2014 SUSTAINABILITY EXECUTIVE SUMMARY
THE SCIENCE OF CITIZENSHIP
OUR APPROACH

Defining Sustainability at Lockheed Martin
The future will be shaped by those who understand the technologies and systems that deliver transformative innovation in a resources-challenged world. Our business model recognizes that the long-term value we provide our customers, our stockholders, and the world is the enabling of thriving communities, environmental protection and sustainable economic development through technological advancement. We call this approach The Science of Citizenship, and it is more than a commitment to propel responsible business growth. It cultivates scientific breakthroughs, global security and essential citizen services. It’s our extraordinary opportunity to engineer a better tomorrow.

The broad scope of advanced technology systems, products and services we provide on all seven continents deliver shared value for society and Lockheed Martin.

Sustainability Priorities
We evaluated the core sustainability issues of importance to our stakeholders and business through a formal assessment process in 2012. We also sought to identify opportunities for improving our disclosure of related information. After exploring more than 40 topics, we grouped the highest-ranked, closely-related issues into six priority areas for action: Governance, Product Performance, Talent Competitiveness, Supplier Sustainability, Resource Efficiency and Information Security.

During 2014, we implemented a Sustainability Management Plan to manage, measure and disclose performance effectively related to objectives associated with our six core issues (see diagram). Our management plan outlines 41 short- and long-term indicators of sustainability in our business decisions and practices.

Challenges
There are many challenges to our efforts to implement The Science of Citizenship. These include finding ways to represent products’ cost of ownership across their total life cycle, and to coordinate with upstream suppliers to responsibly source the materials that go into our products. Other complex issues we are addressing include mitigating our employees’ fear of retaliation for reporting ethical misconduct and assuring the safe and environmentally aware development of disruptive technologies involving advanced materials.

Recognition
• Dow Jones Sustainability World Index Member 2014
• CDP S&P 500 Climate Performance and Disclosure Leader 2014

“Our approach

“In 2014, we remained disciplined with our sustainability efforts in six high-impact areas. We determined how current environmental, social and governance concerns would affect and shape our strategic plans. We implemented our Lockheed Martin Sustainability Management Plan, which allowed our leadership to focus on our comprehensive set of commitments.”
—Chairman, President and CEO Marillyn Hewson
OBJECTIVE:
Innovate to deliver optimal economic & performance value over the lifecycle of our products.

OBJECTIVE:
Foster a high-performance, inclusive culture that attracts, engages, and develops talent to excel in our marketplace.

OBJECTIVE:
Partner with at least 90% of active suppliers to advance responsible sourcing practices and improve transparency.

OBJECTIVE:
Minimize the probability and impact of undesirable events associated with security incidents in our operations and for our customers’ missions.

OBJECTIVE:
Optimize the use of natural resources in our operations to reduce carbon emissions through improved energy management.

STATUS: EXCEEDING OR MEETING OBJECTIVE

STATUS: PARTIALLY MEETING OBJECTIVE

STATUS: NOT MEETING OBJECTIVE

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,” “anticipate,” “continue,” “achieve,” “scheduled,” “estimate,” “believe,” “intend,” “aim,” “orient,” 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 by others; 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) changes in our priorities as well as changes in the priorities of our customers and suppliers; (iii) the accuracy of our estimates and assumptions; (iv) the future effect of legislation, rule-making and changes in policy; (v) the impact of acquisitions or divestitures or other changes in our employee or product and service base; (vi) competitive environment; (vii) ability to attract and retain personnel and suppliers with technical and other skills; (viii) the success of technologically developed solutions; (ix) the willingness of suppliers to adopt and comply with our programs; and (x) 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 filings including our Annual Report on Form 10-K for the year ended Dec. 31, 2014 and our 2014 Quarterly Reports on Form 10-Q which may be obtained at the Corporation’s website http://www.lockheedmartin.com/investor.
OVERVIEW

Strong governance provides the foundation for building a culture of ethical behavior and minimizing business risk. By acting with integrity we gain the trust of our customers, business partners, stockholders and other stakeholders, and create a positive impact on society.

Everyone at Lockheed Martin is expected to behave with integrity at all times. We embed accountability for ethical business conduct through corporate policies, employee training and transparent, stakeholder-focused reporting. To promote good governance throughout the aerospace and defense sector value chain, we use our scale, market position and trusted relationships to encourage ethical behavior by our partners and across our industry.

PERFORMANCE HIGHLIGHTS

Ethics Reporting by the Numbers
We provide multiple avenues for employees and suppliers to report ethical concerns, including a confidential, toll-free corporate ethics helpline and e-mail, business segment helplines and e-mails, on-site ethics offices, and our anonymous online reporting tool known as Ask Us. Employees can post public or private questions on the intranet page, which our ethics officers answer.

In 2014, we received 4,314 ethics contacts worldwide, up from 4,246 in 2013, and investigated every query and concern in line with our corporate policy. A contact is any report of misconduct or request for guidance handled by our Ethics staff. The increase in contacts in 2014 is reflected by more requests for guidances, which is viewed as a positive trend. This trend was also reflected through our recent employee survey, which indicates that employees are using the Voicing Our Values techniques to address concerns before they escalate.

