Other Policies Related to Anti-Corruption

**CPS-004, Political Activity** prohibits contributions or donations of any type to non-U.S. candidates, parties or political committees. Lockheed Martin discloses its U.S. Corporate State Contributions, Governors Association Contributions, and LMEPAC Disbursements, as well as its policy on engagement in lobbying activities and the issues on which the Corporation lobbies, publicly on our Political Disclosures webpage. Country laws, including criminal statutes, effectively preclude companies such as Lockheed Martin from retaining the services of active or serving politicians.

Lockheed Martin is committed to responsible lobbying.

Lockheed Martin policy CPS-004 states that no Lockheed Martin funds, property, services, or other items of value, will be contributed, loaned, or made available, directly or indirectly, to any political party, committee, or candidate, or to the campaign of any candidate for a federal office. This includes the work time of any employee and use of the Corporation’s facilities, including aircraft.

CPS-004 states that under no circumstances will any money, assets, property, or other thing of value of the Corporation or any of its subsidiaries or other legal entities be contributed, loaned, or made available to any foreign candidate, party, or political committee.

CPS-004 identifies the corporate roles involved in oversight of Lockheed Martin lobbying activity: The Senior Vice President Lockheed Martin Government Affairs, the Vice President & General Counsel-Government Affairs, and the Vice President, State, Local & Political Action Committee (PAC) Affairs, as appropriate.

The Lockheed Martin Code of Conduct identifies Lockheed Martin’s values and standards of conduct when acting on behalf of the company, and states that the Code applies to all Lockheed Martin employees, members of the Board of Directors, consultants, contract laborers and other agents when they represent or act for the Corporation.

The Lockheed Martin policy on Gifts and Hospitality, CPS-008, provides specific guidance on the exchange of gifts, hospitality, and other business courtesies and sponsorships. CPS-008 states that it applies to all officers, members of the Board of Directors, and employees of the Corporation and its subsidiaries within and outside the U.S., and, by written agreement, all appropriate provisions shall apply to any domestic or international representative, distributor, reseller, consultant,
broker, agent, or any other person or firm by whatever name known, of any nationality, who is conducting business for or on behalf of the Corporation.

The Lockheed Martin policy on Individual Conflict of Interest, CRX-014, applies to all Lockheed Martin employees and consultants, and prohibits actual conflicts of interest as well as activities that create the appearance of a conflict of interest.

CPS-013, Total Audit Program, describes Lockheed Martin’s comprehensive Internal Audit function that evaluates risk exposures and internal controls relating to finance, governance, operations, and information technology. The policy states that the Senior Vice President, Ethics and Enterprise Assurance, reports significant audit matters to the Audit Committee of the Board of Directors. The policy states that when a Corporate Internal Audit report identifies an area of non-compliance with Corporate policy, a responsible individual is assigned, will prepare a corrective action plan for remediating the issues cited and their root cause, and will provide oversight to prevent their recurrence.

Annually, Corporate Internal Audit develops a risk-based audit plan, which considers anti-corruption program elements within Lockheed Martin. In addition, Lockheed Martin conducts an annual risk assessment of its International Consultants (including agents, representatives, resellers, and brokers) based on objective factors and selects certain consultants for audits of the consultants’ own books and records and compliance with the anti-corruption compliance terms of their agreements.

CPS-016, Mergers, Acquisitions, Divestitures, Business Ventures, and Investments mandates compliance with all laws and regulations that apply to these activities. The policy also requires the appropriate due diligence be conducted on the target entity.

