE

Maintaining consistent, transparent and high ethical standards, policies, practices and leadership across our business.

MANAGEMENT

The way we do business is as important to us as financial and mission success. We regard transparency as critical to maintaining high ethical standards in our policies, practices and leadership performance. We know ethical dilemmas are common in the workplace and we seek to empower employees with tools to resolve those conflicts and make informed decisions. When employees face ethical dilemmas in the workplace, we encourage them to use Voicing Our Values techniques: Ask Questions, Obtain Data, Talk to Others and Reframe the Issue. These techniques form a practical strategy for thinking through and resolving ethics issues. We also provide interactive Code of Conduct and ethics training in multiple languages and a Corporate Ethics HelpLine. If an issue remains unresolved or if there is a compliance breach, employees can report concerns to their manager, the Ethics Office, Human Resources, the Legal Department, Security, Internal Audit or the ESH Office. At Lockheed Martin, anonymous reporting to Ethics averaged 11 percent in 2018 versus a benchmark of 40 percent across several industries[1].

ETHICS CONTACTS
(per 1,000 employees)



INVESTIGATION FEEDBACK SCORES
(satisfaction scored on a five-point scale)

[1] *Gartner State of the Compliance and Ethics Function 2018: Investigations and Discipline Findings.*

GOAL

Meet or exceed global benchmark for Ethics Index based on All Employee Survey.

Progress: Starting in 2017, an Ethics Index based All Employee Survey is conducted biennially. The 2019 employee survey will provide additional data points for measuring progress on this goal.

HIGHLIGHTS

Lockheed Martin is one of the few, if not the only company, that publishes its annual ethics awareness training on its public website to promote ethics awareness and engagement.

We have 13 business conduct compliance training courses that educate employees in every country where Lockheed Martin operates about the standards of conduct that apply to their jobs and the potential consequences of violations.

We license our ethics training content to major corporations, large organizations, and academic institutions for their internal use.

Lockheed Martin SVP Leo Mackay briefs students on the Ethics in Engineering Case Competition.

CASE STUDY

ETHICS IN ENGINEERING CASE COMPETITION

WHAT WE DID

In 2018, the Lockheed Martin Ethics Office partnered with the University of Illinois' Center for Professional Responsibility in Business and Society to host the first-ever Lockheed Martin Ethics in Engineering Case Competition. Twenty-four undergraduate students from 12 universities across America participated in the competition at Lockheed Martin Aeronautics in Fort Worth, Texas.

Several weeks in advance, student teams received a hypothetical business case written by Lockheed Martin's Corporate Engineering Technology and Operations (CETO) organization. The case described the ethical, engineering and business dilemmas of a fictional company that developed a wearable device for police officers to improve situational awareness and help prevent terrorist attacks. Just before the product launch, engineers discovered the devices' non-ionizing radiation could negatively impact wearers' health. Student teams, acting as consultants to the fictional company, presented their recommendations to Lockheed Martin judges playing the role of the fictional company's board of directors. Winning teams were selected based on how well they addressed all three dilemmas.

WHY THIS MATTERS:

As one of the largest engineering and technology companies in the world, Lockheed Martin has a responsibility to contribute to the ethical development of future STEM talent. Considering the rate at which new technologies and science are advancing, we want to increase future employees' perceptions of ethical behaviors in leaders to support sustainability at Lockheed Martin or wherever students are employed. Through the Ethics in Engineering Case Competition, we help academic institutions teach prospective engineers to always consider how their decisions may impact individuals, the community, the country and the world. Our Ethics Office also speaks regularly to business ethics classes and licenses our "Integrity Minute" and ethics awareness training videos at no charge to academic institutions and for a small fee to corporations and other organizations. This reinforces our commitment to ethics education and our reputation as an ethical employer of choice.

ANTI-BRIBERY AND CORRUPTION CONTROLS

OBJECTIVE

Preventing bribery and corruption among employees, suppliers and contractors.

MANAGEMENT

We have zero tolerance for corruption at Lockheed Martin. We work diligently to combat and prevent corruption in our operations. Every year on International Anti-Corruption Day, we join other corporations, governments and citizens throughout the world to reaffirm our commitment to combatting and preventing all forms of corruption. Every day, we empower our employees with knowledge and resources to report all known or suspected violations of our anti-corruption policy, including:

- Setting the Standard, our interactive Code of Ethics and Business Conduct, which opens with a video of our Chairman, President and CEO Marillyn Hewson outlining the importance of the Code and upholding our core values of doing what's right, respecting others and performing with excellence
- Gifts Decision Tree, our interactive guide for employees that answers questions about gifts, hospitality and other business courtesies
- CPS-730, our corporate policy statement on Compliance and Anti-Corruption laws

In addition to these tools, employees can talk to their local Ethics Officer, the Corporate Ethics Office, Human Resources or our Legal team for guidance, to ask questions and to raise concerns without fear of retaliation. All Lockheed Martin employees are required to take regular Business Conduct Compliance Training (BCCT).

HIGHLIGHTS

Our Anti-Corruption Program assures our reputation for ethical business conduct and is known in countries and regions where we operate. Every year, we speak publicly at industry and government conferences and events and benchmark and engage with U.S. and foreign entities seeking best practices to build or improve their anti-corruption measures.

GOALS

Achieve 100 percent completion rate of applicable employee training on business courtesies and international BCCT modules.

Progress: For the 25th year in a row, 100 percent of active Lockheed Martin employees completed their required BCCT.

Achieve 100 percent completion rate of applicable training on ethics for business consultants.

Progress: 85 percent of domestic consultants and 92 percent of international consultants completed applicable Lockheed Martin ethics training.

Assess risks for 100 percent of all international consultants and other consultants identified through audits.

Progress: Audit planning for 2019 includes the results of risk assessments conducted in 2018.

"Integrity Minute" invites viewers to take a front-row seat in an ethical dilemma.

CASE STUDY

TRAINING EMPLOYEES TO HANDLE ETHICAL DILEMMAS

WHAT WE DID

To help keep ethics and integrity top-of-mind at Lockheed Martin, our Ethics Office produces "Integrity Minute," a video series spotlighting ethical dilemmas. Stories are drawn from real investigations and employee input to educate our workforce on the most pressing topics and how to deal with them. In one episode, for example, a Lockheed Martin employee was asked to bribe a customer security officer in order to gain entry into overseas facility.

"Integrity Minute" is a central element of our ethics engagement program. As we do each year, in 2018, we released three new series on the our Ethics webpage and YouTube channel. Each series includes two short episodes to set up the dilemma and a third showing the resolution. We license the series free of charge to academic institutions and for a small fee to corporations for business ethics and other classes.

Employees are not required to watch "Integrity Minute," and it does not replace Lockheed Martin's annual ethics awareness or compliance training. Yet, employees look forward to each new series, which draw up to 25,000 views. People are intrigued by the stories and can relate to the characters, creating more engagement. Eighty percent of viewers rate the series "very good" or "excellent." "Integrity Minute" has won more than 18 awards since it debuted in 2006.

WHY THIS MATTERS

Acting with integrity reflects who Lockheed Martin is as a corporate citizen and how we operate. It is essential that our employees understand and conduct business according to our core values and speak up if they see or hear of unethical behavior. Using an engaging story approach that employees can relate to, "Integrity Minute" brings sensitive and highly relevant ethics issues to the forefront and encourages employees to discuss them with supervisors, managers or others. The streaming video format allows us to create relevant content as ethical challenges in our complex operating environment evolve, ensuring we uphold our high standards in working with suppliers, customers and each other.

SUPPLIER CONDUCT

OBJECTIVE

Helping suppliers strengthen management and disclosure on ethical, labor, human rights and environmental issues.

MANAGEMENT

By reinforcing and strengthening protocols and transparency with our business partners, we can open doors to opportunity and innovation for suppliers and customers. Supplier Wire is our dedicated site for suppliers looking to do business with Lockheed Martin and the defense industry. It keeps partners up-to-date on issues such as email scams, effective cybersecurity for small businesses, ethics webinars, sustainability, supply chain mentoring, counterfeit parts, annual ethics reminders, industry trends and more. Additional resources include:

- Supplier Code of Conduct, which we reference in all purchase orders and expresses our ethical expectations of suppliers
- Ethics Resources for Suppliers, which are free, self-serve resources like ethics program guidelines and webinars. Suppliers can apply to work one-on-one with a Lockheed Martin Ethics Officer on their ethics programs
- Small Business Toolkit, developed by the Defense Industry Initiative on Business Ethics and Conduct, contains guidance on setting up an ethics program, template policies, procedures and compliance training

THE BREADTH OF OUR SUPPLY CHAIN:

52% small businesses

25% service providers

12% distributors

94% U.S.-based

46% manufacturers

GOAL

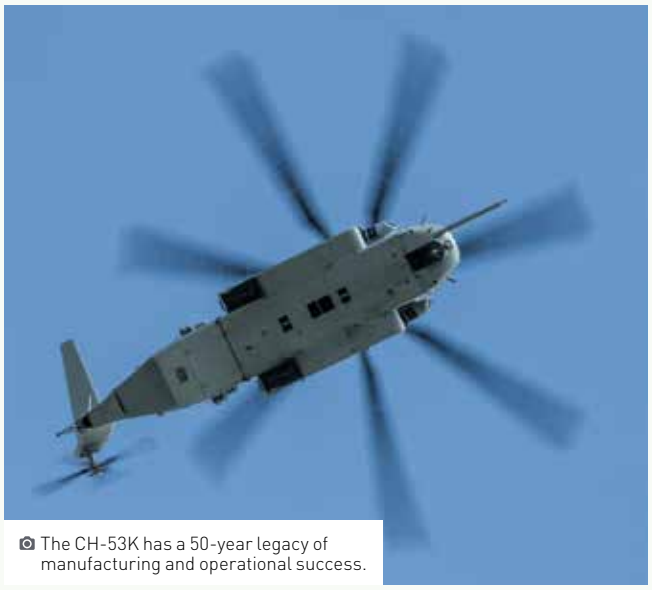
Increase participation in our virtual ethics supplier mentoring program.

Progress: One hundred seventy-one companies participated in our webinar series, compared to 266 companies in 2017. For 2019, we expect outreach efforts to generate higher participation rates.

HIGHLIGHTS

Supplier Sustainability Voluntary Assessment Results

In 2018, we surveyed suppliers who represent 64.1 percent of our supply chain spend; 59 percent of respondents were small businesses. The assessment provides us with insights that allow us to take action on ESG topics. After analyzing the results, we develop action plans for supplier engagement and our own sustainability performance.



The CH-53K has a 50-year legacy of manufacturing and operational success.

CASE STUDY

INCREASING TRANSPARENCY IN CHEMICAL REPORTING

WHAT WE DID

In the aerospace and defense industry, product development cycles and product lifespans can last for decades. This means the materials we select today must be viable for many years in the future.