Anti-Retaliation Program Launch
Our ethics program will only succeed if employees feel confident that they can report misconduct without fear of reprisal. In January 2014, our chief executive officer announced an Anti-Retaliation Program to identify and protect employees after they contact our ethics team. Actions include follow-up conversations with people reporting ethical concerns, surveys sent to a sample of reporting parties and close monitoring of employees at potentially higher risk of retaliation, such as those making complaints against a leader. All instances of possible retaliation will be fully investigated, building on previous efforts of our grievance mechanisms.

Governance Impacts on Sustainable Business Practices
- Implementing Zero Tolerance for Bribery and Corruption
- Ensuring Responsible Sales
- Meeting Diligent Export and Import Controls
- Practicing Lawful Lobbying & Political Engagement
- Respecting Human Rights
- Engaging Stakeholders

Governance

OBJECTIVE
CONTINUALLY ENHANCE EFFORTS TO UPHOLD HIGH STANDARDS AND CONTROLS FOR ETHICAL BUSINESS CONDUCT, COMPLIANCE AND TRANSPARENCY.

About Photo: Our F-35 Lightning II Full Mission Simulator, shown here, allows U.S. and international partner users to test and train on all three aircraft variants without risk of injury to pilots or individuals on the ground, while saving on fuel and other materials. The simulator represents one of many products sold to U.S. allied nations, and therefore subject to strict anti-corruption and business conduct laws and policies. Purchasing countries also commonly require that Lockheed Martin buy or invest in resources of that country, which we view as an opportunity to contribute to sustainable development initiatives globally.
## SUSTAINABILITY MANAGEMENT PLAN PROGRESS

### PERFORMANCE INDICATORS

<table>
<thead>
<tr>
<th>1. Continue to measure and monitor anti-bribery and anti-corruption by maintaining or reducing the frequency of deviations from corporate policies on international and domestic business conduct.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2014 RESULTS</strong></td>
</tr>
<tr>
<td>1. <strong>33 fewer reportable instances</strong>—Through disciplined monitoring of business practices, we recorded five total deviations, which represent an 87 percent decrease in frequency of reportable instances. We trained 100 percent of International Consultants on anti-corruption laws including the Foreign Corrupt Practices Act (FCPA) and U.K. Bribery Act, however, this occurred several weeks after the December 2014 target date.</td>
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<tr>
<th>2. Increase Ethics Supplier Mentoring relationships with small businesses.</th>
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<tbody>
<tr>
<td><strong>2014 RESULTS</strong></td>
</tr>
<tr>
<td>2. <strong>Nine new mentees</strong>—In 2014, we established nine new small supplier mentoring relationships, bringing the total to 15 for 2013 and 2014.</td>
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<tr>
<td><strong>2014 RESULTS</strong></td>
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<tr>
<td>3. <strong>100 percent BCCT completion</strong>—We achieved 100 percent completion of Business Conduct and Compliance Training for Sensitive Information and International Trade Compliance, and for International Business Practices.</td>
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<thead>
<tr>
<th>4. Track the ratio of recommendations for personal information processing to Privacy Impact Assessments completed on Internal systems.</th>
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<tbody>
<tr>
<td><strong>2014 RESULTS</strong></td>
</tr>
<tr>
<td>4. <strong>Mid-year ratio of 0.95 and year-end ratio of 1.33</strong>—We track this ratio to assess privacy risk on our internal systems that process personal information. We began measuring this indicator in 2013 and will continue to monitor its trends.</td>
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<tr>
<th>5. Increase external stakeholder participation in the Core Issues Assessment.</th>
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<tr>
<td><strong>2014 RESULTS</strong></td>
</tr>
<tr>
<td>5. <strong>Core Issue Assessment Scheduled</strong>—The Core Issue Assessment is scheduled to begin in late 2015. Updates will be included in a future report.</td>
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<tr>
<th>6. Increase the percentage of eligible respondents completing the Sustainable Supply Chain Management Voluntary Assessment.</th>
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<tbody>
<tr>
<td><strong>2014 RESULTS</strong></td>
</tr>
<tr>
<td>6. <strong>84 percent assessment completion</strong>—Of all eligible respondents, 84 percent completed the Sustainable Supply Chain Management Voluntary Assessment as compared to the baseline of 52 percent, representing a 32 percentage point increase.</td>
</tr>
</tbody>
</table>

### CHALLENGES

*We are disclosing one new metric that broadens governance measures for privacy and providing better transparency for our performance on anti-bribery and anti-corruption monitoring.*

*High standards of ethical conduct are integral to our business strategy, helping build customer trust and win programs domestically and abroad. We seek to further refine accountability for anti-corruption controls in international business activities in coordination with leaders from each of our business segments and Lockheed Martin International.*

### 2014 HIGHLIGHTS

**For the 20th consecutive year,** all employees completed our annual Ethics Awareness Training.

**We launched an Anti-Retaliation Program** to identify and protect employees after they report misconduct.

**We formed a new international anti-corruption program team.**

*Learn more at lockheedmartin.com/sustainability*
PRODUCT PERFORMANCE

OVERVIEW

Introducing *The Science of Citizenship* into our systems and products by making them more efficient, innovative and sustainable is a challenge that Lockheed Martin employees embrace. Together, our nearly 60,000 engineers, scientists and technologists work to innovate across a diverse range of business lines that include aerospace and defense, cyber security, health care, energy and integrated logistics.

Customers judge their experience with us in terms of cost, quality and performance reliability. They also measure value by how closely our innovative solution anticipates their mission needs. When we do it right, we help customers succeed on a variety of missions critical to national security, citizen services and sustainable development.

