



THE SCIENCE OF CITIZENSHIP

SUSTAINABILITY 2012

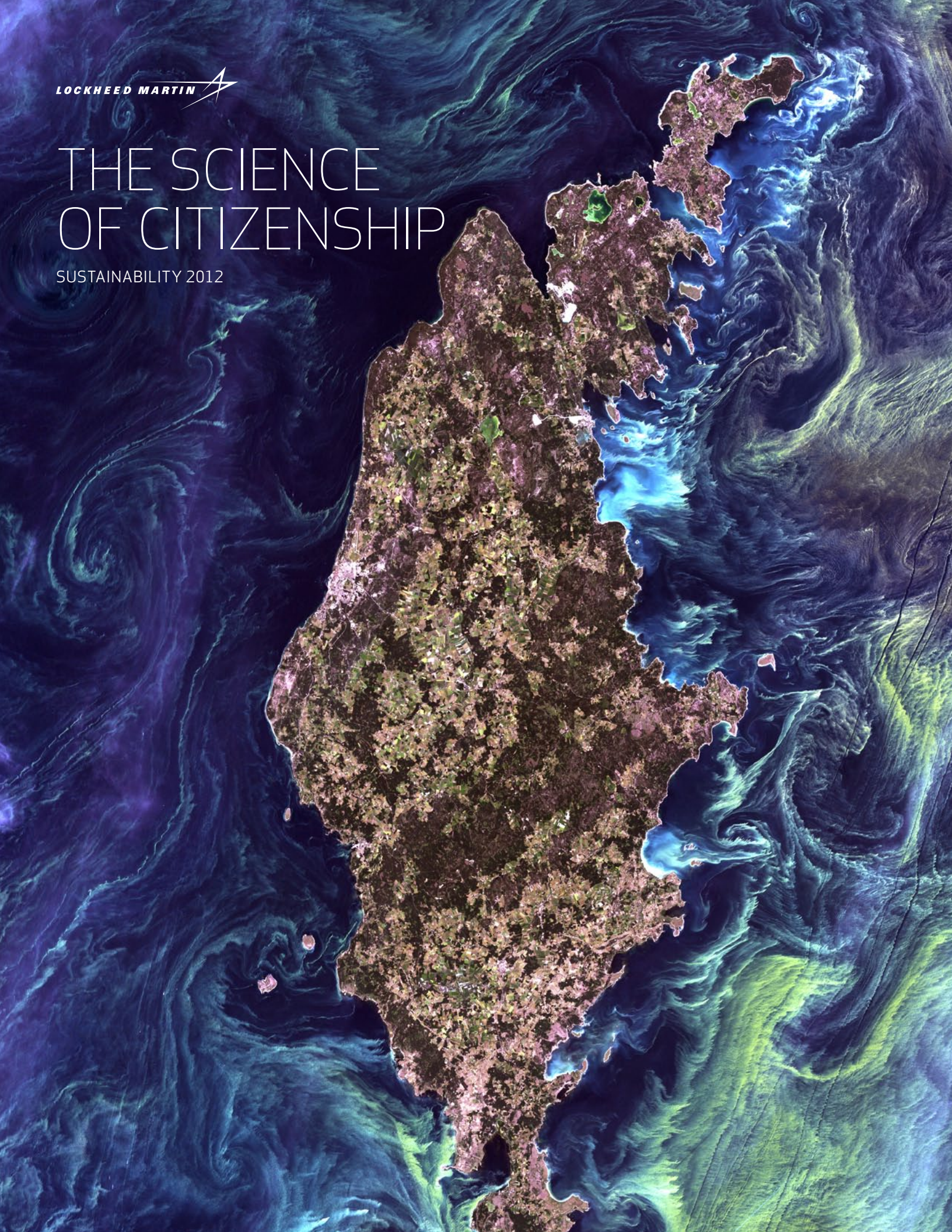


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About this Report

This comprehensive sustainability report follows our inaugural report issued in April 2012 and encompasses data and activities for the calendar year 2012. The report and its data are global, unless otherwise noted, covering Lockheed Martin and the owned, leased and managed operations of our five business areas: Aeronautics, Information Systems & Global Solutions, Missiles and Fire Control, Mission Systems and Training and Space Systems. We have expanded the scope and depth of information reported compared with 2011 to reflect valuable stakeholder feedback and sharper focus on our sustainability performance.

Through the lens of our threefold commitment to Protect the Environment, Strengthen Communities and Propel Responsible Growth, we highlight our performance objectives, results, challenges and business relevancy. Wherever possible, we provide relevant environmental, social and governance data over five years for our operations and supply chain. To enhance transparency, for the first time our report includes an **index** that follows the Global Reporting Initiative (GRI), the world's most widely used sustainability reporting framework.