To help us identify chemicals of potential concern used in our supply chain, Lockheed Martin collaborated with industry partners to develop the standard IPC-1754: Materials and Substances Declaration for the Aerospace, Defense and Other Industries, which is a brand new, voluntary standard published in 2018. IPC-1754 establishes requirements for exchanging product and process material and substance data between suppliers and customers in aerospace, defense, and other industries. Lockheed Martin is working through IAEG (International Aerospace Environmental Group), of which Lockheed Martin is a member, and IPC® (Association Connecting Electronics Industries) to develop resources to support the use of the standard, thus promoting improved efficiencies and data quality. Implementing IPC-1754 into our internal business processes is part of our broader chemical stewardship strategy and supports increased visibility of chemicals used in our supply chain to meet regulatory and customer reporting obligations.

WHY THIS MATTERS

Chemical regulations and restrictions continue to expand globally in light of increased scrutiny of their environmental and safety impacts. Lockheed Martin strives to choose more sustainable materials to meet our customers' needs while protecting human health and the environment. We proactively pursue replacement technologies, partner with suppliers to stay ahead of potential supply chain disruptions if materials become unavailable and collaborate on external reporting standards such as IPC-1754 to facilitate chemicals disclosure. Transparency helps ensure effective stewardship of chemicals risk in any industry, and many are seeing a growing trend in supply chain disclosure. Lockheed Martin's efforts contribute to a comprehensive chemical stewardship program to mitigate risks, comply with regulations and consider environmental, safety and health impacts across our products' value chain now and for years to come.

RESPONSIBLE SALES

OBJECTIVE

Ensuring sales are conducted ethically and fairly, with careful consideration for export controls and trade policies, products' intended use and impact on civilian needs.

MANAGEMENT

International sales of Lockheed Martin defense products and services occur on a government-to-government basis via Foreign Military Sales (FMS) programs and by Direct Commercial Sales from Lockheed Martin to our customers. Both forms of transactions are authorized by the Arms Export Control Act (AECA) and support U.S. foreign policy. The FMS program is funded by administrative charges to the customer and operated at no cost to taxpayers. The Defense Security Cooperation Agency (DSCA) manages the FMS program for the U.S. Department of Defense. These activities are regulated by the U.S. government and are reviewed and approved by the Executive Branch and Congress to ensure that they support U.S. national security and foreign policy objectives.

The applicable regulatory processes stipulate the roles of these branches of government to consider the risk that an arms transfer contributes to abuses of human rights.

With FMS, it is common for contracts with purchasing countries to require Lockheed Martin to buy or invest in that country's resources. This is commonly called an offset obligation. Some countries allow and may require offsets to be direct foreign investment, technology transfer or other business relationships with non-defense economic sectors. We view this as an opportunity to contribute to sustainable development initiatives globally.

Commensurate U.S. business activities are subject to multiple policies, procedures and contractual obligations that are inclusive of, but not limited to, those itemized in Lockheed Martin's human rights policy and related codes of conduct.

GOAL

Maintain transparency of hardware exports made without regulatory authorizations as a percentage of all exports.

Progress: We do not disclose performance data deemed competitive and proprietary. A reporting process is in place for unauthorized hardware exports to minimize associated risk.

CASE STUDY

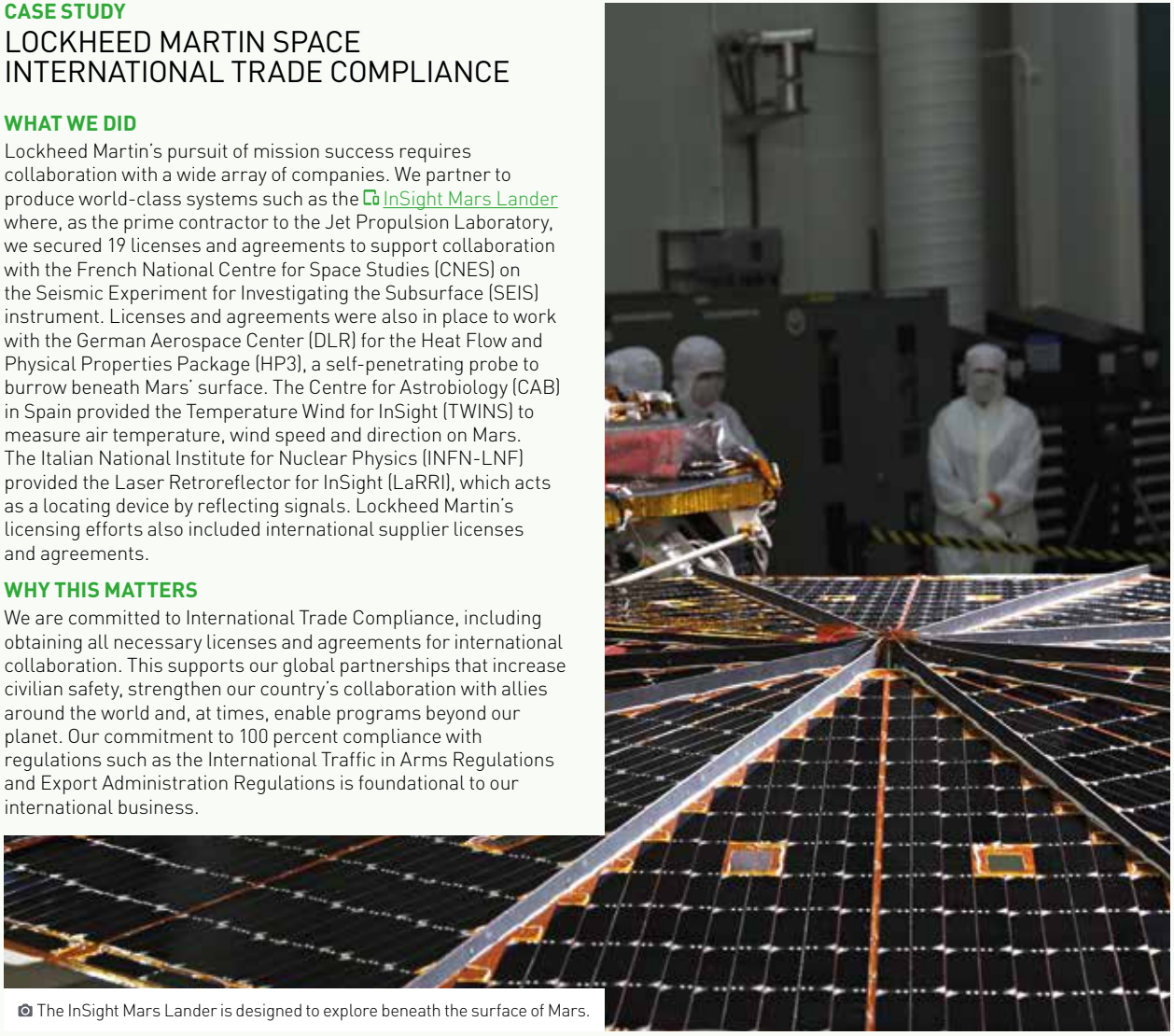
LOCKHEED MARTIN SPACE INTERNATIONAL TRADE COMPLIANCE

WHAT WE DID

Lockheed Martin's pursuit of mission success requires collaboration with a wide array of companies. We partner to produce world-class systems such as the InSight Mars Lander where, as the prime contractor to the Jet Propulsion Laboratory, we secured 19 licenses and agreements to support collaboration with the French National Centre for Space Studies (CNES) on the Seismic Experiment for Investigating the Subsurface (SEIS) instrument. Licenses and agreements were also in place to work with the German Aerospace Center (DLR) for the Heat Flow and Physical Properties Package (HP3), a self-penetrating probe to burrow beneath Mars' surface. The Centre for Astrobiology (CAB) in Spain provided the Temperature Wind for InSight (TWINS) to measure air temperature, wind speed and direction on Mars. The Italian National Institute for Nuclear Physics (INFN-LNF) provided the Laser Retroreflector for InSight (LaRRI), which acts as a locating device by reflecting signals. Lockheed Martin's licensing efforts also included international supplier licenses and agreements.

WHY THIS MATTERS

We are committed to International Trade Compliance, including obtaining all necessary licenses and agreements for international collaboration. This supports our global partnerships that increase civilian safety, strengthen our country's collaboration with allies around the world and, at times, enable programs beyond our planet. Our commitment to 100 percent compliance with regulations such as the International Traffic in Arms Regulations and Export Administration Regulations is foundational to our international business.



The InSight Mars Lander is designed to explore beneath the surface of Mars.

PRODUCT IMPACT

Lockheed Martin's LM-100J FireHerc helps control fires in areas with complex terrain and challenging operating conditions. The FireHerc supports night firefighting, allowing responders to combat fires 24/7.

Find out more about this innovation on: https://www.lockheedmartin.com/en-us/products/lm-100j/lm-100j-fireherc.html

PRODUCT IMPACT OVERVIEW

OBJECTIVE

Delivering optimal lifecycle value by engineering innovative solutions for resilient energy, global security, telecommunications and other critical infrastructure.

IMPORTANCE

Our business model goes beyond design and manufacture of complex durable goods. As the world's leading systems integrator, Lockheed Martin's training, logistics and sustainment capabilities deliver comprehensive solutions to prepare our customers for the most complex missions. We strive to ensure our customers' products are mission-ready and have capabilities throughout the entire lifecycle from design through post-delivery support. We deliver sustainment efficiencies through scalable, affordable and secure end-to-end logistics information technology (IT) solutions that improve data access, reduce costs and increase commonality across platforms. These solutions use the Lockheed Martin Customer Focused Delivery Model, which leverages our depth and breadth in logistics IT to deliver and sustain efficiencies and performance from day one.

CHALLENGE

Anticipating customers' needs is a challenging yet essential part of the value Lockheed Martin delivers. We regularly monitor trends, track customers' evolving requirements, watch for new opportunities and explore innovations that allow us to respond to needs in a timely way. We complement our forward-looking analysis with ongoing development of solutions and processes to lower total cost of ownership, improve data access and increase platform commonalities.

Tier 1

Global Infrastructure Needs
Total Cost of Ownership
Product Safety
Counterfeit Parts Prevention

Tier 2

Product Eco-Innovation

DID YOU KNOW...

Lockheed Martin doubled its venture capital fund to $200 million, including investing in early-stage companies focused on autonomy and advanced manufacturing.

THE SCIENCE

As a systems integrator, we continually improve the efficiency and functionality of our products and services – designing, implementing and bringing together technologies and software for our customers.

OF CITIZENSHIP

Our focus on performance and sustainability delivers safe, reliable, affordable products that support our customers' missions of national security, citizen services and sustainable development.