Providing trusted solutions includes considering the impacts our products have on society and the environment, while first and foremost meeting customer needs. We prioritize safety, reliability and quality to keep users protected, and we embed efforts to reduce the size, weight and energy demands of our products in our design and manufacturing processes. We collaborate with top scientific institutions to create advanced computing technologies for everything from aerospace modeling to medical imaging and deploy insights from research and development, estimated life cycle impacts and stakeholder consultation to guide innovations in product content, design and capability.

Our long-term thinking is guided by technical roadmaps that link our strategy with global trends such as information security needs and energy demand. This drives our research and development investments and operational priorities.

OBJECTIVE

INNOVATE TO DELIVER OPTIMAL ECONOMIC AND PERFORMANCE VALUE OVER THE LIFECYCLE OF OUR PRODUCTS.

About Photo: The biggest innovation we can make to reduce the environmental impact of our products is to lower their fuel consumption. That is a value we’ve added to the Joint Light Tactical Vehicle (JLTV), shown here. JLTV is designed to provide our warfighters with the best light tactical vehicle protection, payload and performance. Its objectives include increased protection and performance over the fleet it will replace, minimizing ownership costs by maximizing commonality and reliability, increasing fuel efficiency, and executing effective competition throughout the program’s development. JLTV has 30 percent better fuel efficiency and four times higher reliability than its small MRAP predecessor.

PERFORMANCE HIGHLIGHTS

Reducing Hazardous Materials in Our Products

Hazardous air pollutants can be a byproduct of our manufacturing processes, and we are working to reduce the amount generated. For example, the team responsible for our F-35 aircraft program is reducing the use of volatile organic compounds (VOCs) during manufacture by replacing spray coating of several aircraft components with patches of a similar material that is pre-molded to the correct contours. The traditional spray-coated material contains approximately 3 pounds/gallon of VOCs, and requires 5 gallons per application. By switching to the patches, the F-35 production line VOC emissions will be reduced by approximately 200 pounds annually.

Using Life Cycle Analysis to Integrate Total Cost

Government customers’ engineering and manufacturing requirements determine up to 80 percent of a Lockheed Martin product’s life-cycle costs. Our goal is to work to address affordability, innovation and sustainability goals early in the research and development, material source selection and product design processes.

In line with this approach, we tested the updated Department of Defense (DoD) Guidance “Integrating Sustainability into DoD Acquisitions” released in May 2014. We piloted use of this guidance, which is derived from the standardized ISO 14040 Life Cycle Assessment Framework and existing life-cycle costing guidance. The pilot focused on scenarios that highlight the potential reductions in human health and environmental impacts and life-cycle costs associated with better utilization of energy technologies such as microgrids, renewable energy sources and energy storage.

We piloted use of this analysis to quantify, in monetary terms, the reduced risk of on-base power outages associated with an integrated microgrid with onsite renewable power production. The microgrid technology evaluated can be used to ensure uninterrupted power, at a lower carbon intensity. The analysis also quantifies the installation’s reduced electricity costs associated with demand smoothing and revenue potential from selling power generated onsite back to the local grid.

Product Performance Impacts on Sustainable Business Practices

- Achieving Superior Product Innovation
- Driving Product Affordability
- Shaping a Sustainable Product Portfolio
- Ensuring Stringent Product Safety, Quality, Reliability
## SUSTAINABILITY MANAGEMENT PLAN PROGRESS

### PERFORMANCE INDICATORS

<table>
<thead>
<tr>
<th>1. Increase company realized savings and customer savings.</th>
<th>2014 RESULTS</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>1. <strong>$159 million increase in realized cost reductions</strong>—We achieved a total of $668 million in realized cost reductions, exceeding our goal of $509 million.</td>
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<tr>
<td></td>
<td>2. <strong>Target met</strong>—Through collaboration and innovation we reduced by 8.7 percent spending commitments with the top 15 suppliers across the top 20 programs.</td>
</tr>
<tr>
<td>2. Increase supply chain savings among key suppliers.</td>
<td>3. <strong>Three LCA projects</strong>—Three new LCA project investments were established in 2014.</td>
</tr>
<tr>
<td>3. Increase investment in Life Cycle Analysis (LCA)-based methodology.</td>
<td>4. <strong>Executing to Plan</strong>—We are evaluating a product classification framework from which to set a baseline.</td>
</tr>
<tr>
<td>4. Start to track sustainability-based intellectual property (IP) monetization.</td>
<td>5. <strong>Targets met</strong>—Successfully met reduction targets across most business segments, 2014 results demonstrated overall performance improvement from prior year.</td>
</tr>
<tr>
<td>5. Decrease the rate of in-process defects, scrap, rework, and repair in manufactured products (for proprietary reasons, we do not disclose performance).</td>
<td>6. <strong>Targets met</strong>—Successfully met reduction targets across most business segments, 2014 results demonstrated overall performance improvement from prior year.</td>
</tr>
<tr>
<td>6. Decrease the frequency of repeat corrective actions to remedy quality escapes (for proprietary reasons, we do not disclose performance).</td>
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### CHALLENGES

Business segments are responsible for tracking and internally reporting on their relative performance related to their manufacturing process. By using Lean Six Sigma and process improvement best practices, business segments set targets aimed at the reduction and elimination of waste by decreasing in-process defects, scrap, rework, required repairs, and manufacturing losses.

