

2018 SUSTAINABILITY REPORT
– EXECUTIVE SUMMARY –

THE

SCIENCE

OF

CITIZENSHIP

LOCKHEED MARTIN 

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.

OUR 2018 BUSINESS IMPACT

CUSTOMERS



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

SOCIAL IMPACT



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

ECONOMIC IMPACT



- \$46,488M Cost of Sales
- \$5,046M Net Earnings
- \$792M Federal/Foreign Taxes

COUNTRIES WITH 200+ EMPLOYEES



TRACKING OUR PROGRESS

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 Sustainability Management Plan (SMP).

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 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.



 RISK IDENTIFICATION

 RISK ASSESSMENT

 RISK CONTROLS

 ETHICAL CULTURE

 SUSTAINABILITY MANAGEMENT PLAN

ADDRESSING GLOBAL CHALLENGES

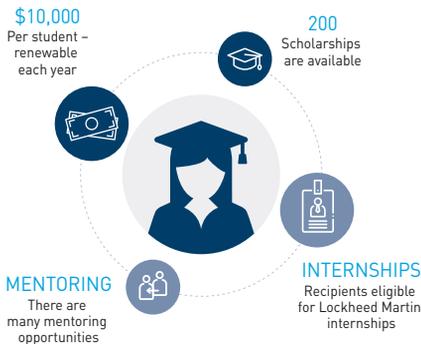
For the past few years, we have tracked five megatrends relevant to our operations: **Reimagining Work**, Climate Resiliency, Confidence in Institutions, Data Reliability, Geopolitical Instability



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.¹

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 [CB 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 [CB National Standards of Apprenticeship](#), a common framework for registered apprenticeship programs for highly-skilled roles across our U.S. facilities. In our [CB 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) [CB 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 [Skill shift: Automation and the future of the workforce](#), McKinsey Global Institute, May 2018.

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 our sustainability report. We also report against GRI Standards indicators in our online GRI Index. [See our GRI Index online](#)

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		

	Factors	Goals	Target Date	Progress
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	🟣

RELEVANT ISSUES, STRATEGIC PRIORITIES

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

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.

FEATURED SUSTAINABILITY FACTOR ANTI-BRIBERY AND CORRUPTION CONTROLS

Every day, we empower our employees with knowledge and resources to report all known or suspected violations of our policy, such as Setting the Standard, our interactive Code of Ethics.

GOAL

Achieve 100 percent completion rate of applicable employee training on business courtesies and international Business Conduct Compliance Training (BCCT) modules.

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

PRODUCT IMPACT

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

FEATURED SUSTAINABILITY FACTOR TOTAL COST OF OWNERSHIP

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.

GOAL

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 assessments 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 \$1.34B, achieving our goal of \$1B by 2020.



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

EMPLOYEE WELLBEING

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

FEATURED SUSTAINABILITY FACTOR TALENT DEVELOPMENT

Lockheed Martin offers more than 30 education and training programs to prepare workers for longstanding careers in aerospace and defense.

GOAL

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

5,464

employees participated in the tuition reimbursement program

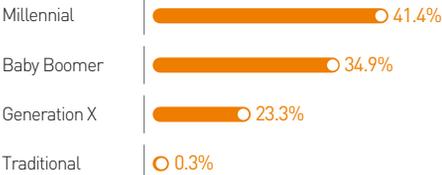
3,921

leaders participated in enterprise leadership development programs (LDPs)

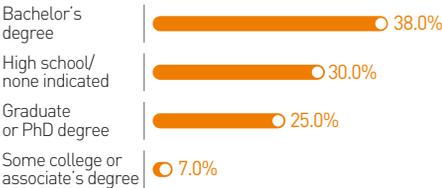
WORKFORCE PROFILE 2018

● All employees

Generation



Education



Region



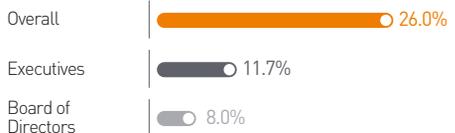
COMPANY DEMOGRAPHICS 2018

● Overall ● Executives ● Board of Directors

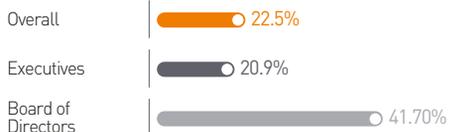
Women



People of color



Veterans



INFORMATION SECURITY

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.

FEATURED SUSTAINABILITY FACTOR EMPLOYEE PRIVACY AND DATA PROTECTION

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.

GOAL

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.

RESOURCE EFFICIENCY

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

FEATURED SUSTAINABILITY FACTOR ENERGY AND CARBON 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.

GOAL

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}.



Energy Star Certification of our Fort Worth Facility

In 2018, the administrative and engineering building at our Aeronautics campus in Fort Worth, Texas, with over 840,000 square feet, achieved ENERGY STAR® certification from the U.S. Environmental Protection Agency (EPA), demonstrating it performs better than 93 percent of peer buildings. 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.