GLOBAL INFRASTRUCTURE NEEDS

OBJECTIVE

Bringing innovative products to market to help scale the advanced infrastructure required for sustainable development, future climate resiliency and national security efforts, and deliver reliable and secure energy, communications, logistics and systems that protect human health.

MANAGEMENT

We use innovative technologies to improve products and process in national security, space exploration, communications technology and medical industries. Our strategic planning process pays close attention to shifts in U.S. national security policy and listens to feedback on how our equipment is used on forward-operating bases. Our research and development efforts include investing in entrepreneurial technologists who can disrupt conventional approaches to engineering solutions. Our senior vice president of Ethics and Enterprise Assurance is a board member of Lockheed Martin Ventures, which scopes emerging disruptive technologies related to certain sustainability goals and makes strategic investments.

We periodically assess key global security priorities by country and strike partnerships with public and private sector research laboratories. For example, the Air Force Research Laboratory tests to improve detection of GPS signal anomalies for Lockheed Martin-built GPS satellites. From navigating traffic to tracking packages to helping first responders pinpoint survivors in remote locations, GPS is part of everyday life. This advanced global infrastructure helps people find their way and stay safe, revolutionizes the financial and agricultural industries and makes the economy more dynamic, transparent and efficient. Today, more than 4 billion military, commercial and civil users worldwide rely on positioning, navigation and timing signals from the GPS satellite constellation. Lockheed Martin, along with more than 200 suppliers from 29 states, is helping the U.S. Air Force modernize this invaluable network with advanced technology and capabilities from our new GPS III satellites.

GOAL

Achieve $4 billion in product sales with direct, measurable benefits to energy and advanced infrastructure resiliency.

Progress: Product sales that benefit energy and infrastructure resiliency totaled $3 billion for 2018.

Supersonic commercial travel is on the horizon with the X-59 QueSST.

CASE STUDY

QUIET SUPERSONIC TECHNOLOGY X-PLANE

WHAT WE DID

For more than a decade, Lockheed Martin has worked with NASA on the next generation of environmentally responsible commercial supersonic aircraft. In 2018, NASA awarded Lockheed Martin Skunk Works® a contract to design, build and flight-test the Low-Boom Flight Demonstrator, an X-plane with the technology to solve a persistent challenge of supersonic flight: the sonic boom. Sonic booms are bothersome, loud, thunder-like sounds that can disturb people and occasionally cause property damage when military aircraft fly at very low altitudes.

In line with our goal to reduce impacts on health and the environment, we will build the Quiet Supersonic Technology (QueSST) X-plane at out Skunk Works facility in Palmdale, California. The first flight, expected to cruise at 55,000 feet at about 940 miles per hour, is scheduled for 2021.

WHY THIS MATTERS

Commercial supersonic flights are currently prohibited over land because of the noisy sonic booms they create. The X-plane will have a dramatically quieter supersonic "heartbeat" that, instead of a sonic boom, will make a sound about as loud as a car door closing. This will help NASA establish an acceptable commercial supersonic noise standard to overturn current regulations.

Starting in mid-2022, NASA will fly the X-plane over certain U.S. cities and collect data on community responses to the flights. U.S. and international regulators will review the data as they consider new sound-based rules for supersonic flight over land, which could enable faster-than-sound air travel. This would open the door to a new global market for aircraft manufacturers, enabling passengers to travel anywhere in the world in half the time it takes today.

TOTAL COST OF OWNERSHIP

OBJECTIVE

Making our products more affordable by improving product quality, efficiency and performance, increasing resiliency and providing services to extend their useful lives.

MANAGEMENT

About 85 percent of the life-cycle cost of products in our sector is decided during the design phase. Design changes become significantly more expensive the later they occur in the life-cycle.

Using sustainability analysis as part of our life-cycle analysis process helps us evaluate the impact of design and sustainment decisions on climate change, resource availability, human health, environmental quality and life-cycle costs. We look to apply sustainability analysis, circular economy principles and proven systems engineering to determine the cost impact of every design decision we make. We include sustainable features such as low-cost, low-maintenance components to reduce total cost of ownership for customers, and additive manufacturing techniques to reduce process time and costs. Our Design for Affordability initiative reduces total product life-cycle costs while preserving, and at times enhancing, mission capabilities.

GOALS

Add criteria to fully identify cost drivers early in product design cycle within each business segment's proposal planning and proposal review processes.

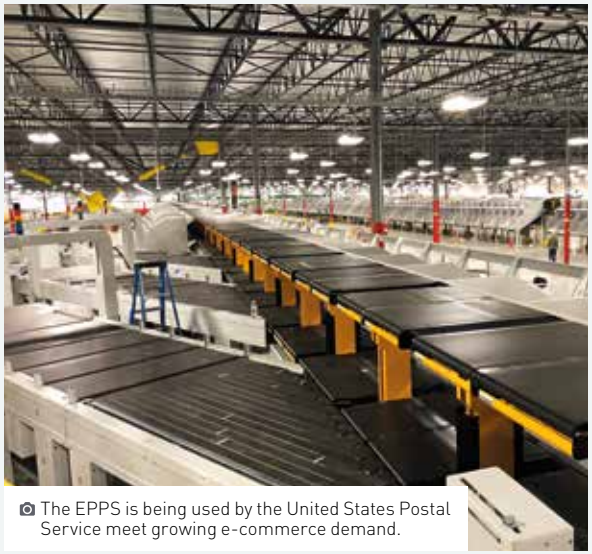
Progress: Our Design to Cost (DTC) working group developed career paths for DTC practitioners, a training brochure, and updated DTC terminology from DTC to Value Driven Solutions (VDS) to highlight customer value in Lockheed Martin solutions.

Generate $1 billion of life-cycle cost reductions from manufactured products related to the use of resources and impacts on human health and the environment.

Progress: We conducted life-cycle assessment case studies on three products, identifying cost savings of $764.5 million versus business-as-usual scenarios. These results bring our cumulative modeled life-cycle cost savings to $1.34 billion, achieving our goal of $1 billion by 2020.

Achieve ≥$700M in corporate cost and supply chain efficiencies; target date 2020.

Progress: Achieved $624.7M in corporate cost and supply chain efficiencies through 2018.



The EPPS is being used by the United States Postal Service meet growing e-commerce demand.

CASE STUDY

NEXT-GENERATION PACKAGE PROCESSING SYSTEM

WHAT WE DID

Lockheed Martin won a $215 million contract from the U.S. Postal Service (USPS) for a next-generation mail processing system. The Enhanced Package Processing System (EPPS) automatically separates mail, reads printed and handwritten addresses and sorts packages, priority and bundled mail, such as magazines and catalogs. The EPPS was deployed in October 2018 during peak mailing season in the new USPS Processing and Distribution Center in Portland, Oregon.

As a prime systems integrator, we develop, deploy and maintain a range of complex solutions for the USPS, the United Kingdom's Royal Mail, Australia Post and PostNord in Sweden. Lockheed Martin also delivered upgraded postal sorting technology to the Swedish agency in January 2018. More than a quarter of the world's automated letter mail is read by Lockheed Martin recognition systems. We have delivered more than 500 mail and material handling systems worldwide.

WHY THIS MATTERS

Lockheed Martin has more than 40 years of experience working with postal and logistics operators around the world to provide innovative, cost-effective technology. Whether scaling efficiency for global postal delivery or improving GPS for navigation, we innovate and sustain infrastructure that makes communities safer and more efficient.

PRODUCT SAFETY

OBJECTIVE

Advancing rigorous safety and quality controls throughout design and manufacturing processes to ensure the use of our products and services does not pose uncontrolled or unacceptable risks to customers, employees, suppliers or the general public.

MANAGEMENT

Product safety depends on our commitment to quality and safety in our design and engineering principles, development and testing practices and sustainment processes. Our Quality, Mission Success and System Safety policy requires each business segment to have an independent quality assurance function reporting to their senior executive, and a quality management system (QMS) that meets or exceeds ISO 9001 standards. We require all suppliers to have a QMS that meets our requirements and we verify supplier quality through program-specific processes site reviews.

We account for human factors during product use to ensure our safety measures are realistic and relevant to customers. For example, the National Center for Manufacturing Sciences (NCMS) concluded that industrial exoskeletons, including Lockheed Martin's FORTIS, improve productivity and prevent injuries. The FORTIS exoskeleton is an unpowered, lightweight device that increases an operator's strength and endurance by transferring the weight of heavy loads from his or her body directly to the ground through a series of joints at the hips, knees and ankles. The concept originated with research we conducted to help soldiers carry heavy equipment over long distances.

GOALS

Track and report product failure or nonconformance due to manufacturing processes.

Progress: We do not disclose performance data we deem competitive and proprietary. We track measures specific to each of our lines of business that indicate the quality of our manufacturing processes.

The P-3 Orion at sunrise, courtesy of U.S. Customs & Border Patrol.

CASE STUDY

THE P-3 PROGRAM: 50+ YEARS OF EXCELLENCE

WHAT WE DID

The Field Team Operations (FTO) Team provides aircraft maintenance, sustainment and logistics support to the U.S. Customs and Border Protection (CBP) P-3 Program in Jacksonville, Florida. Sustainment operations include the P-3 Mid-Life Upgrade Program (MLU), which revitalizes the life to the aging aircraft by giving it mechanical and other critical infrastructure upgrades. This sustainment service provides an opportunity to improve an existing product and make it safer and more enduring for the customer.

WHY THIS MATTERS

CBP operates P-3 aircraft originally manufactured by Lockheed Martin from 1966-68. In 2006, Lockheed Martin performed a Service Life Assessment Study for CBP and assessed that their aircraft wings were reaching their fatigue life, as was occurring with a number of other P-3 operators. Lockheed Martin subsequently opened a wing manufacturing production line and began manufacture and delivery of new wings to CBP. Lockheed Martin was awarded a 10 year P-3 aircraft maintenance contract in 2009 and began installation of the wings on the CBP P-3 fleet. CBP now continues to successfully operate their P-3 aircraft on a safe footing. The MLU program improves the aircraft's extended service life and will help ensure the P-3 is mission-ready for decades to come.

COUNTERFEIT PARTS PREVENTION

OBJECTIVE

Preventing counterfeit parts from entering the company's supply chain and potentially affecting product quality, safety and performance.

MANAGEMENT

Counterfeit parts pose significant risks to the aerospace and defense industry. Our products can exceed the lifecycle of commercially available parts, which makes us vulnerable to counterfeiting. Counterfeit parts can lead to product failure, put human health and safety at risk, negatively impact intellectual property, threaten national security and increase costs due to additional quality control measures. We require our suppliers to take steps to eliminate the risk of introducing counterfeit parts and materials. We provide FAQs on counterfeit parts to raise their awareness and give them informational materials and a list of actions to help them avoid, identify and report potential counterfeits to Lockheed Martin.