### 2014 HIGHLIGHTS

- **The F-35 aircraft’s Blueprint for Affordability aims to save the customer $8 billion over the life of the program.**
- **The Remote Minehunting System Littoral Combat Ship realized $2 million in savings for the U.S. Navy through quality improvements. These savings can be redeplored to other Navy needs.**
- **We piloted the updated Department of Defense (DoD) Guidance “Integrating Sustainability into DoD Acquisitions,” which is derived from the standardized ISO 14040 Life Cycle Assessment Framework and existing life cycle costing guidance.**
- **We launched the latest of our more than 40 weather satellites, which helps keep citizens alerted to and safe from extreme conditions.**
- **By replacing spray coating, we reduced the use of volatile organic compounds (VOCs) emitted during manufacturing of the F-35 by 200 pounds.**
OBJECTIVE
Foster a high-performance, inclusive culture that attracts, engages and develops talent to excel in our marketplace.

TALENT COMPETITIVENESS

OVERVIEW
Our company’s future, our aspirations for *The Science of Citizenship*, and mission success for our customers all depend on the quality, performance and commitment of our workforce.

A talented, healthy and engaged employee population drives performance and powers innovation, making it imperative that we continue to attract, develop, motivate and retain employees effectively. Our success also relies on a continuous supply of highly trained and capable technical talent—the engineers and technologists who will apply *The Science of Citizenship* to our products and services in the next decade and beyond. It is their skills that help our customers to combat terrorism and cyber warfare, to advance understanding of climate and weather patterns, to implement transformative energy solutions and to modernize air traffic control systems. By helping to solve complex challenges, our employees generate wide-ranging societal benefits and contribute to sustainable economic growth.

We are focusing on strengthening talent management, workplace safety and science, technology, engineering and math (STEM) outreach to enable Lockheed Martin to design and innovate for tomorrow. These efforts are represented both in our business products and services and in how we use *The Science of Citizenship* to address workplace and societal challenges.

PERFORMANCE HIGHLIGHTS

Learning and Development
We invest heavily in learning and development across our diverse workforce to ensure excellence in performance. In 2014, 97.3 percent of Lockheed Martin team members participated in formal training averaging 19.78 hours each. Topics included ethics, leadership, and technical training.

Advancing Diversity and Inclusion
Explaining why diversity is an imperative, CEO Marillyn Hewson stated, “When tackling a difficult decision, a person’s skills and experience will only get them so far. That’s why the best leaders surround themselves with people who offer diverse opinions, complement their abilities and aren’t afraid to suggest a different approach.” This imperative led our CEO to establish an Executive Inclusion Council (EIC) in April 2014. This team of senior leaders from across the Corporation is leading efforts to advance our diversity and inclusion strategies and programs.

Supporting STEM Education
With a shortage of engineers and scientists in our industry’s talent pipeline, encouraging students to pursue STEM education and careers is critical to our company’s future. In 2014, we invested more than $10 million in such activities. For example, we again sponsored the biennial USA Science & Engineering Festival in Washington, DC—the most successful ever with more than 325,000 attendees. The event provided thousands of opportunities for students and families to experience hands-on science, technology, engineering and math. Nearly 450 volunteers brought the Lockheed Martin-sponsored pavilion to life. Our employees contributed more than 40 demonstrations featuring nanotechnology, data analytics, robotics, energy, advanced aeronautics and scientific discovery.

Talent Competitiveness Impacts on Sustainable Business Practices

- Investing in Equitable Talent Management, Development and Retention
- Achieving Workplace Safety Beyond Compliance
- Pursuing STEM Workforce Strategy Outreach

About Photo: Our engineers and scientists often find themselves on the cutting edge of technology. The team shown here works on Compact Fusion that could provide world-wide access to inexpensive energy. We need to attract and retain the best minds now and in the future to continue our innovations.
# SUSTAINABILITY MANAGEMENT PLAN PROGRESS

## PERFORMANCE INDICATORS

<table>
<thead>
<tr>
<th>2014 RESULTS</th>
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<tbody>
<tr>
<td>1. Maintain a lower voluntary attrition rate among top performing exempt employees as compared to the exempt employee population with lower ratings.</td>
<td>1. <strong>3.49 percent</strong>—Maintained a lower voluntary attrition rate of 3.49 percent for top exempt performers as compared to a voluntary attrition rate of 4.15 percent for all other exempt employees.</td>
</tr>
<tr>
<td>2. Maintain the diversity and inclusion component score at 2012 levels, as measured by LM Voice employee survey results.</td>
<td>2. <strong>71.49</strong>—Maintained the Diversity and Inclusion Organizational Health Index score at 2012 levels. The 2012 level was 71.55, compared to the 2014 level of 71.49.</td>
</tr>
<tr>
<td>3. Achieve or exceed day away case, recordable and severity (lost days) rate goals.</td>
<td>3. <strong>Surpassed all three rate goals</strong>—Recordable Rate: <strong>1.06</strong> versus a goal of <strong>1.31</strong>; Day Away Case Rate: <strong>0.18</strong> versus a goal of <strong>0.20</strong>; Severity (Lost Days) Rate: <strong>4.22</strong> versus a goal of <strong>5.62</strong>. Goals are based on a 2 percent improvement from the rolling average of our previous three years of performance.</td>
</tr>
<tr>
<td>4. Reduce average time to complete manager 1 over 1 discussions following a work-related injury.</td>
<td>4. <strong>Achieved reduction</strong>—Reduced average time to complete manager discussions and have achieved our goal of increasing manager attention as a focus for 2014.</td>
</tr>
<tr>
<td>5. Allocate approximately half of Board of Directors-authorized charitable contributions to initiatives that support STEM education with impact metrics for major grants by the end of 2015.</td>
<td>5. <strong>41 percent</strong>—STEM Contributions account for more than $10 million (41 percent of Board of Director-authorized charitable contributions).</td>
</tr>
<tr>
<td>6. Increase number and percentage of employee volunteers in STEM education.</td>
<td>6. <strong>12 percent</strong>—An estimated 12 percent of 1,040,152 volunteer hours supported STEM education, a one percent increase from 2013, based on best available data.</td>
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## CHALLENGES

We recognize the need to launch learning resources for leaders focused on modeling inclusive behaviors.