The data presented in our Performance Indicators section undergo an Internal Audit review to verify data-collection and authentication processes. The report also reflects insights from sustainability experts on specific issues and reporting practices.

The data presented about our greenhouse gas (GHG) emissions are subject to internal and external reviews to provide a limited level of assurance for emissions reported to CDP, formerly the Carbon Disclosure Project. The external review determined that our reported GHG emissions are a fair representation for the stated period and boundaries. Our GHG information includes emissions data provided by our air and car rental preferred suppliers for business travel.

Please write to sustainability.lm@lmco.com for inquiries about this report.

<< Cover Image: A phytoplankton swirl around Sweden's Gotland island in the Baltic Sea, as seen by the Landsat 7 spacecraft built by Lockheed Martin for NASA. The image was a winner in the 2012 NASA "Earth as Art" campaign that celebrated the Landsat program's 40th anniversary. Lockheed Martin built the first seven Landsat spacecraft. Landsat's collection of land images serves those who study the Earth's resources and the changes brought on by natural processes and human activities. (Credit: NASA's Goddard Space Flight Center/USGS/Landsat 7)

>> Opposite page (top): Marillyn Hewson, CEO and President, welcomes employees to the inaugural Military/Veterans Leadership Forum. This new diversity and inclusion employee forum was one of three added in 2012, expanding our network to include: African American Leadership Forum; Council of Asian American Leaders; Hispanic Leadership Council; Lesbian, Gay, Bisexual, Transgender (LGBT) Leadership Forum; People with Disabilities Leadership Forum and Women's Leadership Forum. Each forum provides opportunities for professional development, mentoring and networking.

Leadership Perspective



Tomorrow Matters

Our 100th anniversary in 2012 reminded us of why sustainability is so important for our business. Companies that endure do so because they make a contribution that endures. They create long-term value for all of their stakeholders: their customers, their stockholders, their employees, their communities and their suppliers. For those groups, value today is important, and value tomorrow is priceless. Tomorrow matters. And that's why we're focused on creating enduring value through sustainability.

When it comes to sustainability, our goal is to foster innovation, integrity and security in ways that protect the environment, strengthen communities and propel responsible economic growth. These efforts drive innovation, reduce costs, boost efficiencies, all while maintaining our deep commitment to integrity.

This, our second annual sustainability report, illustrates why 2012 was a milestone year for the way we manage environmental, social and governance performance. We established an Office of Corporate Sustainability to integrate business decisions affecting all of our stakeholders. We formed a council of executive leaders to govern and guide our sustainability policies and goals. And we launched our Go Green 2020 initiative, a new set of ambitious environmental goals aiming beyond regulatory requirements.

When done right, sustainability guards our core values—do what's right, respect others and perform with excellence—and reinforces our culture of integrity. We're proud of our progress thus far, and we recognize that tomorrow's social, economic and environmental challenges will require us to do even better. Our commitment is to create sustainable value for all of our stakeholders—today and tomorrow—to ensure we're still thriving on our 200th anniversary.

This report tells the story of our accomplishments, challenges and expectations. I invite you to read more about how the men and women of Lockheed Martin live their commitments to the environment, their communities and responsible growth.

A handwritten signature in cursive script that reads "Marilyn A. Hewson".

Marilyn A. Hewson
Chief Executive Officer and President



"We've always led."

Watch a conversation with Leo Mackay, Vice President of Ethics & Sustainability, to learn more about our sustainability efforts and their business relevancy.

[Watch online](#)

Our Approach

03 Sustainability at Lockheed Martin

06 Stakeholder Engagement

08 Performance Indicators

10 GRI Index



2,900+

MILITARY VETERANS
HIRED, REPRESENTING
39.4 PERCENT OF OUR
EXTERNAL HIRES



Sustainability at Lockheed Martin: The Science of Citizenship

Lockheed Martin's 2012 Sustainability Report theme is The Science of Citizenship. Somewhere today on all seven continents, our employees are working with governments to thwart terrorism, advance deeper understanding of weather and climate patterns, increase the safety of passenger air travel, uncover information security risks, expand telecommunications links and perform a variety of missions that fulfill obligations to citizens around the globe. We also volunteer in our communities, cultivate diversity and inclusion and hold each other to the highest ethical standards. These are important contributions to society and for customers that trust us to deliver solutions when and where it matters most. This work is what we call the science of citizenship.