GOAL

Maintain or reduce instances of counterfeit parts in delivered systems confirmed as our responsibility.

Progress: Three instances of suspected counterfeit materials escaped to end customers. After receiving a Government-Industry Data Exchange Program (GIDEP) alert, our Aeronautics business segment investigated and identified one suspected counterfeit incident. GIDEP is a cooperative information-sharing program between government agencies and industry partners to increase systems safety, reliability, and readiness and to reduce systems development, production, and ownership costs.

As part of this process, we documented the occurrence of the suspect component and notified the government customer. There was no impact to aircraft performance and no hazard to personnel or equipment. Our RMS business segment identified two instances, the first involving a supplier where corrective action was taken, and the second was identified through testing. No corrective action was required.

3-D printing products, like this satellite fuel tank, can reduce production time, ensure product specifications and help mitigate the risk of counterfeit parts in the supply chain.

CASE STUDY

COUNTERFEIT AVOIDANCE ACCREDITATION PROGRAM

WHAT WE DID

The Lockheed Martin supply chain is a complex network of thousands of suppliers providing parts and components from all over the world. The inclusion of counterfeit parts in our mission-critical products can present serious risks to military, government and commercial customers. To reach our goal to maintain or reduce instances of counterfeit parts in delivered systems confirmed as our responsibility, Lockheed Martin recommends suppliers take steps to eliminate this risk, including participation in the Counterfeit Avoidance Accreditation Program (CAAP).

Lockheed Martin was the first company to subscribe to CAAP, a cooperative industry effort launched in 2015. The program is intended to mitigate the risk of introducing counterfeit parts into the supply chain and reduce the cost of compliance in the aviation, space and defense industries. In 2018 and earlier, Lockheed Martin chaired the CAAP Management Council, which oversees CAAP operations, develops policies and procedures and establishes best practices for counterfeit parts prevention. The council is made up of representatives from industry and government, with task groups for each area of accreditation.

In July 2018, CAAP released AC7403, a new distributors checklist to combat counterfeit parts in the aerospace and defense supply chain. The checklist was created by the CAAP Distributors Task Group, on which Lockheed Martin serves. In October 2018, CAAP approved its first accreditation of the new standard.

WHY THIS MATTERS

The aerospace and defense industry is particularly vulnerable to counterfeiting because our product longevity often exceeds the lifecycle of commercially available parts. When obsolescence issues surface, mitigation measures must be taken to reduce supply chain risks and assure authenticity. If needed parts are out of production and no longer available from manufacturers, counterfeiters may attempt to step in and fill the gap.

The nature of our products demands that we be extra diligent in identifying, tracking, inspecting and managing parts and materials throughout the supply chain. CAAP and other efforts help us validate parts' authenticity, assure product integrity and strengthen customer trust. This vigilance reduces costs, redundancies and risk, increases compliance with regulations and helps us deliver high-quality, reliable and safe products to customers, users and society at large.

EMPLOYEE WELLBEING

Lockheed Martin employees participated in the "CommUNITY Rainbow Run" to honor the 49 victims of the Pulse nightclub attack in Orlando, FL. Our employees donated funds to the OnePULSE Foundation, which benefits the Orlando Pulse Memorial and future college scholarships in the victims' names.

Find out more about our community outreach by visiting: https://www.lockheedmartin.com/en-us/who-we-are/communities.html

EMPLOYEE WELLBEING OVERVIEW

OBJECTIVE

Creating a high-performance, inclusive workplace culture that engages employees and creates rewarding career paths for our current and future workforce.

IMPORTANCE

A key to Lockheed Martin's success is enabling employees to apply their passion for purposeful innovation. This helps us attract and retain diverse talent who want to do meaningful work and enhances our competitiveness as a next-generation technology company and employer of choice. We prioritize talent recruitment, talent development, workplace safety and diversity and inclusion to address the changing workforce, meet customer needs and innovate for the future.

CHALLENGE

Because employees are our greatest asset, it is in our best interest to invest in all aspects of the employee experience. We recruit talent based on skill, diversity and program needs. The new world of work accelerates the demand for digital-based skills and we have pivoted our human resources priorities to meet this need. Our challenge is to provide business intelligence tools, skills development and targeted recruitment strategies to keep us and our employees ahead of evolving workforce trends.

Tier 1

Workplace Safety and Wellness
Talent Development
Talent Recruitment
Diversity and Inclusion

Tier 2

STEM Education

DID YOU KNOW...

We are investing $5 million in vocational and trade scholarships and creating 8,000 new apprenticeship and other workforce development opportunities through 2023.

THE SCIENCE

Future space travel, autonomous machines and national defense arsenals rely on the scientists and technologists we hire to push the boundaries of their fields. We motivate employees through our development, inclusion, wellbeing and benefits and our mission to innovate a better future.

OF CITIZENSHIP

Talented, resilient and engaged employees drive performance and innovation. Our employees generate wide-ranging societal solutions to complex global challenges.

WORKPLACE SAFETY AND WELLNESS

OBJECTIVE

Ensuring a safe and healthy workforce and workplace through ergonomic and operational design, protective work practices, worker resilience and targeted safety and health risk reduction techniques.

MANAGEMENT

Governed by our Environment, Safety and Health (ESH) Policy and overseen by our corporate-wide ESH Leadership Council, we implement a robust ESH Management System that includes our beyond-compliance Target Zero workplace safety program. Through Target Zero, we invest in health and safety initiatives that help ensure safe work conditions, promote workforce resiliency and enhance business value. Our risk-based approach targets prioritized workplace conditions, promotes safety interventions and leverages preventive processes to keep personnel safe. Underscoring our culture of safety and wellbeing, our leaders model safe behavior and engage employees on safety and health.

We build employee health and wellness awareness, emphasizing preventive care and support for impacted groups. We combine employee medical benefits coverage with other health-related programs, resources and amenities including onsite flu shots, medical centers, walking paths and healthy food services. Employees and their families have access to a physical activity program, financial wellness resources and an employee assistance program. Several employee groups also host mindfulness sessions to help colleagues manage stress. We motivate employees to make sustainable changes to build resilience and expand their capacity to perform.

GOAL

Achieve or outperform day away case and severity rate goals.

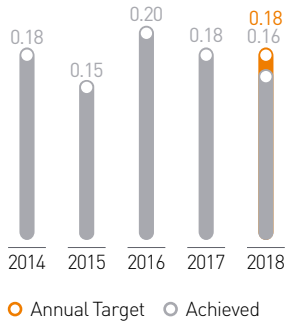
Progress: Our day away rate was 0.16 and our severity case rate was 4.48, both of which outperformed our annual goals.

HIGHLIGHTS

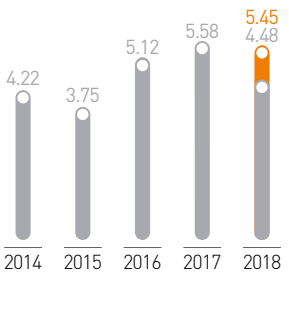
Industry experts named our MFC business segment among America's Safest Companies for leadership in safety management. The award recognized the effectiveness of employee teams empowered to create workplace safety improvements and a safety hazard reporting system to communicate potential injuries or property damage.

WORKPLACE SAFETY RESULTS[1]

Day Away Case Rate



Severity (Lost Days) Rate



Annual Target ○ Achieved

[1] *Our annual goals are set based on a two percent improvement over the average of our previous three years of performance. Each rate is calculated per 100 employees, working 40 hours per week for 50 weeks per year. Metrics include all U.S. employees and contract labor working under company supervision at domestic Lockheed Martin facilities, which account for approximately 94 percent of our global workforce. Employees operating outside of the United States and in theater (war zones) are not included in this data. Data is adjusted to reflect business changes: data from 2014-2015 includes former business segment Information Systems & Global Solutions (IS&GS); data beginning 2016 includes Sikorsky and excludes IS&GS.*

Employees huddle to discuss safety protocols.

CASE STUDY

PROACTIVE SAFETY FOCUS

WHAT WE DID

Through significant collaboration with our business areas, Target Zero Structured Improvement Activity (TZ SIA) events empower multifunctional teams to identify and mitigate workplace hazards and process inefficiencies. Teams use training modules, templates, techniques and resources to develop low cost, high impact innovative solutions. Events leverage mitigation methods in design and process change, safeguarding and preventive work practices and health and wellness resilience framework to address ergonomic, safety and health risk factors.

WHY THIS MATTERS

Since 2014, the safety teams have enhanced the TZ SIA process, conducted 31 events across the corporation including four international locations and received recognition from ORC HSE, a health and safety networking firm, and the New Zealand Defence Force. These events led to a 44 percent decrease in our incident rate and a 46 percent decrease in our recordable rate for the instructed population. We identified more than 1,500 unique opportunities for improvement and implemented 54 percent of improvements before events concluded. This high completion rate is instrumental in driving our injury reduction culture. High demand for these events led to a train-the-trainer program to expand our outreach.

TALENT DEVELOPMENT

OBJECTIVE

Ensuring all employees have the knowledge, skills and work assignments to achieve performance goals in a dynamic business environment.

MANAGEMENT

Lockheed Martin offers more than 30 education and training programs to prepare workers for longstanding careers in aerospace and defense. Our programs span the talent pipeline from college-bound students to employees interested in adding more skills, those who want to enter vocational trades and those displaced by technological advancement. Aerospace and defense faces a shortage of skilled labor to perform successfully in today's advanced manufacturing environment. To address this challenge, Lockheed Martin partners with academia and state and federal governments to develop curricula and fund scholarships for veterans, unskilled or displaced workers so they can get the skills-based training they need to obtain jobs in the industry.

GOALS

Maintain a lower voluntary attrition rate among top performing employees as compared to the employee population.

Progress: We achieved a lower attrition rate among top-performing employees compared to all employees in 2018.

Increase succession planning for senior leadership.

Progress: In 2018, we fully integrated Sikorsky into succession planning and talent development initiatives. This was highlighted by exceeding our 2015 succession plan utilization rate.

HIGHLIGHTS

2018 Continuous Learning Statistics:

5,464
employees participated in the tuition reimbursement program

475
early career leaders participated in the Leadership Development Conference

1,407
employees attended enterprise functional training programs (Finance, Capture, Corporate Strategy, Program Management)

3,921
leaders participated in enterprise leadership development programs (LDPs)

742
participants in Program Management

F-35 manufacturing combines teamwork, technology and a highly-skilled workforce.

CASE STUDY

BRINGING NEW SKILLS TO THE WORKFORCE

WHAT WE DID

Addressing skills shortages often begins at the local level. At Lockheed Martin, business units across the U.S. partner with local community colleges, technical training programs and statewide career centers to train the workforce for critical jobs.