We are focused on creating a culture of leadership engagement related to employee health and safety. We will continue to focus on the quality of the manager 1 over 1 interactions.

We strive to balance corporate strategic goals for STEM education contributions with local community partnerships.

## 2014 HIGHLIGHTS

- Launched an Executive Inclusion Council led by our chief executive officer
- 97.3 percent of Lockheed Martin team members participated in formal learning and development training
- 24 percent of our employees are military veterans
- We have 28 onsite Wellness Centers
SUPPLIER SUSTAINABILITY

OVERVIEW

Our business depends on a reliable, global network of skilled suppliers. More than 16,000 companies provide the materials, parts and services to make our products and deliver them to our customers mission-ready and on time. Suppliers are also important partners in implementing The Science of Citizenship through responsible practices, including sustainable sourcing and protecting their workers’ human rights.

OBJECTIVE

PARTNER WITH AT LEAST 90 PERCENT OF ACTIVE SUPPLIERS TO ADVANCE RESPONSIBLE SOURCING PRACTICES AND IMPROVE TRANSPARENCY.

PERFORMANCE HIGHLIGHTS

Our Supply Chain Profile

In 2014, Lockheed Martin had direct orders with over 16,000 active suppliers from 50 countries—30 percent fewer suppliers and 18 percent fewer countries than the previous year. This reduction was driven by closing inactive purchase orders and by many suppliers opting out of our two-factor authentication cyber security requirements.

- More than 94 percent are based in the United States.
- Nearly 5 percent are based in key expansion locations outside the United States—the United Kingdom, Canada, Australia, Israel, Japan, Saudi Arabia and the United Arab Emirates.
- More than 3 percent are located in the European Union, including the United Kingdom.
- Nearly 41 percent are manufacturers, 25 percent provide services and 13 percent are distributors.

- Sixty-three percent are small businesses: the number of active small business suppliers increased by 10 percent from 2013 to 2014.
- More than 20.5 percent are based within 30 miles of a major Lockheed Martin facility.
- Based on the U.S. government’s fiscal year, Lockheed Martin’s total spending for small businesses was $4.9 billion or 20 percent of total spend on all suppliers.

Action on Conflict Minerals

Our work continues to trace potential sources of conflict minerals across our supply chain, in line with our commitments to global citizenship and supplier sustainability. In accordance with U.S. Securities and Exchange Commission (SEC) regulations, in June 2014 we submitted a Conflict Minerals Report and a Specialized Disclosure Report for the 2013 reporting year. More than 90 percent of our direct material supplier spend was represented in our Conflict Minerals Report filing process. Our policy statement and SEC disclosure is published on our Conflict Minerals webpage.

Protecting Against Counterfeit Parts

We take the threat of counterfeit parts in our supply chain very seriously and are working hard to eliminate this threat to the integrity of our business.

Lockheed Martin business units and programs are responsible for detecting, mitigating and resolving incidences of confirmed counterfeit electronics. The techniques used to prevent and respond to this illegal activity vary by business unit in line with the products or services involved and customer needs.

In addition, an enterprise-wide team fosters communication and collaboration in our responses to counterfeits. We implement effective and active measures to prevent, detect and mitigate the entry of counterfeit parts into the Lockheed Martin supply chain in order to provide our customers with the products of the highest possible quality, consistent with our contractual obligations.

About Photo: Sciaky, Inc. supplies Lockheed Martin Space Systems Company with a large-scale additive manufacturing, or 3-D printing, solution. The turnkey electron beam additive manufacturing (EBAM) system will help us reduce time and cost, especially for the production and testing of titanium propellant tanks, shown here. We will produce these large titanium parts with virtually no waste. Partnering with suppliers that innovate in sustainable ways furthers our own sustainability.
SUSTAINABILITY MANAGEMENT PLAN PROGRESS

