2017 SUSTAINABILITY REPORT
– EXECUTIVE SUMMARY –

THE SCIENCE OF CITIZENSHIP

LOCKHEED MARTIN
BUSINESS OVERVIEW
Lockheed Martin is a publicly traded global security and aerospace company. We research, design, develop, manufacture, integrate and sustain advanced technology systems, products and services, and provide management, engineering, technical, scientific, logistics systems integration and cybersecurity 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 2017, we employed approximately 100,000 people worldwide and generated net sales of $51.0 billion. We are headquartered in Bethesda, Maryland, U.S.A. We own or operate more than 590 facilities in 50 U.S. states and have business locations in more than 50 nations and territories.

OUR BUSINESS IMPACT

CUSTOMERS
- 58% U.S. Department of Defense (DoD)
- 30% International
- 11% U.S. Civil, National Aeronautics and Space Administration (NASA) and Intelligence Agencies
- 1% Commercial

SOCIAL IMPACT
- $25.9M Charitable Contributions
- $11.7M Employee Giving
- $7.9M Sponsorships

ECONOMIC IMPACT
- $45,500M Cost of Sales
- $2,002M Profit
- $3,340M Federal/Foreign Taxes

COUNTRIES WITH 200+ EMPLOYEES
- 93,751 U.S.
- 1,664 U.K.
- 1,702 Poland
- 967 Canada
- 842 Australia
- 260 New Zealand
About 3.9 billion people worldwide live in urban areas. This number is expected to surpass six billion by 2045, with most growth happening in the developing world.

Many of the world’s largest cities are in low-lying, disaster-prone coastal areas, which amplifies risk, especially for the most vulnerable population sectors.

In 2017, earthquakes, landslides, floods and hurricanes wreaked havoc in every region of the world. Since 1970, the number of disasters worldwide has more than quadrupled to around 400 per year.

The U.S. alone has sustained 219 weather and climate disasters since 1980 where overall damages and costs reached or exceeded $1 billion. The total cost of these 219 events exceeds $1.5 trillion.

In 2017, the U.S. experienced the most expensive hurricane season ever. There were 16 weather and climate disaster events with losses exceeding $1 billion each, resulting in the deaths of 362 people and a cumulative cost of $306.2 billion, a new U.S. annual record.
EXTREME WEATHER PREPAREDNESS: We designed and built the Geostationary Operational Environmental Satellite-S (GOES-S) weather satellite, which will dramatically improve the speed, accuracy and detail of weather forecasts, including improved hurricane tracking and intensity forecasts and increased thunderstorm and tornado warning lead time.

OUTCOME Enhanced climate risk modeling through better satellite data.

ADVANCED AERIAL MEDICAL CARE: The Sikorsky S-76D emergency medical service helicopter provides in-flight medical services while flying in all environmental conditions. One of the safest and most fuel-efficient helicopters of its kind, the S-76D is designed to aid in medical emergencies and search-and-rescue missions.

OUTCOME Military-grade aircraft used for medical evacuation and rescue missions.

REMOTE RELIEF AND CARGO DELIVERY: The C-130J can land in remote and disaster-torn areas, delivering more than 40,000 pounds of relief aid. Its spacious cabin is equipped to stabilize and medevac 97 injured survivors to safety. The Hybrid Airship is designed to land on grass, sand, water or ice, delivering up to 200 tons of supplies and equipment to the most remote locations.

OUTCOME Humanitarian relief and rescue missions reach remote, low-infrastructure areas.

CLEAN ENERGY AND GRID STABILITY: Our Advanced Gasification system converts biowaste into synthetic gas, providing low-emission energy for industrial processes. Our Grid Star™ energy storage solutions help regulate periods of peak energy demand, alleviating stress on electric grids and lowering energy costs for customers.

OUTCOME More resilient electric grids and better integration of renewable energy leads to less outages.

RESCUE MISSIONS: Indago 2, our five-pound unmanned aerial system (UAS), enhances search and rescue missions. It can cover up to seven miles, using infrared sensors to find high-risk individuals and people lost in low-visibility environments.

OUTCOME Quicker response times with lower safety risks during rescue efforts.

INCREASING NATURAL DISASTERS AND ADVERSE WEATHER INCIDENTS In 2017, earthquakes, landslides, floods and hurricanes wreaked havoc in every region of the world. Since 1970, the number of disasters worldwide has more than quadrupled to around 400 per year. The U.S. alone has sustained 219 weather and climate disasters since 1980 where overall damages and costs reached or exceeded $1 billion. The total cost of these 219 events exceeds $1.5 trillion.
A PURPOSEFUL SUSTAINABILITY MANAGEMENT PLAN

Our core issues, factors and goals create a clear roadmap for our sustainability activities and keep us focused on our priorities. This dashboard summarizes our goals and timelines; details on our challenges and progress are in the core issues chapters. We also report against GRI Standards indicators in our online GRI Index.