In Central Florida, Lockheed Martin is a strategic partner with the Valencia College Advanced Manufacturing Training Center to deliver hands-on manufacturing training and experience in career tracks such as welding, quality assembly and machining. Students are also exposed to simulations and opportunities to learn coding. A retired Lockheed Martin employee is an instructor at the Center teaching electrical board assembly and helping students gain the skills for employment with Lockheed Martin and other employers.

WHY THIS MATTERS

Aerospace and defense faces a shortage of skilled labor for today's advanced manufacturing environment. Initiatives like the one at Valencia College give us opportunities to contribute to our communities and bring needed skills to the talent pipeline.

TALENT RECRUITMENT

OBJECTIVE

Recruiting employees with relevant skills and investing in a talent pool of future employees.

MANAGEMENT

Advancing science, technology, engineering, and mathematics (STEM) education is a critical focus for Lockheed Martin. More than half of college students abandon STEM majors before graduation. While this is on par with the percentage of all students who change majors before graduation, it is a sobering statistic for the aerospace and defense industry, where the demand for these skills is high. To help fill our talent pipeline, Lockheed Martin partners with schools and organizations like Project Lead the Way, Girls Inc., Code Quest, FIRST Robotics, and more. Through high school and college internships, we inspire students to stay on the path to rewarding STEM careers.

We also host recruiting events around the country for potential employees at various stages of their careers that anyone can access online by visiting our careers homepage.

GOAL

Achieve an intern conversation rate of greater than, or equal to, 50 percent.

Progress: During the 2018 academic year, we hired 57 percent of our former interns, exceeding our intern conversion rate goal.

CASE STUDY

TALENT COMMUNITIES SUPPORT CAREER GROWTH AND DEVELOPMENT

WHAT WE DID

To create more career opportunities for current and prospective employees, we created online communities to engage talent with Lockheed Martin employees, career advisors and partner organizations. Our first community was Military Connect, which helps military members transition to civilian careers. Two new communities – Engineering Connect and Cyber Connect – were added in 2018.

Military Connect, with more than 15,000 members, quickly became an industry best practice. Our team of military relations managers and other veterans provides career advice, job search coaching and personalized insights from veterans.

Engineering Connect is geared toward early-career engineers and has more than 3,000 members. Anyone in the company with an engineering background is welcome to participate as a subject matter expert, mentor or ambassador.

Cyber Connect offers access to company cyber experts, information on current cyber job openings, continuous trainings, webinars, tech-talks, mentoring and learning.

WHY THIS MATTERS

Lockheed Martin is an industry leader in building interactive talent communities. These online communities offer opportunities for current and future employees to build skills and increase their professional networks. They also help us engage and build our STEM talent pipeline.

Visitors to the USA Science and Engineering festival used our Career Predictor to discover their future STEM career.

DIVERSITY AND INCLUSION

OBJECTIVE

Creating a workplace where all employees are treated fairly, inclusively and without discrimination, where a range of nationalities and cultures is represented and where there are equal professional opportunities regardless of gender, race, age or ability.

MANAGEMENT

Lockheed Martin employees are empowered to shape our corporate culture to fuel the future. One way we reinforce our values and leverage our career opportunities is through our Employee Resource Groups (ERGs). ERGs are employee-driven organizations that provide networking, philanthropic and professional development opportunities across our global workforce and in our communities. Our current ERGs are:

- African American Council for Excellence (AACE)
- Able & Allies
- Hispanic Organization for Leadership & Awareness (HOLA)
- Professional Asian American Network (PAAN)
- PRIDE: LGBT Professional Network
- Military Veterans
- Women's Impact Network (WIN)

Many of our ERGs were created by employees who saw the need to share workplace challenges, seek and provide career advice and connect with others beyond conference calls or meeting rooms. Our Chairman, President and CEO, Marillyn Hewson, was one of the original founders of WIN more than 15 years ago, providing a forum for women to connect and grow at Lockheed Martin. Our ERGs are managed by our Global Diversity and Inclusion team and each is sponsored by an executive leader who guides and supports employee and local community engagement.

Lockheed Martin is a proud signatory of CEO Act!on, the largest CEO-driven business commitment to advance diversity and inclusion in the workplace. This year, as part of the Day of Understanding, we joined 150 other CEO Act!on signatory organizations to host dialogues on understanding and embracing differences to build a more inclusive workplace.

GOALS

Develop the best workforce for our customers by increasing representation of women, people of color, veterans and people with disabilities.

Progress: In 2018, we increased representation of People of Color by 1.2 percent and of people with disabilities by 0.7 percent. However, our representation of women and veterans remained flat compared to 2017 workforce demographics. Our employee population grew from 100,000 in 2017 to 105,000 in 2018.

Increase employee participation in company-sponsored diversity events, employee resource groups (ERGs) and leadership associations.

Progress: We saw an overall increase of 20 percent participation in all seven Leadership Forums. We held 1,538 ERG events across the corporation representing an increase of 16 percent as compared to 2017.

HIGHLIGHTS

Effective Leadership of Inclusive Teams (ELOIT) is a diversity and inclusion initiative that builds awareness of U.S. white male culture, its impact on Lockheed Martin and the role of white men in creating inclusive organizations. Required for all Lockheed Martin executives, ELOIT engages leaders through meaningful dialogue that heighten their awareness of demographic challenges, create a forum for exploring personal perspectives, prompt candid discussion and equip participants to be catalysts for inclusion. Employee engagement survey results indicate ELOIT participants' direct reports score meaningfully higher on every question that measures inclusion. In 2018, we conducted 33 enterprise wide summits and 15 labs participating resulting in over 60 percent of all leaders having participated in an ELOIT experience.

The Allies For Inclusion initiative provides an opportunity for all employees to engage, contribute and pledge to promote an inclusive environment. Employees can personally take a pledge to signify they are an ally who is "All In" when it comes to supporting diversity and inclusion through a three-pronged approach. Educate – Raising awareness about the value of being an Ally. Engage – Championing and actively supporting inclusion events. Embrace – Demonstrating inclusive behaviors in daily actions.

Awesome Con Science of Black Panther panel courtesy of LeftField Media, LLC.

CASE STUDY

THE SCIENCE OF BLACK PANTHER

WHAT WE DID

Awesome Con is a celebration of geek culture, bringing more than 70,000 fans and stars of comics, movies, television, toys and games to Washington D.C. for an annual convention. In 2018, Awesome Con featured a Science of Black Panther panel, where Lockheed Martin engineers presented a STEM roadmap to the mythical country of Wakanda to more than 300 costumed superheroes, villains and geek culture enthusiasts. Along with subject matter experts from the Smithsonian and *The Washington Post*, our engineers discussed a range of STEM topics, including wearable technology, autonomous vehicles and magnetic levitation trains, cities of the future, nano materials and the environmental impact of mining. They also highlighted the critical importance of representation in the *Black Panther* movie, which spotlights people of color and women as STEM leaders and innovators.

WHY THIS MATTERS

At Lockheed Martin, the future of work will be defined by AI, human-machine teaming and data as a strategic commodity. Awesome Con provided a fun and unique way for Lockheed Martin to engage with diverse talent on the possibilities of turning movie science into exciting, real-world STEM careers. Through the event, we helped close the distance between big-screen imagination and technology people use every day and showcased opportunities open to everyone.

DIVERSITY AND INCLUSION (CONTINUED)

DIVERSITY AND INCLUSION MISSION

Diversity and inclusion are the foundation of our culture and reflect our values of doing what's right, respecting others and performing with excellence. By leveraging our employees' unique talents and experiences, we deliver innovative, affordable solutions and unparalleled customer value.

WORKFORCE PROFILE 2018[1]

● All employees

Generation[2,4]

Millennial	41.4%
Baby Boomer	34.9%
Generation X	23.3%
Traditional	0.3%

Education[3]

Bachelor's degree	38.0%
High school/ none indicated	30.0%
Graduate or PhD degree	25.0%
Some college or associate's degree	7.0%

Region[2]

U.S. based	93.0%
Local country nationals	5.5%
Expatriates[4]	1.5%

COMPANY DEMOGRAPHICS 2018[1]

● Overall ● Executives ● Board of Directors

Women[2]

Overall	22.6%
Executives	20.0%
Board of Directors	25.0%

People of color[3, 5]

Overall	26.0%
Executives	11.7%
Board of Directors	8.0%

Veterans[3]

Overall	22.5%
Executives	20.9%
Board of Directors	41.70%

1 *All data Excludes casual workers, interns/co-ops and employees of certain subsidiaries and joint ventures. As of 12/31/2018.*
2 *Includes U.S. employees, local country nationals and expatriates.*
3 *Excludes local country nationals.*
4 *The generational structure used by Lockheed Martin, based on U.S. government definitions, is as follows:*

- *Traditional: Birth year of 1945 or earlier*
- *Baby Boomer: Birth year from 1946 to 1964 inclusive*
- *Gen X: Birth year from 1965 to 1976 inclusive*
- *Millennial: Birth year from 1977 to 1998*
- *Gen Z (or iGeneration): Birth year of 1999 or later*