**PERFORMANCE INDICATORS**

<table>
<thead>
<tr>
<th>2014 RESULTS</th>
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<tbody>
<tr>
<td>1. Distribute Supplier Code of Conduct to 100 percent of suppliers via open purchase orders.</td>
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<tr>
<td>1. <strong>77 percent</strong>—Since releasing Lockheed Martin’s Supplier Code of Conduct in December 2013, 77 percent of active suppliers in our vendor purchasing system, P2P, have received the Code on the face of their purchase order.</td>
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<tr>
<td>2. Assess 100 percent of top 500 suppliers below target threshold for Dun &amp; Bradstreet Supplier Stability Indicator (SSI) Score and have risk mitigation plans as necessary.</td>
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<tr>
<td>2. <strong>97 percent</strong>—Evaluation of top 500 suppliers concluded with several identified as having severe risk ratings. We have been able to verify mitigation plans for 97 percent of the suppliers at risk. The remaining 3 percent of at-risk suppliers are in process of being evaluated.</td>
</tr>
<tr>
<td>3. Increase percentage of eligible respondents completing Sustainable Supply Chain Management Voluntary Assessment.</td>
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<tr>
<td>3. <strong>84 percent, increase of 32 percent</strong>—Of all eligible respondents, 84 percent completed the Sustainable Supply Chain Management Voluntary Assessment as compared to the baseline of 52 percent.</td>
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<tr>
<td>4. Ensure 100 percent of eligible purchasing, quality, or other affected employees complete Counterfeit Parts Awareness Training.</td>
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<td>4. <strong>99 percent</strong>—Of the Lockheed Martin employees who are required, 99.2 percent completed the Counterfeit Parts Awareness and Prevention training.</td>
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<tr>
<td>5. Increase percentage of suppliers with deliverable hardware with acceptable counterfeit work control plans, as assessed by business segments.</td>
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<tr>
<td>5. <strong>Executing to Plan</strong>—Business segments have plans in place in 2015 to execute to individual counterfeit work control plans.</td>
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</table>

**CHALLENGES**
Any suppliers that need to remain active in the Lockheed Martin database, but who have not received a new purchase order from us since implementation of the Supplier Code of Conduct, will receive separate correspondence notifying them of the Code in late 2015.

Each business segment has plans in place to determine whether it has adequate work control plans to address preventing, and mitigating the impact of, counterfeit parts. In 2015, the Counterfeit Parts Integrated Product Team will focus on implementing a consistent reporting process across all business segments.

**2014 HIGHLIGHTS**

- Lockheed Martin has direct orders with more than 16,000 active suppliers from 50 countries.
- Total spending with small businesses in 2014 was $4.3 billion or 20 percent of total spend with all suppliers.
- More than 90 percent of our direct material supplier spend was represented in our Conflict Minerals Report filing survey process.
- We provided about 14,000 suppliers with counterfeit parts awareness training materials.
- For the fourth year in a row, our support of small and diverse suppliers earned us an “outstanding” rating from the Defense Contract Management Agency (DCMA).
RESOURCE EFFICIENCY

OVERVIEW

Applying *The Science of Citizenship* includes optimizing our own operations. We pursue efficiencies and innovation to conserve natural resources and reduce our environmental impact. To propel our efforts we set targets for our United States and United Kingdom facilities covering environmental impacts ranging from energy and water use to waste generation and greenhouse gas (GHG) emissions, and use our sites as testbeds for energy-related technologies developed in-house. These actions promote sustainable innovation while reducing business costs and risks.

A comprehensive analytical framework using a combination of life cycle assessment techniques has helped us more fully understand and prioritize environmental issues in our supply chain, facilities and products. The findings of this analysis affirmed that the most significant issues for our business operations are associated with energy use and its climate-change impacts. See the Product Performance page for more information about our efforts to design resource efficiencies into products and services.

PERFORMANCE HIGHLIGHTS

**Improving our Energy Performance**

Using less energy and leveraging Lockheed Martin-developed technologies to improve our own operations are the driving factors behind our approach to resource efficiency. We reduced energy used by our facilities by 15 percent from 2010 to 2014. During 2014, our facilities implemented more than 30 energy-efficiency projects such as heating, ventilation and air conditioning (HVAC) improvements, retro-commissioning activities, lighting upgrades and peak load reduction programs. These initiatives will result in approximately $3 million of cost avoidance and 15,000 MTCO2e of greenhouse gas (GHG) emission reductions annually.

**Renewable and Low-Carbon Energy**

Renewable energy offers opportunities to reduce our carbon footprint and support the development of emerging technologies. Our present approach is to implement renewable energy projects on a site-by-site basis, where economically feasible. Currently, Lockheed Martin uses on-site solar array, wind turbine and biomass boiler renewable technologies.

**Energy Efficient Facilities**

Lockheed Martin also has a Green Building policy that establishes requirements for implementing green building practices in the design, construction and operations of all our facilities. In 2014, we received LEED Silver certification for our Advanced Materials & Thermal Sciences Center in Palo Alto, California. Our Gaithersburg, Maryland, facility received another LEED certification in August. We also received our first green building certifications for facilities located outside the United States, including our Dartmouth, Canada, LEED Silver facility and our new Lockheed Martin Commercial Flight Training facility in Sassenheim, Netherlands, which received Building Research Establishment Environmental Assessment Method (BREEAM) certification, the European equivalent of LEED. In 2014, we operated 25 green buildings, including 23 LEED, one BREEAM and one Energy Star certified buildings totaling approximately 1.6 million square feet. By these measures, green building space accounts for about 2 percent of our facility footprint. For a listing of Lockheed Martin sites with green building certifications, visit the Blueprint for Tomorrow.