Yet we know our actions alone—or the agenda of a single government—will not solve all the challenges facing a global citizenry, an alliance among nations, a planet. And we also recognize that if not managed correctly, some of our business activities could present sustainability challenges. Potential concerns include the composition of certain products, our use of energy in manufacturing, the handling of data and intellectual property and the ability to recruit science and engineering talent with the necessary skills and experience.

With these issues in mind, Lockheed Martin is prioritizing further integration of sustainability with our global corporate strategy to create long-term business value. In 2012, we took steps to better align sustainability with our core processes, tracking risk, decision-making and performance. We also created an Office of Corporate Sustainability led by the Vice President of Ethics and Sustainability, who reports directly to our company CEO and President as well as the Board of Directors. Our corporate strategies, policies and programs are aligned with our sustainability mission statement:

Fostering Innovation, Integrity and Security to Protect the Environment, Strengthen Communities and Propel Responsible Growth

Our approach is driven by our methodology to apply three core competencies—innovation, integrity and security—to our sustainability commitments—protect the environment, strengthen communities and propel responsible growth. For our ambitious, evolving agenda to succeed we need everybody on board: internal stakeholders and external partners. We seek to challenge ourselves through transparent communication and honest relationships with stakeholders. Many parts of our business have already begun taking sustainability into account. Examples include our ethics and business conduct training and reporting system, our use of solar and biomass energy at U.S. sites, our carbon dioxide emissions performance and our small business supplier relationships. Our business portfolio also encompasses sustainability in areas like energy, health care, cyber security, climate monitoring and simulation training. We want considerations about sustainability to become second nature throughout the company.

Core Competencies

Our approach is driven by our sustainability methodology, which is based on three core competencies:



Integrity



Innovation



Security

Business Overview

About Lockheed Martin

Headquartered in Bethesda, Md., Lockheed Martin is a global security and aerospace company that employs about 120,000 people worldwide and is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems and products. The Corporation's net sales for 2012 were \$47.2 billion. Outside the United States, significant operations relevant to the issues covered in this report include sites in Australia, Canada and the United Kingdom.

We are a corporation organized and existing under the laws of Maryland, with one form of equity security outstanding, common stock. We realigned our business segments on Dec. 31, 2012. All historical data in the report have been restated to reflect the new business segments.

What We Do

Aeronautics—Engaged in the research, design, development, manufacture, integration, sustainment, support, and upgrade of advanced military aircraft, including combat and air mobility aircraft, unmanned air vehicles, and related technologies.

Enterprise Operations—Comprises headquarters personnel, business functional leadership and the Corporation's shared services skill centers. It helps the Corporation and its individual businesses meet performance goals across a broad spectrum of professional disciplines, from Information Technology to Human Resources to Finance, and more.

Information Systems & Global Solutions—Provides management services, integrated information technology solutions, and advanced technology systems and expertise across a broad spectrum of applications for civil, defense, intelligence, and other government customers.

Missiles and Fire Control—Provides air and missile defense systems; tactical missiles and air-to-ground precision strike weapon systems; fire control systems; mission operations support, readiness, engineering support, and integration services; logistics and other technical services; and manned and unmanned ground vehicles.

Mission Systems and Training—Provides surface ship and submarine combat systems; sea and land-based missile defense systems; radar systems; mission systems and sensors for rotary and fixed-wing aircraft; littoral combat ships; simulation and training services; unmanned technologies and platforms; ship systems integration; and military and commercial training systems.

Space Systems—Engaged in the research and development, design, engineering, and production of satellites, strategic and defensive missile systems, and space transportation systems. Space Systems is also responsible for various classified systems and services in support of vital national security systems. Operating results for our Space Systems business segment include our equity interests in United Launch Alliance, which provides expendable launch services for the U.S. Government, United Space Alliance, which provided processing activities for the Space Shuttle program and is winding down following the completion of the last Space Shuttle mission in 2011, and a joint venture that manages the U.K.'s Atomic Weapons Establishment program.

For our complete financial statements and explanation of beneficial ownership and changes in operations, please refer to our [Annual Report](#) and [Proxy Statement](#).



The Next 100 Years

"You look ahead—where the horizons are absolutely unlimited"

—Robert Gross,
Lockheed Corporation
CEO, 1957

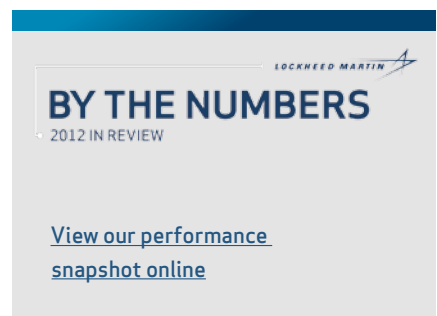
 [Watch online](#)



Blueprint for Tomorrow

Forty-one company sites use our energy-management technology. Check out where they are on our "Blueprint for Tomorrow" interactive map, which also locates our LEED-certified facilities, clean energy sites, wellness centers and safety certifications and awards.