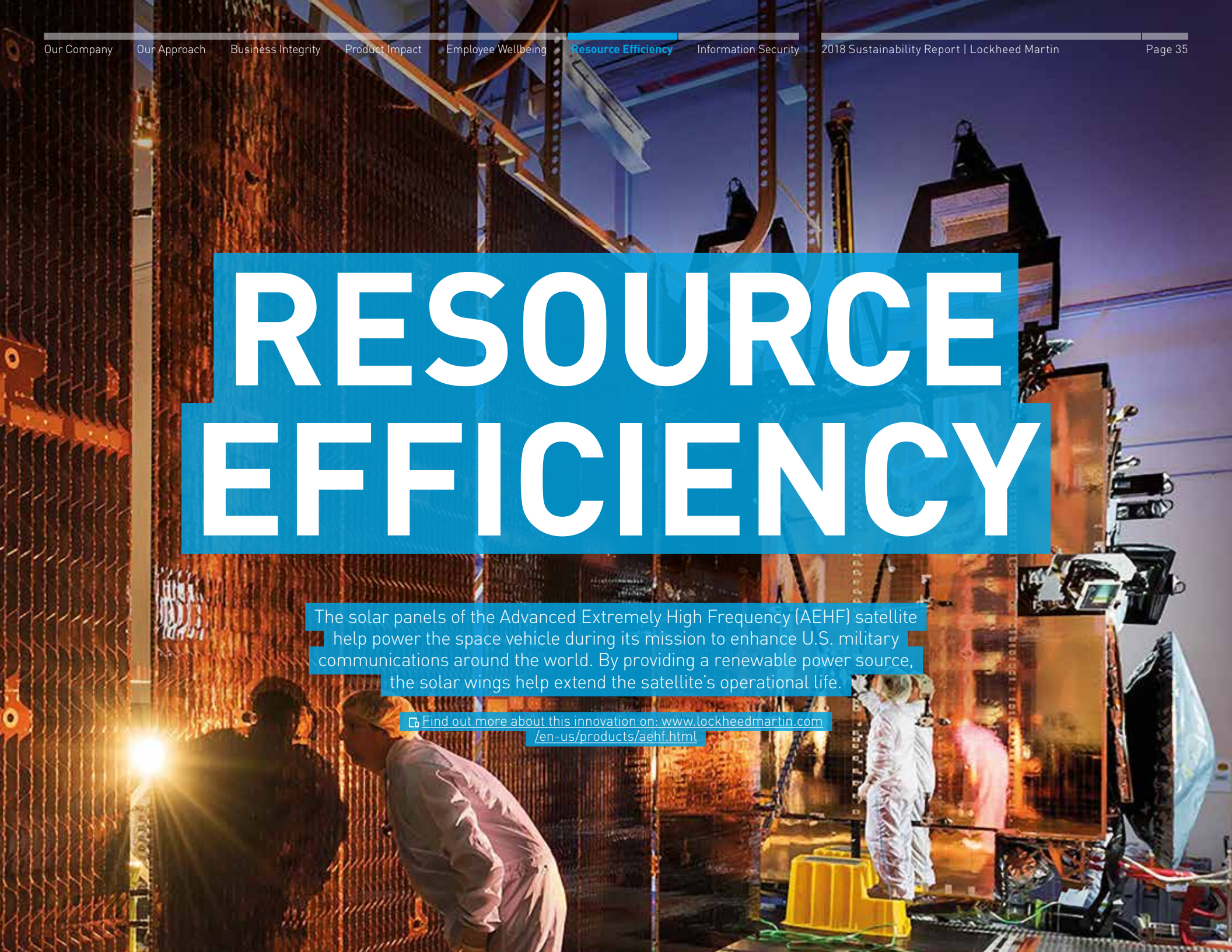
5 *Reflects the minority population in our U.S. population as defined by the U.S. Equal Employment Opportunity Commission*

Lockheed Martin employees across the world enjoy a three-day weekend every other week because of our flexible work schedule.

FLEXIBLE SCHEDULES FOR GREATER WORK-LIFE BALANCE

There are so many possibilities when you have an extra day in your weekend. Earl and his wife Leanne, who both work at Lockheed Martin, took advantage of their nine-day, 80-hour work schedules to go scuba diving in Belize. Our employees use their three-day weekends to travel, exercise, attend sporting events, spend time with friends and family and catch up on their personal to-do lists. Many Lockheed Martin employees around the world enjoy a three-day weekend or other forms of a flexible schedule, which include options like telecommuting. We value our employees' time and provide multiple opportunities for work-life balance and career optimization.

RESOURCE EFFICIENCY



The solar panels of the Advanced Extremely High Frequency (AEHF) satellite help power the space vehicle during its mission to enhance U.S. military communications around the world. By providing a renewable power source, the solar wings help extend the satellite's operational life.

Find out more about this innovation on: www.lockheedmartin.com/en-us/products/aehf.html

RESOURCE EFFICIENCY OVERVIEW

OBJECTIVE

Increasing business resiliency and accelerating carbon reduction through improved energy and water management, materials conservation and increased renewable energy use.

IMPORTANCE

Lifecycle-based assessments show that within our direct business operations, the biggest environmental impact relates to energy use and GHG emissions. Our largest overall GHG challenge is our products' environmental footprint during the customer-use phase, which represents nearly 70 percent of our impact. As we create solutions for sustainable energy consumption and production, we have a responsibility to operate our own facilities in the same manner. This is why we reduce our operational footprint, resulting in industry-leading outcomes.

CHALLENGE

As our business grows, we require more energy for our operations and implement energy and water efficiency improvements to meet our ambitious environmental targets. While we can retrofit some facilities with energy- and water-efficient technology, older legacy sites need millions of dollars in upgrades. We lease some of these sites; others are government-owned facilities we manage on behalf of our customers. In these cases, we have limited control over efficiency projects, which poses operational and financial challenges.

Tier 1

Energy and Carbon Management

Tier 2

Remediation
Hazardous Materials and Chemicals Management

DID YOU KNOW...

From satellites to microgrids, Lockheed Martin has been deploying and developing energy storage systems for different products for over 60 years.

THE SCIENCE

We lead by example in helping our customers achieve sustainability goals. We go beyond compliance to reduce our operations' environmental impact through facility upgrades, technology adoption and process improvements.

OF CITIZENSHIP

We work to mitigate our impact on the planet's finite resources by aligning with and exceeding government, industry and societal expectations for environmental stewardship.

ENERGY AND CARBON MANAGEMENT

OBJECTIVE

Managing energy use and GHG emissions associated with company operations, including efforts to use renewable energy and promote energy and water efficiency.

MANAGEMENT

Our Environment, Safety and Health (ESH) Leadership Council and Facilities Leadership Team set strategic direction and goals for energy management and procurement to drive efficiency, avoid costs and reduce carbon emissions in our many facilities and operations. ESH performance and strategic proposals are reviewed by the Nominating and Corporate Governance Committee of our Board of Directors.

The Go Green program aligns with our ESH Policy objectives to reduce environmental, operational and cost risks in our business practices and facility processes. Each year, teams of energy experts across the corporation evaluate potential energy and water savings projects. Based on their findings, we invest millions of dollars to improve our facilities' efficiency. We take these measures to propel responsible growth and contribute to a more sustainable future for our employees, communities and shareholders. Our management system is company-wide and aligns with globally recognized standards such as ISO 14001.

We also partner with the U.S. Department of Energy's Better Plants Program and the Environmental Protection Agency's ENERGY STAR Program and Green Power Partnership to support our practice of industrial energy management. We benefit from resources, expertise, and valuable peer-networking opportunities offered through these partnerships, which help us achieve our energy and carbon reduction goals.

GOALS

Reduce energy use by 25 percent, scope 1 and 2 carbon emissions by 35 percent and water use by 30 percent.

Progress: Since 2010, we have reduced energy use by 22 percent, carbon emissions by 36 percent and water use by 22 percent. Reductions in energy use slowed in 2018 due to an increase in production activity.

Increase square footage of facilities with green building certifications.

Progress: We operated 20 Leadership in Energy and Environmental Design (LEED), 1 Building Research Establishment Environmental Assessment Methodology (BREEAM) and 9 Energy Star-certified buildings totaling 3.4 million square feet of green buildings, an increase of 42 percent over our adjusted 2017 total.

Increase annual renewable energy consumption.

Progress: We consumed 307,378 megawatt hours (MWh) of clean energy, comprising 294,933 MWh of renewable energy certificates (RECs) and 12,445 MWh of on-site energy generation. In 2017, we consumed 303,746 MWh of renewable energy.

Help energy customers reduce carbon emissions by at least twice the carbon impact of our business operations.

Progress: Lockheed Martin Energy enabled carbon emissions savings of 1,262,322 metric tonnes of carbon dioxide equivalent ($MTCO_2e$) for our customers, compared to our operational emissions, net of RECs, of 819,548 $MTCO_2e$.

Aeronautics Headquarters in Fort Worth, Texas.

CASE STUDY

ENERGY STAR CERTIFICATION FOR OUR FORT WORTH, TEXAS FACILITY

WHAT WE DID

In 2018, the administrative and engineering building at our Aeronautics campus in Fort Worth, Texas, achieved ENERGY STAR® certification from the U.S. Environmental Protection Agency (EPA), demonstrating it performs better than 93 percent of peer buildings. Built in 1968, this building 200 is owned by the U.S. Air Force and managed by Lockheed Martin. At more than 840,000 square feet, it is our largest ENERGY STAR-certified building.

WHY THIS MATTERS

Our energy management approach leverages our energy engineers' expertise to achieve year-over-year reductions. To achieve certification, engineers implement energy efficiency measures at the site each year to keep pace with our Go Green program goal of a 25 percent energy reduction by 2020. Example measures include lighting, heating, ventilation and air conditioning (HVAC) and green IT. The building is part of a vast and sophisticated energy management control system with more than 300,000 control points to optimize performance. The system within this building has saved a cumulative $2.3 million and more than 40,000,000 killowatt hours (kWh) in energy since 2008.

ENERGY AND CARBON MANAGEMENT (CONTINUED)

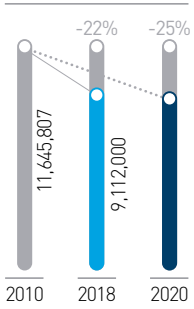
HIGHLIGHTS

- We implemented 53 energy efficiency and carbon reduction products including HVAC, lighting, building control systems, renewable energy, and retro-commissioning. These projects result in an annual energy reduction of an estimated equivalent of 29 million kWh, with an estimated $2.2 million in recurring annual cost avoidance.
- Eleven HVAC projects were completed, resulting in approximately an equivalent of 4.3 million kWh of energy and more than $300,000 in recurring annual cost avoidance.
- Thirty lighting projects were completed, resulting in approximately an equivalent of 8.6 million kWh of energy and more than $900,000 in recurring annual cost avoidance.
- Two building control system projects were completed in 2018, resulting in approximately an equivalent of 2.5 million kWh of energy and more than $260,000 in recurring annual cost avoidance.
- In the U.S., a significant amount of water is used by utilities to generate electricity, creating a vital link between water usage and energy reliability. In 2018, reduced electricity consumption in our facilities indirectly saved more than 5.6 billion gallons of water[5] compared to 2010.
- We exceeded our U.S. Department of Energy Better Plants Program goal of 25 percent energy intensity reduction at our top 20 U.S. manufacturing facilities.
- We avoided $29.3 million in annual energy and water costs compared to 2010.
- Since 2008, we have installed 13 on-site renewable energy systems, including 12 solar systems and one biomass facility for a total of 9.3 MW of capacity.
- Almost 1,000 meters were used across 50 sites to manage and track energy demand and consumption.
- Our latest results outperform a science-based threshold to stabilize atmospheric carbon emissions. Using the Center for Sustainable Organizations' Context-Based Carbon Metric methodology, we produce less than our calculated threshold of emissions based on our contribution to gross domestic product (GDP).
  See the results on our website.

