

2019 Sustainability Report  
Executive Summary

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THE

# SCIENCE

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OF

# CITIZENSHIP

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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 2019 data, we employed approximately 110,000 people worldwide and generated net sales of \$59.8 billion. We are headquartered in Bethesda, Maryland, U.S., and own or lease building space at approximately 375 locations primarily in the U.S. Additionally, we manage or occupy approximately 15 government-owned facilities under lease and other arrangements.

## 2019 BUSINESS IMPACT

### Customers

- 61% U.S. Department of Defense (DOD)
- 28% International
- 10% U.S. Civil, National Aeronautics and Space Administration (NASA) and Intelligence Agencies
- 1% Commercial



### Countries with 200+ employees

 104,000+  
U.S.

 1,800+  
U.K.

 1,600+  
Poland

 1,000+  
Canada

 900+  
Australia

 200+  
New Zealand

### Economic impact

- \$51,445M Cost of Sales
- \$6,230M Net Earnings
- \$1,011M Federal/Foreign Taxes



### Social impact

- \$30.4M Charitable Donations
- \$10.3M Employee Giving
- \$9.0M Sponsorships



# STAKEHOLDER ENGAGEMENT AND 2019 CORE ISSUES ASSESSMENT

## Engaging our Stakeholders

We engage our stakeholders in our core issues assessment process. Our robust stakeholder input process is deeply embedded in our business.

### OUR PROCESS

This year, we held **six** stakeholder workshops, conducted surveys, and leveraged mathematical and AI-based analytical tools to collect and analyze feedback from **eight** different stakeholder segments in the U.S. and Europe:

Customers	Suppliers
Government	Academia
Industry peers	Non-governmental organizations
Investors	Employees

90+

**PARTICIPANTS** including more than 60 employees and 30 external stakeholders.

10%

overall engagement in the 2019 core issues assessment was nearly 10% higher than in 2015.

### EXPLORING THE ISSUES

Through **structured discussions** and **survey input**, we learned more about their expectations and explored current and emerging trends facing our stakeholders and our sector.



We analyzed direct stakeholder feedback on

40

**SUSTAINABILITY ISSUES**

using external benchmarking data and internal risk and strategy information.

### OUTCOME

We then clustered closely related issues of importance to stakeholders and to our business success, and ultimately identified four sustainability priorities and 14 core issues for our next SMP; see our Core Issues section for more information. **This process also informed the goals and key metrics that will guide us from 2020-2025.**



For 2020 and beyond this process has led to

4

**SUSTAINABILITY PRIORITIES**

14

**CORE ISSUES**

# Supporting Geopolitical Stability

## GLOBAL CONTEXT

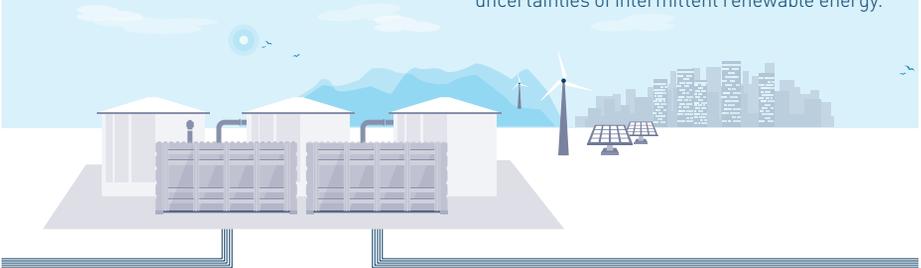
The globalization that has facilitated trade, cooperation, and interdependence over the past several decades shows no signs of slowing. Much of the world's renewable power capacity is being built in developing economies. New innovations and investments in technology will continue to create stronger connections between nations, digital transformations that will foster more collaboration, and greater economic opportunities.

## LOCKHEED MARTIN SOLUTIONS

We provide turnkey energy storage systems designed to make the electric grid more efficient, cost-effective, clean, stable, secure, and responsive. And as renewable energy increases, grid planners face new challenges. Intermittent renewable energy creates uncertainty, leading to a growing need for large-scale energy storage that can ensure consistent availability and distribution.

### Building Stronger Economies with INNOVATIVE ENERGY STORAGE

Lockheed Martin's GridStar® Flow system provides energy storage for consistent availability and distribution, addressing the uncertainties of intermittent renewable energy.



#### SCALABLE

Since power and energy are decoupled and sized independently, GridStar Flow can be configured to meet a customer's exact needs for a variety of use cases now and in the future.



#### SAFE

Electrolytes are comprised of a mildly alkaline, water-based solution that is non-flammable and reduces the risk of fire.