[View online](#)



2012 Business Overview

Who We Serve: % of Net Sales

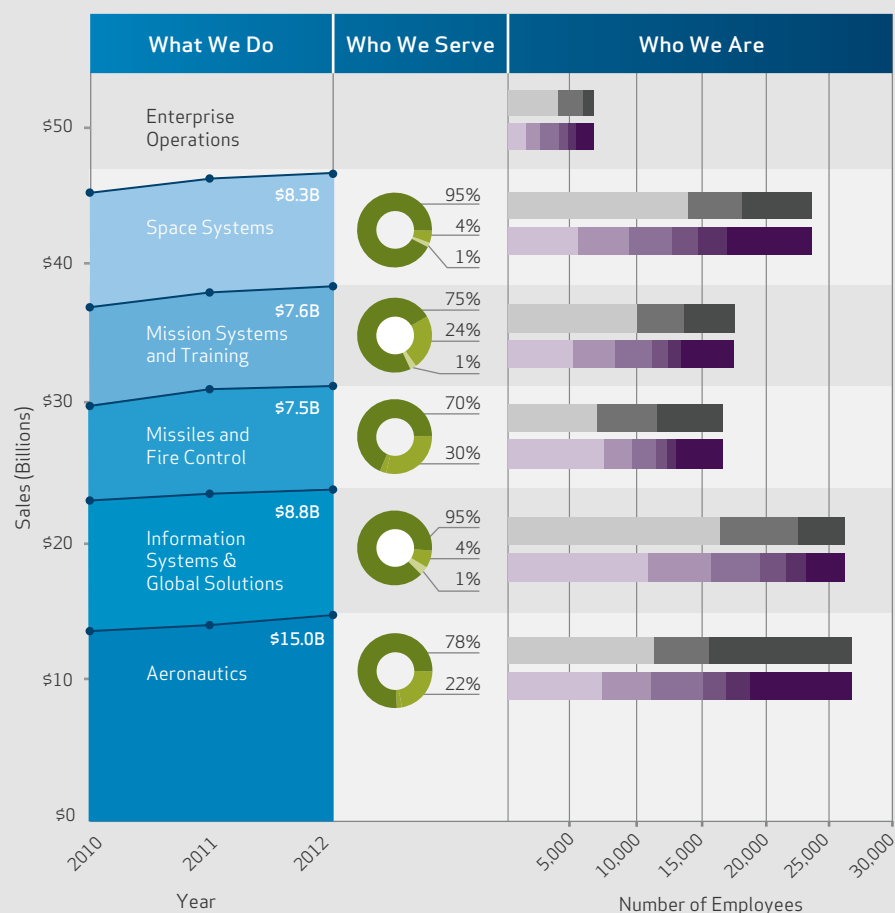
- US Government
- International
- Commercial & Other

Who We Are: Job Type

- Engineers / Scientists
- Other Exempt Professionals
- Non-Exempt Professionals

Who We Are: Years of Service

- 0 - 5
- 6 - 10
- 11 - 15
- 16 - 20
- 21 - 25
- 26 +



Issues Assessment

To take a strategic approach to embedding sustainability across Lockheed Martin, in late 2012 we assessed and prioritized more than 40 environmental, social and governance issues. The findings complement our established enterprise risk-management practices and are reflected in this report.

We sought stakeholder views as part of this process, and we are now refining how sustainability fits with the issues critical to our business as well as evaluating performance goals and measurements. Many of these issues are interconnected and require further analysis before we set new targets and initiate activities to support sustainability objectives. This analysis will include identifying issue clusters that matter most to Lockheed Martin and using complementary internal frameworks to assess risks and opportunities. As we move forward, our findings will define plans of action and incorporate stakeholder perspectives into our sustainability strategy.

For our complete financial statements and explanation of beneficial ownership and changes in operations please refer to our [Annual Report](#) and [Proxy Statement](#).

Stakeholder Engagement

Advancing the science of citizenship by implementing a global sustainability strategy is a collaborative effort. We value the input of multiple stakeholders, including employees, customers, investors and analysts, communities, suppliers and regulators, to prioritize business issues, provide learning opportunities and develop a culture of trust and transparency through forthright engagement. A team led by our Office of Corporate Sustainability now coordinates feedback with our stakeholders. Insights are analyzed and shared with the relevant groups within Lockheed Martin responsible for identifying goals, implementing business practices and measuring performance.