**Resource Efficiency Impacts on Sustainable Business Practices**

- Optimizing Energy Use
- Reducing GHG Emissions

About Photo: We reduce our environmental footprint through operational innovations. Our campus in Sunnyvale, California, utilizes approximately 3,000 solar roof tiles, shown here. The solar array generates approximately 1 megawatt (MW) of electricity annually. The site also hosts a 1 MW solid oxide fuel cell powered by natural gas.
## SUSTAINABILITY MANAGEMENT PLAN PROGRESS

### PERFORMANCE INDICATORS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2014 RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Achieve 25 percent reductions in energy and water use and 35 percent reductions in carbon and waste to landfill by 2020.</td>
<td><strong>1. Reductions on track</strong>—Carbon emissions, 20 percent; energy use, 15 percent; waste to landfill, 47 percent; water use, 21 percent.</td>
</tr>
<tr>
<td>2. Meet 100 percent of carbon usage effectiveness (CUE) and power usage effectiveness (PUE) targets for electricity consumption/IT load at enterprise-managed data center consolidation locations.</td>
<td><strong>2. 100 percent</strong>—PUE 1.79; CUE 1.65. One hundred percent of the four enterprise-managed data center consolidation locations are meeting their CUE target of 1.65 or less and PUE targets of 1.8 or less.</td>
</tr>
<tr>
<td>3. Track energy usage indexed to revenue.</td>
<td><strong>3. 0.000025 CO₂e/dollar of revenue</strong>—MTCO₂e/$45.6 billion = 0.000025</td>
</tr>
<tr>
<td>4. Identify and establish green information technology efficiency targets.</td>
<td><strong>4. Partially complete</strong>—We have determined to expand PUE targets to additional large data centers, which will require additional metering.</td>
</tr>
<tr>
<td>5. Identify and establish water reuse targets for Lockheed Martin operations in water-stressed regions.</td>
<td><strong>5. Partially complete</strong>—In 2014, water balance and efficiency studies were completed for our highest-ranking water-stressed sites. We updated a metrics collection form to obtain more detailed water data beginning with 2015 performance. The team will be using this data to assess appropriate water targets in 2015.</td>
</tr>
<tr>
<td>6. Identify and establish green footprint or green building targets for Lockheed Martin operations.</td>
<td><strong>6. More than 1.3 million square feet</strong>—2013 green footprint: 1.3 million square feet; 2014 green footprint: 1.6 million square feet. Goal is to have year-over-year increase in total green footprint.</td>
</tr>
<tr>
<td>7. Identify and establish total waste reduction and recycling targets.</td>
<td><strong>7. Reduce waste by seven percent; increase recycling rate by eight percent</strong>—Target set with a 2014 baseline and 2020 target year.</td>
</tr>
<tr>
<td>8. Develop business case for on-site renewable energy generation within Lockheed Martin operations by business segment.</td>
<td><strong>8. Completed business cases</strong>—Each business segment completed a renewable energy business case; three of these projects were approved for capital funding for completion in 2015.</td>
</tr>
</tbody>
</table>

### CHALLENGES

While we have made progress implementing energy efficiency projects, which have shown cost savings to the business, the return on investment is not as strong for some resource projects such as water-use reductions and renewable energy. We are working to develop the value proposition for expanding our efforts in these areas by considering the broader environmental, business and societal benefits beyond financial payback.

As we continue to identify and establish green IT efficiency targets, we are focusing on our data centers and IT footprint. An assessment of the top 12 data centers was completed in 2014. As a result, we are working to integrate the appropriate metering in order to properly and accurately report on our carbon usage effectiveness (CUE) and power usage effectiveness (PUE) which will help us set and pursue green IT efficiency targets.

### 2014 HIGHLIGHTS

- During 2014, our facilities implemented more than 30 energy-efficiency projects such as HVAC improvements, retro-commissioning activities and peak load reduction programs. These initiatives led to $3 million of cost avoidance and 15,000 MTCO₂e of GHG emission reductions.
- We operated 23 Leadership in Energy and Environmental Design (LEED)-certified facilities.
- CDP ranked us in the top 10 percent of companies on its 2014 S&P 500 Climate Disclosure Leadership Index and its S&P 500 Climate Performance Leadership Index.

Learn more at lockheedmartin.com\sustainability
INFORMATION SECURITY

OBJECTIVE

MINIMIZE THE PROBABILITY AND IMPACT OF UNDESIRABLE EVENTS ASSOCIATED WITH SECURITY INCIDENTS IN OUR OPERATIONS AND FOR OUR CUSTOMERS’ MISSIONS.

OVERVIEW

Protecting the integrity of our global information systems is a critical focus for The Science of Citizenship. Lockheed Martin, our customers and the world are increasingly connected through and reliant on digital infrastructure to support business, expedite efficiency and drive innovation. The security of this infrastructure is critical for the smooth and stable functioning of society, from governments and militaries to energy grids, communications systems, and health records. Yet, the digital age has also accelerated the threat of cyber disruptions and increased the attack surface available to bad actors.

To stay ahead of adversaries, Lockheed Martin works to protect the integrity of our employees’ personally identifiable information and customers’ mission-sensitive data, as well as the intellectual property that supports our business operations and product innovation. We call our approach to cyber security Intelligence Driven Defense™. It relies on security thought leaders, talented cyber analysts, cutting-edge technology, employee vigilance and innovative processes to defend networks comprehensively from the advanced threats we face.

PERFORMANCE HIGHLIGHTS

Leading Insider Threat Detection

Lockheed Martin was honored for its Insider Threat Detection Program by Chief Security Officer (CSO) magazine as part of the CSO40 awards program, which recognizes security projects and initiatives that demonstrate outstanding business value and thought leadership. We were also recognized as the annual Defense Security Service Counterintelligence Award winner; one of four cleared defense companies out of more than 10,000 to win the award. Our insider threat detection program actively identifies and mitigates internal risks associated with the theft or misuse of intellectual property and trade secrets. It identifies employees who are at higher risk for being targeted by foreign intelligence or those more likely to misuse access to protected information.