#### DURABLE

Stores 6+ hours of energy with exceptional resistance to battery degradation, creating an estimated lifespan of 20 years or more.



#### RESPONSIVE

The inherent flexibility and durability of GridStar Flow enables the system to respond to real-time market demands, providing customers with valuable optionality.



#### LOW TOTAL COST OF OWNERSHIP

GridStar Flow is optimized to offer low total cost of ownership over the system lifetime. This includes all costs for initial installation as well as costs associated with system replenishment, operation and maintenance, and energy loss.

# Our 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. More information about our challenges and progress toward goal completion are in the core issues chapters of this report. Development of our next SMP, metrics, and goals is underway, and this is the final year we will report on the goals below.

Please see our online [GRI Index](#) for progress against GRI Standards indicators.

	Factors	Goals	Target Date	Progress
Business Integrity	Anti-Bribery and Corruption Controls	Achieve 100% completion rate of applicable employee training on business courtesies and international Business Conduct Compliance Training (BCCT) modules.	2020	🟢
		Achieve 100% completion rate of applicable training on ethics for business consultants.	2020	🟢
		Assess risks for 100% of all international consultants and other consultants identified through audits.	2020	🟢
	Ethical Governance and Leadership	Meet or exceed global benchmark for Ethics Index based on All Employee Survey.	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 ethics supplier mentoring program.	2020	🟢	
Product Impact	Counterfeit Parts Prevention	Maintain or reduce instances of counterfeit parts in delivered systems.	2020	🟡
	Global Infrastructure Needs	Achieve \$4 billion in product sales with direct, measurable benefits to energy and advanced infrastructure resiliency.	2020	🟡
	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 life cycle cost reductions from manufactured products related to the use of resources and impacts on human health and the environment.	2020	🟡

Progress key  Goal in progress  Goal met  Retired

	Factors	Goals	Target Date	Progress
Employee Wellbeing	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, Business Resource Groups (BRGs) 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 conversion rate of greater than, or equal to, 50% conversion.	2020	
Workplace Safety and Wellness	Achieve or outperform day-away case and severity rate goals.	2020		
Resource Efficiency	Energy and Carbon Management	Reduce energy use by 25%, scope 1 and 2 carbon emissions by 35% and water use by 30%.	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	Employee Privacy and Data Protection	Achieve annual recertification of EU-U.S. Privacy Shield Framework.	2020	
	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	

# Core Issues



## Business Integrity

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



## Product Impact

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



## Employee Wellbeing

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



## Resource Efficiency

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



## Information Security

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



## EVOLVING OUR SUSTAINABILITY PRIORITIES AND CORE ISSUES BEYOND 2020

### Advancing Resource Stewardship

- Energy Management
- Total Cost of Ownership
- Hazardous Chemicals/Materials
- Resources/Substance Supply Vulnerability
- Counterfeit Parts Prevention

### Elevating Digital Responsibility

- Data Privacy/Protection
- Artificial Intelligence
- Intellectual Property Protection

### Fostering Workforce Resiliency

- Workplace Safety
- Inclusion and Equity
- Harassment Free Workplace

### Modeling Business Integrity

- Anti-Bribery and Corruption
- Ethical Business Practices
- Safe Products

# Business Integrity

## FEATURED SUSTAINABILITY FACTOR

### Supplier Conduct

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

### CASE STUDY

## Uphold the Code: Sikorsky CH-53K Helicopter Positioned to Serve



■ The CH-53 series has a 50-year legacy of heavy lift solutions.

### What we did

Given how critical our supply chain is for delivering on the customer's mission, we make sure every supplier understands the importance of our values and our clear expectations throughout the supply chain. The Sikorsky CH-53K helicopter has a critical mission that spans humanitarian aid, Special Operations forces, troop transport, combat search and rescue, and equipment transport for the U.S. Marines. When delivering to the U.S. Marine customer in support of their mission, there is no place for doubt about quality, safety, or the authenticity of parts.

### Why it matters

As the CH-53K program prepares for its first major milestone in 2023, with sights set on international expansion, our customers can rest assured the program is positioned to meet the mission with dependable suppliers held accountable to the requirements of the Supplier Code of Conduct throughout our supply chain.

# Product Impact

## FEATURED SUSTAINABILITY FACTOR

### Total Cost of Ownership

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

### ● HIGHLIGHTS

Bioinspired Design (BID), also called biomimicry, uses nature's time-tested structures and functions to solve engineering challenges. Nature selects processes that conserve the most material and energy, while avoiding harmful elements. Taking inspiration from biology can lead to more sustainable designs and reduce the product development cycle.

Lockheed Martin Aeronautics Company's Advanced Development Programs (ADP) has integrated BID into the Skunk Works® technology and product development process to spark innovation and instill a culture of sustainable product design.