Global Frameworks, Groups and Sustainability Management Guidelines

Global frameworks, groups and management guidelines inform and guide our work on sustainability, including the Clinton Global Initiative®, World Economic Forum®, Global Reporting Initiative®, CDP®, Corporate EcoForum, Defense Industry Initiative, ISO 14000, ISO 14001 and OHSAS 18001.

Sustainability Stakeholder Engagement in 2012

In December, we convened a stakeholder engagement session with nine sustainability opinion leaders to obtain feedback on our sustainability performance and reporting. The panel represented competitor, customer, investor, nonprofit and supplier constituencies. In recognition of their time and participation, we provided travel

reimbursements and made a grant in each panelist's name to the USO®, one of our key philanthropic partners. In addition to positive feedback received, the table below summarizes the four key issues raised.

Stakeholder Groups

Our stakeholders have many perspectives. Below are just some of the processes and examples of how we engaged in 2012.

Communities

How We Engage: Philanthropic and social investment, public-private partnerships, employee volunteering and participation in community-based civic councils. See more in [Community Relations](#).

Spotlight: The Marine Corps Scholarship Foundation provides need-based scholarships to children of Marines and

Navy Corpsmen, with an emphasis on those whose parent has been severely wounded or killed in combat. Our commitment of \$3,500,000 over five years will provide 133 students \$5,000 or more annually towards a four year college degree, with \$500,000 dedicated to those pursuing STEM disciplines.

Customers

How We Engage: Formal and informal meetings, trade shows, government-industry management councils, National Defense Industrial Association and other forums and lobbying. See more in [Governance and Ethics](#), [Operations, Engineering & Innovation](#) and [Sustainable Sourcing](#).

Spotlight: At the Aviation Week Defense Technology and Affordability Requirements Forum, our executives made joint

Stakeholder Feedback	Lockheed Martin Response
Show how environmental, governance and social commitments tie back to measurable business performance results	Each of our performance indicators provides an overview of key business results, and we've explicitly addressed the results throughout the 2012 report; see Governance and Ethics , Operations , Safety and Wellness and Supplier Diversity .
Improve data transparency and continuity so disclosures are easier to comprehend	This year, we have added a GRI reporting framework index to benchmark our sustainability commitments and performance results.
Provide more details on issues prioritization, risk management and how these efforts are integrated with the sustainability agenda	Each section of this report outlines how performance relates to business risks and the three dimensions of our core competencies—innovation, integrity and security.
Describe more clearly the goals and objectives related to supply chain, human resources and corporate governance practices	We have included a more detailed description of business practices and commitments related to our governance, supply chain performance, diversity and inclusion in this report.

presentations with U.S. Air Force and U.S. Navy leaders on more affordable program governance models and the effectiveness of cost-evaluation frameworks.

Employees

How We Engage: LM Voice employee survey, quarterly all-employee webcasts, leadership forums, functional leadership meetings, annual ethics awareness training and internal communications. See more in [Diversity and Inclusion](#) and [Governance and Ethics](#).

Spotlight: To keep employees better informed about U.S. budget policy decisions and their effect on our business, we issued multiple CEO letters, began an online web forum and published six installments of an ongoing article series about the federal budget sequester using a recently redesigned internal news site.

Industry and Regulators

How We Engage: Aerospace Industries Association, U.S. Chamber of Commerce and other trade associations, Defense Industry Initiative, Occupational Safety and Health Administration's Voluntary Protection Program, Environmental Protection Agency's Green Power Partnership, National Center for Defense Machining and Manufacturing and informal meetings. See more in [Governance and Ethics](#), [Operations](#), [Safety and Wellness](#) and [Supplier Diversity](#).

Spotlight: Our CEO and President Marilyn Hewson assumed the chair of the Defense Industry Initiative Steering Committee, an ethics policy-making group of prominent defense industry CEOs.

Investors and Analysts

How We Engage: Regular meetings with investors and credit rating agencies, annual meeting of stockholders, annual report, proxy statement, sustainability report, sustainability investment indices, CDP reports and investor relations website. See more in [Governance and Ethics](#).

Spotlight: In 2012, we contacted 26 of our largest investors, who at the time represented nearly half our outstanding shares, to gain their input on governance



We Never Forget Our Fallen

More than 500 employees and guests gathered at our headquarters on Sept. 11 for a ceremony unveiling the “We Never Forget” memorial—an enduring tribute to six Lockheed Martin employees who died by direct enemy actions during and since the 9/11 attacks on America.