CPS-113, Acquisition of Goods and Services provides specific direction that all sourcing, procurement and subcontract management activities comply with the applicable laws and regulations wherever we conduct business, the Code of Ethics & Business Conduct and other internal policies and procedures. The authority to purchase goods and services on behalf of Lockheed Martin is vested solely in Global Supply Chain Operations. The policy requires that risk-based due diligence, including anti-corruption due diligence, be conducted on all suppliers prior to engagement. Lockheed Martin requires anti-corruption compliance in its standard terms and conditions and emphasizes its expectation that all suppliers have an effective ethics and compliance program, to include a Code of Conduct.
CPS-716, **Compliance with the Anti-Kickback Act of 1986** requires that employees who buy goods or services for Lockheed Martin or are involved in the procurement process must not accept gifts from subcontractors and suppliers, except advertising or promotional items of nominal value. Global Supply Chain Operations (GSCO) must ensure that Lockheed Martin informs its suppliers and subcontractors annually in writing of its policy pertaining to gifts, gratuities, and business courtesies, emphasizing that it is unacceptable for Lockheed Martin employees to violate this policy, and that potential violations of this policy should be reported to Lockheed Martin management.

**CPS-718, Disclosures to the United States Government** requires timely reporting to the Office of Inspector General and Contracting Officer when there is credible evidence of potential violation of certain federal criminal laws, a violation of the U.S. Civil False Claims Act, or a significant overpayment. The policy further states that there may be some violations of law or significant employee misconduct that are not Reportable Violations under FAR 52.203-13 but that Lockheed Martin wishes to disclose these voluntarily in the spirit of maintaining the highest standards of business ethics and transparency with U.S. government agencies. Examples of such conduct may include violations of the federal securities laws, violations of the Anti-Corruption Laws for commercial contracts, or violations of procurement laws that are not covered by FAR 52.203-13.

**CPS-720, Compliance with Antitrust Laws** defines specific practices prohibited by the Antitrust Laws and provides guidelines for understanding the primary areas of antitrust concern. The policy also specifies the ramifications of violation for the employee and Lockheed Martin.

**CRX-010, Domestic Business Development Consultants** and **CRX-011, International Business Development Consultants** describe the Corporation’s process for conducting due diligence on domestic and international consultants, respectively, at the time of the consultants’ initial appointment or contract renewal. The policies limit consultant agreements to a maximum term of two years, with due diligence refreshed at such intervals. The policies also require that consultants receive, acknowledge, are trained on and comply with the Corporation’s Code of Ethics and Business Conduct. Consultants are evaluated annually for performance and continuing suitability. International consultants, including associated person(s) performing work under the agreement, will be registered with an anti-corruption risk and compliance monitoring service during the term of the agreement.
CRX-011, International Business Development Consultants applies to consultants, representatives, agents, resellers, distributors, and offset brokers (including their associated persons and ultimate beneficial owners) and establishes the due diligence and oversight and monitoring of consultant activities for anti-corruption compliance. All consultant agreements contain affirmative anti-corruption compliance representations and warranties. Breach of any warranty or representation, or failure or refusal by the consultant to provide requested certifications or disclosures, are cause for immediate termination. No consultant may be retained without a sufficient business case justification, including that the proposed compensation is reasonable and consistent with any applicable laws or regulations; certain types and amounts of compensation are subject to escalated approval authority in the Corporation. No consultant agreement may be entered for an improper purpose, e.g. “disguised” or supplemental compensation, and no payment of any kind can be made to a consultant without a written contract and approval of the Corporation. Each consultant agreement includes a clause granting the Corporation the right to audit the consultant’s financial books and records, as they relate to transactions with or on behalf Lockheed Martin, and an annual risk assessment and audit of selected consultants is conducted by Corporate Internal Audit.

Through its policies, guidelines, consultant agreements, and practices, Lockheed Martin ensures that its compensation to its consultants comports with ethical behavior and does not encourage corrupt practices. Lockheed Martin policy prohibits and will not authorize any sales-based commission to an International Business Development Consultant (including any agent) in excess of 10% in any circumstance, regardless of the value of the proposed sale or the expected size of a commission payment. In addition, Lockheed Martin pays contracted-for compensation to its consultants only in staged payments over the course of their contracts, as earned and stated in clearly invoiced milestones, and transfers payments only to a consultant’s local bank account unless a justified exception based on law and approval of the Legal Department is granted.