See our GRI Index online

### PROGRESS KEY

- Goal in progress
- Goal met

<table>
<thead>
<tr>
<th>FACTOR</th>
<th>GOALS</th>
<th>TARGET DATE</th>
<th>PROGRESS</th>
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</table>
| **BUSINESS INTEGRITY** Anti-Bribery and Corruption Controls | • Decrease violations of our consultant payment policy.  
• Decrease violations of our customer hospitality policy. | 2017 |  
| | 2017 |  |  |
| Supplier Conduct | • Increase participation in our virtual ethics supplier mentoring program. | 2017 |  |
| Responsible Sales | • Track the rate of improperly licensed exports of hardware or technical data under U.S. export regulations. | 2017 |  |
| Ethical Governance and Leadership | • Decrease rate of allegations of misconduct by leaders compared to overall workforce.  
• Increase employees’ perceptions of ethical behavior in leaders. | 2020 |  
| | 2020 |  |  |
| **PRODUCT IMPACT** Product Safety | • Track and report product failure or nonconformance due to manufacturing processes. | 2017 |  |
| Counterfeit Parts Prevention | • Maintain or reduce instances of counterfeit parts in delivered systems confirmed as our responsibility. | 2017 |  |
| Product 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.  
• Generate $1 billion in product life-cycle cost reductions, resulting in lower resource consumption and impacts on health and the environment. | 2020 |  
| | 2020 |  |  |
| Global Infrastructure Needs | • Achieve $4 billion in product sales with direct, measurable benefits to energy and advanced infrastructure resiliency. | 2020 |  |
### Employee Wellbeing

<table>
<thead>
<tr>
<th>Factor</th>
<th>Goals</th>
<th>Target Date</th>
<th>Progress</th>
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<tbody>
<tr>
<td>Workplace Safety and Wellness</td>
<td>• Achieve or outperform day away, recordable and severity case rate goals.</td>
<td>2017</td>
<td></td>
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<tr>
<td>Talent Development</td>
<td>• Maintain a lower voluntary attrition rate among top-performing salaried employees compared to those with lower performance.</td>
<td>2017</td>
<td></td>
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<td></td>
<td>• Increase succession planning for senior executives.</td>
<td>2020</td>
<td></td>
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<tr>
<td>Diversity and Inclusion</td>
<td>• Develop the best workforce for our customers by increasing representation of women, minorities, veterans and people with disabilities.</td>
<td>2020</td>
<td></td>
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<tr>
<td></td>
<td>• Increase employee participation in company-sponsored diversity events, employee resource groups (ERGs) and leadership associations.</td>
<td>2020</td>
<td></td>
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<tr>
<td>Talent Recruitment</td>
<td>• Achieve intern conversion rate of greater than, or equal to, 50 percent.</td>
<td>2020</td>
<td></td>
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### Resource Efficiency

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<th>Factor</th>
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<th>Target Date</th>
<th>Progress</th>
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<tbody>
<tr>
<td>Energy and Carbon Management</td>
<td>• Increase annual renewable energy consumption.</td>
<td>2017</td>
<td></td>
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<tr>
<td></td>
<td>• Reduce energy use by 25 percent, scope 1 and 2 carbon emissions by 35 percent and water use by 30 percent.</td>
<td>2020</td>
<td></td>
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<td></td>
<td>• Increase square footage of facilities with green building certifications.</td>
<td>2020</td>
<td></td>
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<tr>
<td></td>
<td>• Help energy customers reduce carbon emissions by at least twice the carbon impact of our business operations.</td>
<td>2020</td>
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### Information Security

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<th>Target Date</th>
<th>Progress</th>
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<tbody>
<tr>
<td>Customer Information Systems and Network Security AND Sensitive Data and Intellectual Property Protection</td>
<td>• Monitor employee cybersecurity engagement to counter malicious email threats and monitor number of vulnerabilities per device on core IT networks.</td>
<td>2017</td>
<td></td>
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<td></td>
<td>• Monitor data loss incidents that occur within core IT networks for business operations.</td>
<td>2017</td>
<td></td>
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<tr>
<td></td>
<td>• We track another proprietary goal to improve data security.</td>
<td>2020</td>
<td></td>
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<tr>
<td>Employee privacy and Data Protection</td>
<td>• Achieve desired thresholds for identifying vulnerabilities to personal information exposure in our information technology (IT) systems.</td>
<td>2017</td>
<td></td>
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**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) 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) the competitive environment; (vii) the 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 (SEC) filings including our Annual Report on Form 10-K for the year ended Dec. 31, 2017 and our 2018 Quarterly Reports on Form 10-Q, which can be obtained at the Corporation’s website [www.lockheedmartin.com/investor](http://www.lockheedmartin.com/investor) or through the website maintained by the SEC at [www.sec.gov](http://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.
We focus on five core sustainability issues and objectives.