In a solemn ceremony that included families of the fallen and survivors of the attacks, attendees reflected upon those who died, named below, serving a cause greater than themselves.

- Robert “Bob” Ploger III, who died with his wife, Zandra, on Sept. 11, 2001, aboard American Airlines Flight 77 when terrorists crashed the plane into the Pentagon.
- Paul M. Johnson, Jr., who was killed by terrorist abductors in 2004, in Riyadh, Saudi Arabia.
- Geraldine “Gera” Marquez, who died in 2007, when a suicide bomber attacked her post at Bagram Air Base, Afghanistan.
- Santa Gracia Ramirez, who was killed when a suicide bomber attacked her convoy near Kabul, Afghanistan, in 2007.
- Teofilo O. Evans and Sidney Hanspard, Sr., who died in a 2011 rocket attack at a forward operating base in Afghanistan.

Six employees who survived attacks were also honored during the ceremony and were each presented with a gold Medal of Honor coin in recognition of their courage and sacrifice: Teresa Alexander, Rodney Colvin, Keith Leatherwood, Julian Martinez, David Nicholson and James Tenney.

and compensation matters. Their feedback on executive compensation is described in our [2013 proxy statement](#).

Suppliers

How We Engage: Regular meetings, annual conference for significant suppliers and small business conferences and web-based trainings. See more in [Sustainable Sourcing](#) and [Supplier Diversity](#).

Spotlight: We were among a group of “recognized industry thought leaders” invited to join a roundtable discussion about supply

chain expertise hosted by the White House Council on Environmental Quality and the General Services Administration. The discussion focused on applying industry best practices to the federal government’s \$500 billion per year spending to further promote sustainable procurement practices in the global supply chain.

Performance Indicators

Our sustainability performance indicators cover the areas where we are focused most intently. At a December 2012 stakeholder engagement session, sustainability experts communicated overall satisfaction with the performance indicators used in our 2011 Corporate Sustainability Report. However, we were also encouraged to identify challenges encountered in achieving our goals. In response to this feedback, the performance indicators below closely track those from 2011 and add associated challenges where appropriate. In future reports, we expect this list to reflect our ongoing sustainability issues assessment process that began in 2012.

2012 Status: ● Achieved ● Partially Achieved ○ Not Yet Achieved

Propelling Responsible Growth

Objective	2012 Performance	
Achieve 100% Ethics Awareness Training, Business Conduct Compliance Training, and Code of Conduct certification.	In 2012, we again reached 100% Ethics Awareness Training and Code of Conduct Certification. In addition, employees completed more than 534,000 Business Conduct Compliance Training modules.	●
Foster a workplace environment in which employees speak up when they see workplace ethical misconduct and do not fear retaliation for reporting it.	In 2012, we saw an 8% increase in total contacts to the ethics office when normalized per 1,000 employees. In addition, all employee survey results indicate employees are reporting observed misconduct at an increasing rate and fear less retaliation for doing so. Coupled together these items indicate a strong speak-up culture.	●

Protecting the Environment

CHALLENGE: The scope and timing of implementing energy, waste and water conservation opportunities is impacted by working capital decisions and the continuation of a shared service business model that identifies efficiency improvements and supports the clean energy market.

Objective	2012 Performance	
Reduce absolute carbon emissions by 25% by 2012, against 2007 baseline performance.	Reduced absolute carbon emissions by 31% from 2007 through 2012. Annual 2% reduction from 2011 to 2012.	●
Reduce absolute water use by 25% by 2012, against 2007 baseline performance.	Reduced absolute water use by 32% from 2007 through 2012. Annual 11% reduction from 2011 to 2012.	●
Reduce absolute waste-to-landfill by 25% by 2012, against 2007 baseline performance.	Reduced absolute waste-to-landfill by 48% from 2007 through 2012. Annual 14% reduction from 2011 to 2012.	●
Complete 14 annual Environmental, Safety and Health (ESH) audit engagements according to a risk-based audit plan approved by our Board of Directors.	Completed 11 full ESH audits, and 3 additional program-specific engagements (for a total of 14 total engagements), reviewing certain ESH components as determined by a robust risk assessment process; identified findings were documented, communicated to senior management and tracked to closure.	●

Strengthening Communities

SAFETY AND WELLNESS

CHALLENGE: From 2008 to 2011 we documented a slight increase in safety performance rates (Day Away Case Rates, Severity [Lost Days] Rates, and Recordable Rates).