CRX-014, Individual Conflict of Interest requires all Lockheed Martin employees and consultants to identify any actual or potential conflicts of interest and to continuously report such during the term of their employment or consulting agreement. The policy describes those activities which may constitute a potential conflict of interest, including former government employment ("revolving door restrictions" of generally one year), third party employment and relationships, family and other significant relationships, work on certain government contracts, and organizational restrictions. The policy provides the formal process for disclosing a potential conflict of interest using an online disclosure repository and
requires annual recertification and disclosure. Conflict of interest disclosures are reviewed by Legal, Human Resources and others to determine the existence of an actual conflict and any required mitigation plans or prohibitions. The Company reserves the right to discipline employees and consultants for violation of these policies including but not limited to termination and/or removal from their position.

**CRX-025, Teaming Agreements** applies to all teaming agreements being contemplated by any Lockheed Martin operating company, division, business area, functional organization, or wholly owned subsidiary (including international subsidiaries). The policy outlines implementation plans governing the identification of teammates and the negotiation, execution, performance, and termination of teaming agreements. Each agreement specifically requires performance of an antitrust analysis by Legal Counsel and compliance with the due diligence obligations.

**CRX-251 Charitable Contributions** defines spending limits and allocation of direct and in-kind contributions; describes the type of organizations that are eligible recipients of a charitable contribution; and specifies that contributions must be documented, reviewed, and approved by the Corporate Contributions Committee and Subcommittees via an online charitable contribution system. The policy prohibits charitable contributions to any public official or entity where there is a likelihood that the contribution may directly or indirectly be used to improperly influence a public official. Lockheed Martin charitable initiatives are outlined publicly on our In The Community webpage. Sponsorships, as distinct from charitable contributions, are governed by **CPS-008, Gifts, Business Courtesies, Other Hospitality and Sponsorships. CPS-730, Compliance with Anti-Corruption Laws**, prohibits offering or making any contribution or sponsorship to any person or entity to induce an improper action or secure an improper business advantage.

**CRX-325, Business Travel** requires compliance with applicable laws and regulations, customer requirements, Lockheed Martin’s Code of Ethics & Business Conduct and applicable policies and procedures, including compliance with U.S. Anti-boycott and Anti-Corruption Laws.

**CRX-327, Commercial Cards** explains when and why these tools are used for the payment of authorized expenses. The policy specifically prohibits use of commercial cards for any payments to a Public Official or for consultant services.

**CRX-454, Offset/Countertrade Commitments** explicitly addresses the corruption risks associated with offset contracting, including the risks presented by
subcontracts and selling or trading offset credits. The policy explains the process for obtaining approval for offset commitments and identifies who within the company is responsible for approving different types of offset commitments. Offset commitments, reports and transactions are managed and tracked in an online management system. Employee training requirements are available publicly on our Compliance Training webpage.

Lockheed Martin has a dedicated body that monitors and oversees the company’s industrial participation opportunities (also known as “offset contracting projects”) throughout the lifecycle of each project. Lockheed Martin provides focused anti-corruption awareness and compliance training to relevant employee groups, (e.g., business development, contracts, industrial participation and offsets, etc.) who may engage in international business and who need to be aware of general and specific risks associated with their functions.

**CRX-526, Corporate Aircraft** describes the process for using corporate aircraft, procedure for scheduling, and associated responsibilities. The policy specifies required approvals to transport any non-employee, including Public Officials, on corporate aircraft.

**Clawback and Other Protective Provisions**

Lockheed Martin’s Clawback Policy on variable pay, which was most recently enhanced in February 2019, is incorporated in its annual incentive program for executives and in the award agreements for long-term incentive awards. The Policy addresses all variable incentive compensation and applies not only to Officers of the Corporation but to lower level employees who participate in the Corporation’s long-term incentive programs. Notably, Lockheed Martin’s incentive programs also include an individual performance component with pre-established measures including but not limited to Full Spectrum Leadership and behavioral commitments aligning to the Corporation’s core values (Do What’s Right, Respect Others and Perform With Excellence). More information about Lockheed Martin’s compensation and corporate governance practices are publicly disclosed as contained in the 2019 Proxy Statement, as well as the corporation’s Corporate Governance Guidelines.