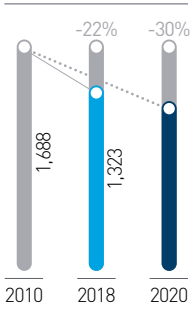
OPERATIONS GOALS AND PROGRESS[1]

○ 2010 Baseline ○ 2018 Results ○ 2020 Goal

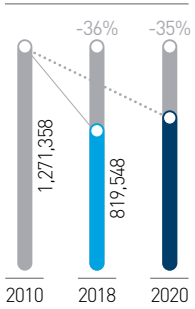
Energy[2]
MMBTU



Water[3]
Million gallons



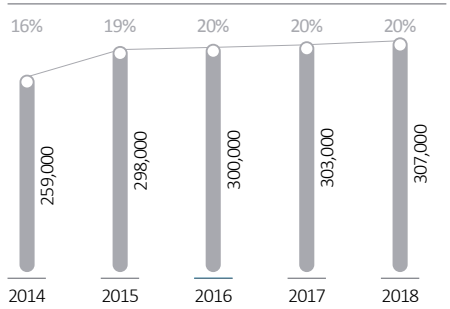
Carbon Emissions[2,4]
$MTCO_2e$



RENEWABLE POWER[2]

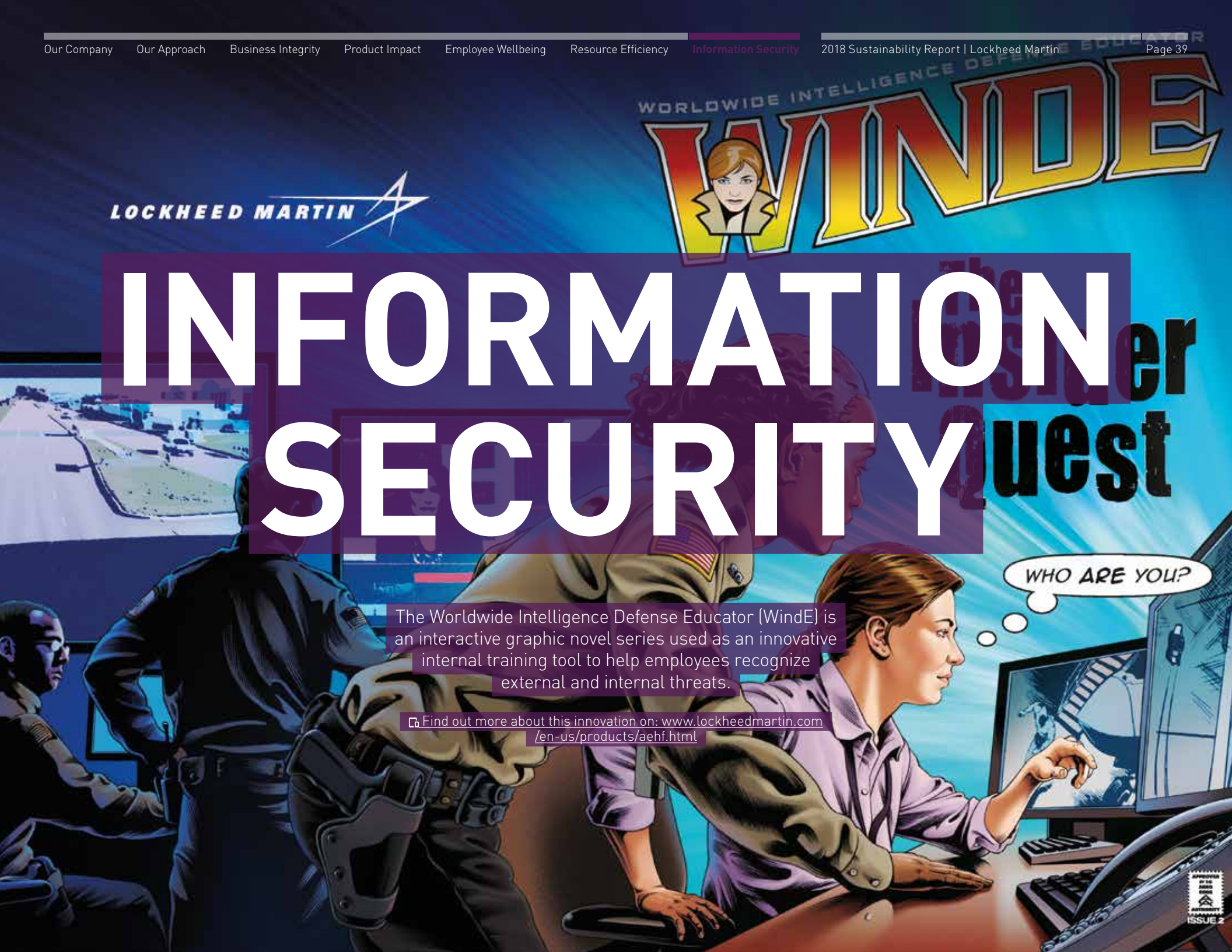
○ Percent of electricity by RECs and renewable energy use

Green Power
MWh



[1] *Reflects performance from November 2017 through October 2018.*
[2] *2018 carbon and energy data is reported for our largest active 80 facilities in the U.S., UK, Poland, Canada, Australia and Mexico.*
[3] *2018 water data is reported for our largest 54 facilities in the U.S. and Poland.*
[4] *Reflects Scope 1 and 2 emissions plus an estimate for leased facility space where we do not collect actual data. Reflects unbundled RECs, an off-site power purchase agreement and on-site renewable generation.*
[5] *Water savings are calculated using the United States Geological Survey's "Estimated Use of Water in the United States in 2015" average thermoelectric power water usage rate of 15 gallons per kilowatt hour and net power generation associated with thermoelectric-power use of 83 percent of total reported utility power in the United States for 2015. These figures are calculated against cumulative savings from the Go Green baseline year of 2010.*

Completed in March 2018, Moorestown, NJ's solar field consists of more than 7,000 panels, making it Lockheed Martin's largest solar project. This installation will offset five percent of the annual electric usage at this facility by generating 3,375 MW hours per year.



INFORMATION SECURITY

The Worldwide Intelligence Defense Educator (WindE) is an interactive graphic novel series used as an innovative internal training tool to help employees recognize external and internal threats.

Find out more about this innovation on: www.lockheedmartin.com/en-us/products/aehf.html

INFORMATION SECURITY OVERVIEW

OBJECTIVE

Minimizing the likelihood and impact of cybersecurity incidents on our business operations and customer missions and protect business-sensitive, customer and personal information from external and internal threats.

IMPORTANCE

From initial concept to lifecycle sustainment, we consider and integrate full-spectrum cyber capabilities into everything we deliver to our customers. Lockheed Martin provides services and builds platforms, tradecraft and tools proven to help customers move faster, be safer, improve quality and contain costs of critical missions. Lockheed Martin is dedicated to helping governments and militaries around the world protect their platforms, systems, networks and data by:

- Cyber hardening weapons, mission and training systems
- Outfitting cyber warriors with technologies to support full-spectrum capabilities
- Advancing innovative technologies to enable cyber operations
- Helping the intelligence community collect, analyze and disseminate threat intelligence

CHALLENGE

In the past decade, private industry has emerged as the preeminent target for intelligence collection and information theft by adversaries all over the globe. To mitigate this threat, companies have been faced with the challenge of implementing processes to better safeguard information, identify malicious activity, and educate the workforce on the various threats.

Tier 1

Sensitive Data and Intellectual Property Protection
Customer Information Systems and Network Security
Employee Privacy and Data Protection

DID YOU KNOW...

There are 8 MILLION+ lines of code used in the F-35, the most technologically advanced international 5th generation fighter jet.

THE SCIENCE

We rely on security thought leaders, talented cyber analysts, cutting-edge technology, employee vigilance and innovative processes to defend against advanced cybersecurity threats across our value chain.

OF CITIZENSHIP

Securing operations and infrastructure for ourselves, our customers and our supply chain strengthens the stability and resilience of the hyper-connected society we seek to protect.

SENSITIVE DATA AND INTELLECTUAL PROPERTY PROTECTION

OBJECTIVE

Protecting company and supplier proprietary information to reduce the likelihood of data fraud, loss, sabotage and theft.

MANAGEMENT

Intelligence threats to Lockheed Martin can be external and internal. Lockheed Martin's Corporate Information Security (CIS) and the Corporate Security Office (which includes the office of Counterintelligence Operations and Corporate Investigations), collaborate to address a range of security risks facing Lockheed Martin, including nation-state threats and insider threats.

Our supply chain remains one of our top information security priorities. CIS collaborates with our supply chain and program management organizations to enhance supply chain cyber risk mitigation strategies. This includes working with suppliers who handle the most sensitive Lockheed Martin information to increase their awareness of cyber threats and enhance their cyber defense capabilities. The Classified Business and Security Committee of our Board of Directors reviews procedures and techniques for maintaining Lockheed Martin's Insider Threat Program and our information security efforts for our customers' and our business operations.

Employees also play an important role in protecting sensitive data and intellectual property. One creative way our security team trains employees to recognize potential threats is through WindE, an interactive series of graphic novels specific to the corporation. The Lockheed Martin security team also develops data-driven initiatives to improve our ability to prevent, detect, respond to and mitigate insider threats.

GOALS

Monitor employee cybersecurity engagement to counter malicious email threats and monitor number of vulnerabilities per device on core IT networks.

Monitor data loss incidents that occur within core IT networks for business operations.

We track two other proprietary goals to improve the security of IT networks.

Progress: We do not disclose performance data deemed competitive and proprietary.

HIGHLIGHTS

The Lockheed Martin CYBERQUEST™ Competition is a cyber competition where teams of high school students work together to solve offense and defensive cyber challenges in a capture the flag format to complete the "quest."

A microchip with 1.6 million names submitted by the public will ride along with NASA's InSight Mission to Mars.

CASE STUDY

CAPTURE THE FLAG CYBER COMPETITION

WHAT WE DID

For the second year, Lockheed Martin cybersecurity professionals participated in a Capture the Flag (CTF) event; a cyber competition to help sharpen their skills and identify techniques and solutions to difficult challenges.

Several Lockheed Martin business areas chose experts from their cyber teams who had experience in both defending and attacking technology systems. Through this process, we tap key talent across the corporation to identify techniques and solutions to address cybersecurity challenges. Teams prepared for about six months for the competition, which took place over three days. We networked several Lockheed Martin facilities together to allow teams to compete from their home locations. This approach accommodated more participants and served as a trial run for expanding the event globally next year.

The CTF competition revolved around hacking a fictitious user and capturing "flags" formatted as Social Security numbers, Facebook accounts, bank accounts and other personally identifiable information. Starting with nothing but Internet protocol (IP) addresses, teams worked together to perform reconnaissance and find the user's vulnerabilities.

WHY THIS MATTERS

The growing volume, intensity and ingenuity of new cyber threats mean cybersecurity experts must constantly hone, update and expand their skills. Our teams must be able to think like the enemy to identify adversary activity and anticipate advanced persistent threats to strengthen platform defenses, inside and outside our networks.

CTF competitions are one of many ways our cybersecurity experts build their skills, stimulate their creativity and learn from their peers to help our customers move faster, operate more safely, improve quality and contain costs of critical cyber missions. The competition helps employees move us toward our strategic goal to monitor data loss incidents that occur within core IT networks for business operations.