Securing our Supply Chain

Suppliers across the aerospace and defense industry provide tremendous value in support of our customers’ missions. However, the cyber security capabilities of small- and mid-size businesses vary widely. This issue is not unique to the aerospace and defense industry, it is a growing problem across all industries and critical infrastructure sectors. There has been an increase in legislation in numerous countries that establishes minimum cyber security standards. Lockheed Martin is supportive of these efforts, including encouraging tax incentives for small- and mid-size businesses that adopt a new voluntary cyber security framework endorsed by the U.S. federal government.

In addition to working with our government and industry partners on this national level problem, we have continued to engage our supply chain on cyber security. This includes working with our suppliers to understand their cyber security capabilities, build awareness of the threat landscape and manage identified cyber security risks. Finally, we continue to work with our supply chain to ensure that access to resources across our ecosystem requires strong 2-factor authentication.

Information Security Impacts on Sustainable Business Practices

- Securing Customer Data Privacy
- Eliminating Data Fraud, Sabotage and Theft
- Safeguarding Intellectual Property Rights
SUSTAINABILITY MANAGEMENT PLAN PROGRESS

PERFORMANCE INDICATORS

We track and report metrics regarding the information security of our systems and of our products’ performance in the areas of: intellectual property rights and protection; data fraud, sabotage and theft; customer privacy; and insider and outsider threats, both digital and human. We regularly report metrics and engage our Board of Directors to discuss cyber security risk and associated action plans. For security reasons we do not publicly disclose performance on these measures.

CHALLENGES

Supply chain cyber security continues to pose a challenge as adversaries target anyone who possesses the sensitive information they seek, and supplier cyber security capabilities and resources vary. Our cyber security supply chain efforts remain a priority and are focused on building partnerships that improve the security of our cyber ecosystem.

Incorporating secure engineering principles throughout the hardware, software and systems integration design phase to properly safeguard against likely threat vectors is important to the creation of an agile and resilient cyber security practice. Our threat-modeling efforts result in greater visibility into systems, faster translation of intelligence into defensive measures and more effective deployment of those measures into our security controls.

The changing landscape of cyber security requirements, along with an evolving threat landscape, make the adoption of emerging technologies in support of business innovation cumbersome for organizations of all sizes. We explicitly design systems to support Intelligence Driven Defense™ cyber services and create systems that are resilient to attacks, and whose designs are resilient to changes in attackers.

2014 HIGHLIGHTS

- Supported a military cloud pilot that securely increases agility and improves service for 800,000 U.S. Air Force users
- Received seven of the 40, 2014 James S. Cogswell Outstanding Industrial Security Achievement Awards
- Honored for our Insider Threat Detection Program by Chief Security Officer (CSO) magazine as part of the CSO10 awards program
- Achieved NSA Cyber Incident Response Accreditation

Learn more at lockheedmartin.com/sustainability
Many of our products are designed or used with sustainable value in mind. For us this includes world-class solutions to challenges in cyber and physical environments, serving markets as diverse as aerospace, military, mining, oil and gas, transportation, and utilities. Here are a selection of products that support human safety and environmental protection from deep space to deep sea.

**JUNO**
*Sustainability Impact:* Its advanced manufactured 3D parts saved resources and eliminated waste

**ERAM**
*Sustainability Impact:* Upgraded software to help the FAA manage increased air traffic and new innovations to create flight route efficiency that saves fuel and reduces emissions

**INTELLIGENT MICROGRID SOLUTION**
*Sustainability Impact:* To balance energy loads to minimize energy use and cost, this reliable, secure energy system can be connected to or independent of a utility power grid

**WINDTRACER®**
*Sustainability Impact:* Doppler lidar system studies atmospheric conditions, detects hazardous winds for airports and aids wind power development

**PTOS**
*Sustainability Impact:* Tethered aerostat’s surveillance technology used by military forces to monitor suspects and prevent corruption

**GOES-R**
*Sustainability Impact:* Satellite will give real-time weather forecast and early warning predictions to save lives

**C-130**
*Sustainability Impact:* Versatile transport aircraft operated by 70 countries is increasingly used in humanitarian relief missions after natural disasters

**WINDTRACER®**
*Sustainability Impact:* Versatile transport aircraft operated by 70 countries is increasingly used in humanitarian relief missions after natural disasters

**ERAM**
*Sustainability Impact:* Upgraded software to help the FAA manage increased air traffic and new innovations to create flight route efficiency that saves fuel and reduces emissions

**MICROGRID SOLUTION**
*Sustainability Impact:* To balance energy loads to minimize energy use and cost, this reliable, secure energy system can be connected to or independent of a utility power grid

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**PTOS**
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**GOES-R**
*Sustainability Impact:* Satellite will give real-time weather forecast and early warning predictions to save lives

**C-130**
*Sustainability Impact:* Versatile transport aircraft operated by 70 countries is increasingly used in humanitarian relief missions after natural disasters

**MAGNELINK®**
*Sustainability Impact:* Improves mineworker safety and health with two-way voice communications underground during mining emergencies

**MARLIN®**
*Sustainability Impact:* Un-manned underwater inspection system provides earlier detection of safety hazards for oil and gas infrastructure

**LCS**
*Sustainability Impact:* U.S. Navy’s Littoral Combat Ship (LCS) is a fast surface combatant with a pirate-catching reconfigurable sea-frame that also counters illicit drug trafficking