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

**PRODUCT IMPACT**
Delivering optimal life-cycle 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 our security incidents on our business operations and customer missions and protecting business-sensitive, customer and personal information from external and internal threats.
BUSINESS INTEGRITY

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

FEATURED SUSTAINABILITY FACTOR
Supplier Conduct
We engage our suppliers to share best practices, validate their regulatory compliance and improve business management practices.

GOAL
Increase participation by small business suppliers in our ethics supplier mentoring program.

Progress: In 2017, 10 companies participated in our one-on-one mentoring program and 266 companies participated in our online webinar series, compared to seven and 48 companies, respectively, in 2016. Seventy-seven percent of companies that participated in our ethics webinar series are Lockheed Martin suppliers.

PRODUCT IMPACT

To deliver optimal life-cycle value by engineering innovative solutions for resilient energy, global security, telecommunications and other critical infrastructure.

FEATURED SUSTAINABILITY FACTOR
Global Infrastructure Needs
Our company size and strategic partnerships allow us to scale our solutions regionally and nationally, creating global solutions at affordable prices to contribute to sustainable development.

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

Progress: In 2017, product sales that benefit energy and infrastructure resiliency totaled $2.1 billion towards a 2020 goal to annually exceed $4 billion.

ENERGY STORAGE POWERS PROGRESS
In 2017, we delivered GridStar Lithium energy storage systems for a variety of projects. These include projects that reduce electricity costs for commercial and industrial users, and those that enable solar energy to be stored and used at times of day when the utility needs it most. One project, an 8.5 megawatt hour (MWh) energy storage system in Ontario, Canada, is anticipated to reduce electricity costs on the industrial load it addresses by 15-30 percent per year.
To create a high-performance, inclusive workplace culture that engages employees and creates rewarding career paths for our current and future workforce.

**FEATURED SUSTAINABILITY FACTOR**  
**Talent Recruitment**  
We want Lockheed Martin to be the employer of choice for the best scientists, engineers and technologists. College recruitment and intern hiring are integral to building a pipeline of future talent.

**GOAL**  
Achieve an intern conversion rate of greater than, or equal to, 50 percent.  
**Progress:** During the 2017 academic year, we hired 54.7 percent of our former interns, exceeding our intern conversion rate goal.

To increase business resiliency and accelerate carbon reduction through improved energy and water management, materials conservation and increased renewable energy use.

**FEATURED SUSTAINABILITY FACTOR**  
**Energy and Carbon Management**  
Our goal is to reduce environmental, operational and cost risks in our business practices and facility processes.

**GOAL**  
By 2020, 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 23 percent, carbon emissions by 33 percent and water use by 22 percent.

**HIGHLIGHTS**  
We avoided $34 million in annual energy and water costs compared to 2010.

Since 2008, we have installed 11 on-site renewable energy systems, including 10 solar farms and one biomass facility for a total of 6.7 MW of capacity.
To minimize 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.

**FEATURED SUSTAINABILITY FACTOR**  
**Sensitive Data and IP Protection**

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

**Progress:** We do not disclose performance data we deem competitive and proprietary.

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**CYBER IS IN EVERYTHING WE DO**

**Platform Resiliency**
By engineering security throughout our products’ lifecycle, we effectively cyber-harden them for operational use. This involves making assessments and applying cyber models to help customers defend their networks, mitigate threats, protect their platforms, and continuously assess their systems.

**Enhanced data integrity**
Lockheed Martin is the first U.S. defense contractor to incorporate Keyless Signature Infrastructure into its processes. This technology, through the use of blockchain cryptography, guarantees the integrity and provenance of any piece of digital data.

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**Cybersecurity Training**
Immersive, hands-on training based on Intelligence Driven Defense accelerates the development of cyber analysts with industry leading concepts and practices.

**Cyber Simulation Services**
Lockheed Martin conducts realistic cybersecurity testing, evaluation and training to prepare for any situation.

**Advanced Analytics**
Using machine learning and artificial intelligence, Lockheed Martin can analyze intrusion detection logs, support digital forensics analysis, and similar big-data collection efforts at massive scale.

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Look past the 0s and 1s of any cyber threat and you’ll find a person behind it. Understanding their intent, capabilities and tactics is the foundation to building resilient defenses and to effectively manage enterprise risk. At Lockheed Martin, we do this through Intelligence Driven Defense®; our methodology that turns the tables on the adversaries. It includes a seven-step process to identify the sequence of events an attacker must take, and shifts the cyber advantage to the defender.

**Eric M. Hutchins**  
LM Fellow, Chief Intelligence Analyst