This year, the Environment, Safety and Health (ESH) office of ADP funded 13 BID proof-of-concept projects leading to sustainable technology innovation in aircraft noise and drag reduction, lightweight structures, chemical and optical sensors, self-cleaning and pigment-free coatings, biodegradable materials, morphing structures, and more efficient heat transfer. These projects were inspired by a variety of organisms, including birds, insects, plants, and even fungi. BID is opening the design space in critically important new areas, while making engineers more sensitive to the ESH impacts of new products over their life cycles.

# Employee Wellbeing

## FEATURED SUSTAINABILITY FACTOR

### Talent Development

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



▶ A Lockheed Martin employee teaches a student on the ins and outs of working on helicopter transmissions.

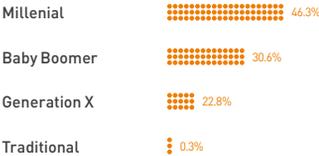
## HIGHLIGHTS

The Teamsters/Sikorsky Career Pathways program is a pre-apprenticeship program in which students receive on-the-job training with experienced union mentors, applying the transferable skills they learned in school to building the world's leading helicopters. During the eight-week paid summer internship, high school students pursuing a career in manufacturing produce "innovative flight solutions that bring people home, everywhere ... every time". Since 2002, the unique partnership between Teamsters Local 1150; Sikorsky, a Lockheed Martin Company; Connecticut Department of Labor; Connecticut Department of Education; and eight technical and comprehensive high schools has graduated approximately 300 students with trade skills in aircraft manufacturing.

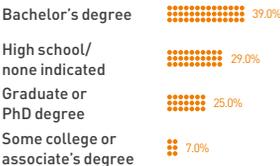
## WORKPLACE PROFILE 2019

● All employees

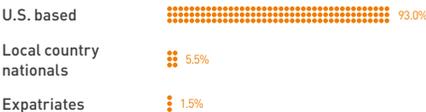
### Generation



### Education



### Region



## COMPANY DEMOGRAPHICS 2019

● Overall ● Executives ● Board of Directors

### Women



### People of color

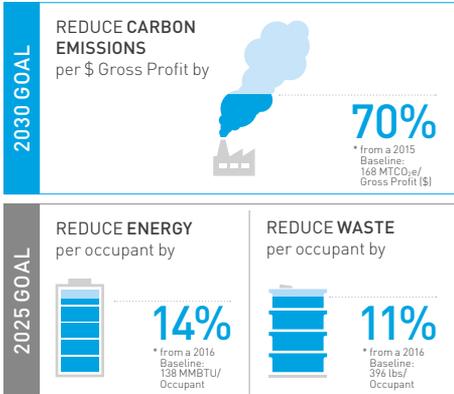


### Veterans



# Resource Efficiency

## FEATURED SUSTAINABILITY FACTOR Energy and Carbon Management



### Beyond 2020 Goals

As our [Go Green](#) 2020 goals come to a close, we are looking ahead to even more robust goals. We have evaluated the applicability of the science-based target methodology and established our own ambitious carbon reduction goal to do our part in holding global temperature increase below 1.5 degrees C. This new goal will not only outperform the science-based target methodology for reducing emissions, but will support the continued growth of the company as well.

The fourth generation of our Go Green goals will address GHG emissions, energy, and waste on an intensity basis across our facilities. These facility intensity goals will be measured on an occupant basis. Setting these ambitious targets will help to drive a lean and efficient infrastructure, processes, and operations that support our continued leadership in a changing business and regulatory environment.

# Information Security

## FEATURED SUSTAINABILITY FACTOR

### Customer Information Systems and Network Security

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

### CASE STUDY

## Securing the Defense Industry Supply Chain

### What we did

Lockheed Martin is leading our nation's efforts to secure the supply chain for the defense industry. Our Chief Information Security Officer (CISO) chairs the Defense Industrial Base (DIB) Sector Coordinating Council (SCC). In partnership with the Department of Defense (DOD), the DIB SCC serves as the primary private-sector policy coordination and planning entity for security, resilience, and critical infrastructure protection for the U.S. defense industry.

Under our CISO's leadership, the DIB SCC established the Supply Chain Cybersecurity Industry Task Force in April 2019 with the goal of eliminating vulnerabilities and protecting critical national security information.

### Why it matters

As our CISO explained, "This task force will use the DIB SCC construct to serve as a focal point for industry collaboration across the supply chain, leveraging input and efforts from small to large companies. Our objective is to help identify and implement adversarial-focused solutions that enhance the cyber posture of companies throughout the multi-tier supply chain."