Objective	2012 Performance	
Achieve year-over-year reductions in Day Away Case rate, as classified by the U.S. Occupational Safety and Health Administration.	2012 Day Away Case Rate = 0.18. From 2008 to 2011 we documented a slight increase in Day Away Case Rates. We experienced an 18% reduction from 2011 to 2012.	●
Achieve year-over-year reductions in Severity (Lost Days) Rate of injury, as classified by the U.S. Occupational Safety and Health Administration.	2012 Severity (Lost Days) Rate = 4.10. From 2008 to 2011 we documented a slight increase in severity rates. However, due to the renewed focus on management accountability and employee engagement in 2012, we experienced a 39% reduction in severity (lost days) rate from 2011 to 2012.	●
Achieve year-over-year reductions in Recordable Rate of workplace injuries, as classified by the U.S. Occupational Safety & Health Administration.	2012 Recordable Rate = 1.26. From 2008 to 2011 we documented a slight increase in recordable workplace injuries. We experienced a 10% reduction from 2011 to 2012.	●

DIVERSITY AND INCLUSION

Objective	2012 Performance	
Increase annual employee survey participation and survey's organizational health index from 2011 baseline.	Increased employee completion rate from 68% to 69% and increased in all four index measurements. In response to survey feedback. Leaders included actions to be taken in response to survey feedback in 2013 performance management commitments.	●
Increase focus on early/mid career leader diversity and inclusion development.	Successfully launched four Effective Leadership of Inclusive Teams learning summits for first line leaders.	●

COMMUNITY RELATIONS

CHALLENGE: A review of our charitable giving program sought to increase its impact and ensure the program aligns with key societal issues as well as the business strategy. The review included gaining a better understanding of industry trends, interviewing executive management and conducting an external stakeholder survey. Based on the assessment, our support now will primarily focus on Science, Technology, Engineering and Mathematics (STEM) education and military and veteran causes.

Objective	2012 Performance	
Increase corporate giving to people-focused programs by 5% to greater than \$10.8 M.	Goal achieved with \$14.3 M in people-focused grants against target of \$10.8 M.	●

SUPPLIER DIVERSITY

CHALLENGE: Government and industry were impacted by the results of the 2010 census which caused 40% of HUBZone or Historically Underutilized Business Zone suppliers to be decertified when certain geographic areas reported improved conditions. All government agencies and contractors seek HUBZone certified suppliers.

Objective	2012 Performance	
Award in excess of 19% of total U.S. Department of Defense (DoD) subcontractor/supplier awards to small businesses classified by the U.S. Small Business Administration.	Subcontracted 24% of total awards for DoD contracts, valued at \$6.4 billion, to small business suppliers.	●
Submit four Mentor Protégé Agreement Proposals to the DoD.	Submitted five Mentor Protégé Agreements to develop the technical and business capabilities of small disadvantaged firms.	●

GRI Index

The following table is provided in accordance with the Global Reporting Initiative (GRI) G3.1 guidelines. It shows the location of our report information where it fully or partially relates to indicators in the GRI, a generally accepted structure for reporting economic, environmental and social performance. The GRI framework is based on input from opinion leaders in business, civil society and labor and professional institutions. This is our first year of mapping against a reporting framework and we recognize this is a journey of continuous improvement.

Status: ● Full ● Partial			
Strategy and Analysis			
GRI #	Description		Location
1.1	Statement from the most senior decision maker of the organization.	●	Leadership Perspective
1.2	Description of key impacts, risks and opportunities.	●	Performance Indicators
Organizational Profile			
2.1	Name of the organization.	●	Sustainability at Lockheed Martin
2.2	Primary brands, products and/or services.	●	Sustainability at Lockheed Martin
2.3	Operational structure of the organization.	●	Sustainability at Lockheed Martin
2.4	Location of organization's headquarters.	●	Sustainability at Lockheed Martin
2.5	Number of countries where the organization operates, and names of countries with major operations.	●	Sustainability at Lockheed Martin; Annual Report
2.6	Nature of ownership and legal form.	●	Sustainability at Lockheed Martin
2.7	Markets served.	●	Sustainability at Lockheed Martin
2.8	Scale of the reporting organization.	●	Sustainability at Lockheed Martin
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	●	Annual Report
2.10	Awards received in the reporting period.	●	All Sections: Our Performance
Report Parameters			
3.1	Reporting period for information provided.	●	About This Report
3.2	Date of most recent previous report (if any).	●	About This Report
3.3	Reporting cycle	●	About This Report
3.4	Contact point for questions regarding the report or its contents.	●	About This Report
3.5	Process for defining report content.	●	Sustainability at Lockheed Martin; Stakeholder Engagement
3.6	Boundary of the report.	●	About This Report
3.7	State any specific limitations on the scope or boundary of the report.	●	About This Report
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organizations.	●	Sustainability at Lockheed Martin; Annual Report
3.9	Data measurement techniques and the bases of calculations.	●	All Sections: Our Performance
3.10	Explanation of the effect of any re-statements of information provided in earlier reports and the reasons for such re-statement.	●	All Sections: Our Performance