CUSTOMER INFORMATION SYSTEMS AND NETWORK SECURITY

OBJECTIVE

Ensuring our products and processes capture, store and transfer data securely to protect the privacy and security of customer information and reduce the likelihood of data fraud, loss, sabotage and theft.

MANAGEMENT

A critical part of delivering mission success to our programs and customers is managing and mitigating cyber risks. Lockheed Martin partners with peer aerospace and defense industry companies to establish mechanisms to identify cybersecurity readiness. Our acquisition procedures now require the assessment of supplier cybersecurity risks, which will be an integral part of the supplier procurement decision. While aerospace and defense prime contractors know that improving supply chain cybersecurity will require ongoing effort, it is essential that all suppliers take steps now to improve and continuously assess their posture.

Cyber is in everything we do at Lockheed Martin. Just as we take strategic measures to improve cybersecurity within our supply chain, we also work with our customers and employees to enhance the strength of their cyber network. In addition to protecting their network, effective cyber hygiene also enhances security for our customers and our corporation.

GOALS

Monitor employee cybersecurity engagement to counter malicious email threats and monitor number of vulnerabilities per device on core IT networks.

Monitor data loss incidents that occur within core IT networks for business operations.

We track two other proprietary goals to improve the security of IT networks.

Progress: We do not disclose performance data deemed competitive and proprietary.

Our Global Emergency Operations Center provides 24/7 emergency support to employees.

CASE STUDY

ENGAGING EMPLOYEES IN CYBERSECURITY

WHAT WE DID

To celebrate National Cyber Security Awareness Month in October, we developed a quiz to test people's cybersecurity knowledge. Available on our website for Lockheed Martin employees and the general public, the quiz asks multiple choice questions about harmful programs, computer viruses, encryption standards and other cybersecurity risks and tools. At the end, users receive a score ranging from Cybersecurity Ninja to n00b (newbie), along with a list of resources they can access to improve their skills. Resources include cybrary.it, Skillsoft (free for Lockheed Martin employees), CTF challenges and reading materials on common vulnerabilities and cyber practices from the SANs Institute, the largest and most trusted source of information security training and security certification in the world.

WHY THIS MATTERS

Cybercrime continues to grow globally, with related costs jumping more than 25 percent from $445 billion to $600 billion between 2014 and 2017.[1] We have an opportunity to make our employees and stakeholders, including the general public, more aware of evolving cyber risks and how to protect themselves. By increasing cybersecurity knowledge, promoting safe practices and focusing on our goal to monitor employee cybersecurity engagement to counter malicious threats, we help safeguard our products, networks, customers, society and the world.

[1] *McCullen, Robert. "Cyberthreats: A 10-Year Perspective," Forbes, May 15, 2018.*

EMPLOYEE PRIVACY AND DATA PROTECTION

OBJECTIVE

Efforts to protect the privacy and integrity of employee data to reduce the likelihood of data fraud, loss, sabotage and theft.

MANAGEMENT

The General Data Protection Regulation, or GDPR, became effective during 2018. The GDPR outlines personal data rights of individuals in the European Union (EU) and organizations' obligations to protect personal data. These rights and obligations include giving individuals in the EU easier access to the data that organizations collect on them, imposing stricter data breach notification requirements on organizations and requiring them to be transparent about the personal data they collect, the basis for collection and how they use collected data.

Lockheed Martin takes seriously our responsibility for processing personal data. We take measures to ensure compliance with GDPR, which are reflected in our Lockheed Martin Corporation Privacy Notice (EU). Our corporate policies foster integration of privacy considerations into new business opportunities, contracts, systems and acquisitions. We instill in our employees a respect for data protection and privacy through outreach, education, training and awareness. We offer numerous privacy-related trainings for our employees, ranging from mandatory new-hire privacy awareness training and biannual sensitive information training to two-day-long privacy professional certification classes.

GOALS

Achieve desired thresholds for identifying vulnerabilities to employees' personal data exposure within our IT systems.

Progress: We conduct privacy impact assessments (PIA) on internally developed and commercial off-the-shelf systems used to collect, store and process employees' personal information within the corporate network.

Achieve annual certification of EU-US Privacy Shield Framework for all seven framework principles.

Progress: The U.S. International Trade Administration, who administers the Privacy Shield framework, completed its review and approval of Lockheed Martin's 2018 Privacy Shield recertification.

Our security team monitors social and broadcast media for events that could impact business operations.

CASE STUDY

GUARDING AGAINST FAKE SOCIAL MEDIA ACCOUNTS

WHAT WE DID

The use of fake social media accounts to steal or otherwise compromise sensitive, high-value information is on the rise. As a global security and aerospace company with 105,000 employees, Lockheed Martin is an active target. Our Lockheed Martin security teams work with industry and intelligence community partners to identify and defend against social media campaigns targeting our employees.

In 2018, our teams identified a malicious campaign on a professional networking platform where actors posing as recruiters attempted to contact several Lockheed Martin employees. Our experts immediately secured our information security network against risk, interviewed the employees to determine why they were targeted and who else might be connected to the adversaries, and worked with targeted employees to avoid future threats. The team then notified all Lockheed Martin employees of the campaign, describing in detail what to look for and how to protect themselves against these fake social media personas.

Educating employees on fake social media accounts is part of Lockheed Martin's comprehensive information security strategy. In addition to alerting employees of specific social media campaigns, we monitor threats as they evolve and conduct ongoing training, awareness campaigns and other initiatives to achieve our goal to identify vulnerabilities to personal information exposure in our IT systems.

WHY THIS MATTERS

Inadvertently giving adversaries access to our data has profound implications on public safety, infrastructure resiliency and information protection. The loss of intellectual property, proprietary technologies, classified government information, product specifications and other highly sensitive assets can affect our competitiveness and profitability, jeopardize customer trust and compromise national security. By strengthening our defenses against fake social media campaigns, we help protect our business, employees, customers and society.

RECOGNITION IN 2018

SUSTAINABILITY

Dow Jones Sustainability World Index: World and U.S. Index, Bronze Class Sustainability Award

***Corporate Responsibility Magazine*:** 100 Best Corporate Citizens List

Risk Management Society: Risk Maturity Model Recognition Award

PRODUCT IMPACT

***Aviation Week*:** Program Excellence Awards – Safety, Automatic Integrated Collision Avoidance System

BUSINESS INTEGRITY

"Exceptional" rating from the **Defense Contract Management Agency** for small business performance on DoD contracts

Apex Awards: Award of Excellence for Electronic Media

Defense Security Service: James S. Cogswell Outstanding Industrial Security Achievement Award

EMPLOYEE WELLBEING

American Indian Science and Engineering Society: Top 50 STEM Workplaces

Career Communications Group, INC: Top Supporter of Historically Black Colleges and Universities

Military Times: Best for VETs Index

Military Friendly®: Silver Employer on GI Jobs

Indeed: Top-Rated Workplaces: Best Work/Life Balance Top-Rated Workplaces: Best for Veterans

SpaceNews: Reader's Choice Company of the Year

Universum: Top 10 Most Attractive Employers of Engineering

Potentialpark: Top Talent Friendly Employers

Silicon Valley Business Journal: Top 50 Silicon Valley Corporate Philanthropists

Department of Labor: National Standard of Apprenticeship

Society of Hispanic Professional Engineers: Company of the Year Award

Disability:IN: Employer of the Year Ignite Award

INROADS: Frank C. Carr Corporate Award

STEM Workforce Diversity: Readers' Choice Top 50 Employers

Diversity Best Practices: Inclusion Index

National Society of Black Engineers: Chairman's Award

Disability:IN Best Places to Work for Disability Inclusion: 100% Disability Equality Index

Human Rights Campaign: Corporate Equality Index top score of 100 percent and distinction of "Best Places to Work for LGBTQ Equality"

Winds of Change Magazine: Top 50 STEM Workplaces for Native Professionals

Forbes Magazine: Best Employers for Diversity

National Organization on Disability: Leading Disability Employer

***Black Enterprise*:** 50 Best Companies for Diversity

RESOURCE EFFICIENCY

CDP: Climate A list

CDP: Water Disclosure A-

CDP: Supplier A

Energy Storage North America: Innovation Award to Lockheed Martin Energy and Cypress Creek Renewables

Environmental Protection Agency: ENERGY STAR certification for energy performance on seven buildings

Department of Energy: Better Plants Program Goal Achievement

INFORMATION SECURITY

Popular Science: "Best of What's New" Awards in Security category

OTHER SOURCES OF INFORMATION

More about sustainability at Lockheed Martin, including the 2018 Global Reporting Initiative (GRI) Index, the Executive Summary and historical reports, are online at: sustainability.lockheedmartin.com

FORWARD-LOOKING STATEMENTS

This report contains statements which, to the extent not recitations of historical fact, constitute forward-looking statements within the meaning of the federal securities laws. The words "will," "enable," "expect," "plan," "forecast," "anticipate," "continue," "achieve," "scheduled," "estimate," "believe," "intend," "aim," "orient," "goal" and similar expressions are intended to identify forward-looking statements. Statements and assumptions with respect to achievement of goals and objectives; anticipated actions to meet goals and objectives; allocation of resources; planned, encouraged or anticipated actions; planned performance of technology; or other efforts are also examples of forward-looking statements.

Forward-looking statements are based on our current expectations and assumptions, are not guarantees of future performance, and are subject to risks and uncertainties. Actual results could differ materially due to factors such as (i) the availability of funding for the programs described in this report; (ii) our ability to achieve reductions in energy use, greenhouse gas emissions and other sustainability goals and objectives; (iii) changes in our priorities as well as changes in the priorities of our customers and suppliers; (iv) the amount of our future investments; (v) the accuracy of our estimates and assumptions; (vi) the future effect of legislation, rule-making and changes in policy; (vii) the impact of acquisitions or divestitures or other changes in our employee or product and service base; (viii) the competitive environment; (ix) the ability to attract and retain personnel and suppliers with technical and other skills; (x) the success of technologically developed solutions; (xi) the willingness of suppliers to adopt and comply with our programs; (xii) the impact of cyber or other security threats or other disruptions to our business; and (xiii) global economic, business, political and climate conditions.

These are only some of the factors that may affect the forward-looking statements contained in this report. For further information regarding risks and uncertainties associated with our business, please refer to our U.S. Securities and Exchange Commission (SEC) filings including our Annual Report on Form 10-K for the year ended Dec. 31, 2018 and our 2019 Quarterly Reports on Form 10-Q, which can be obtained at the Corporation's website www.lockheedmartin.com/investor or through the website maintained by the SEC at www.sec.gov. The forward-looking statements in this report are intended to be subject to the safe harbor protection provided by federal securities laws.

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