Report Parameters (continued)

GRI #	Description		Location
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	●	All Sections: Our Performance
3.12	Table identifying the location of the Standard Disclosures in the report.	●	GRI Index
3.13	Policy and current practice with regard to seeking external assurance for the report.	●	Sustainability at Lockheed Martin; Stakeholder Engagement

Governance, Commitments and Engagement

4.1	Governance structure of the organization.	●	Governance and Ethics: How We Manage
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●	Governance and Ethics: How We Manage
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	●	Governance and Ethics: How We Manage; Governance and Ethics: Our Performance; 2013 Proxy Statement; Corporate Governance Website
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●	Governance and Ethics: How We Manage
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	Governance and Ethics: How We Manage; 2013 Proxy Statement; Corporate Governance Website
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees.	●	2013 Proxy Statement
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation.	●	Governance and Ethics: How We Manage; Code of Ethics
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance.	●	Governance and Ethics: How We Manage; 2013 Proxy Statement;
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses.	●	Operations: Our Performance; Stakeholder Engagement
4.13	Memberships in associations and/or national/international advocacy organizations.	●	Stakeholder Engagement
4.14	List of stakeholder groups engaged by the organization.	●	Stakeholder Engagement
4.16	Approaches to stakeholder engagement, including frequency by type and by stakeholder group.	●	Stakeholder Engagement
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded.	●	Stakeholder Engagement

Economic

EC1	Direct economic value generated and distributed.	●	Sustainability at Lockheed Martin; 2012 Annual Report
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	●	Operations; Operations: How We Manage; Carbon Disclosure Project
EC3	Coverage of the organization's defined benefit plan obligations.	●	2012 Annual Report
EC6	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation.	●	Sustainable Sourcing
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	●	Diversity and Inclusion: How We Manage
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.	●	Community Relations: How We Manage; Community Relations: Our Performance

Environmental

EN3	Direct energy consumption by primary energy source.	●	Operations: Our Performance; Carbon Disclosure Project
EN4	Indirect energy consumption by primary source.	●	Operations: Our Performance; Carbon Disclosure Project

Environmental (continued)			
GRI #	Description		Location
EN5	Energy saved due to conservation and efficiency improvements.	●	Operations: Our Performance; Carbon Disclosure Project
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	●	Engineering & Innovation: Our Performance; Emerging Capabilities
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	●	Operations: Our Performance; Engineering & Innovation: Carbon Disclosure Project
EN8	Total water withdrawal by source.	●	Carbon Disclosure Project
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	●	Operations: Our Performance
EN12	Descriptions of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	●	Operations: Our Performance
EN13	Habitats protected or restored.	●	Operations: Our Performance
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	●	Operations: Our Performance
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	●	Operations: Our Performance
EN16	Total direct and indirect greenhouse gas emissions by weight.	●	Operations: Our Performance; Carbon Disclosure Project
EN17	Other relevant indirect greenhouse gas emissions by weight.	●	Operations: Our Performance; Carbon Disclosure Project
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	●	Operations: Our Performance; Carbon Disclosure Project
EN22	Total weight of waste by type and disposal method.	●	Operations: Our Performance
EN23	Total number and volume of significant spills.	●	Operations: Our Performance
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally.	●	Operations: Our Performance
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	●	Operations: Our Performance
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	●	Operations: Our Performance; Engineering & Innovation: Our Performance
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●	Operations: Our Performance
EN30	Total environmental protection expenditures and investments by type.	●	Operations: Our Performance; Carbon Disclosure Project
Social: Society			
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	●	Community Relations: How We Manage
S02	Percentage and total number of business units analyzed for risks related to corruption.	●	Governance and Ethics: How We Manage
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	●	Governance and Ethics: How We Manage
S04	Actions taken in response to incidents of corruption.	●	Governance and Ethics: How We Manage
S07	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes.	●	Governance and Ethics: How We Manage
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	●	Governance and Ethics: How We Manage; Safety and Wellness: Our Performance
S09	Operations with significant potential or actual negative impacts on local communities.	●	Operations: Our Performance; Operations: How We Manage; Remediation

Social: Product Responsibility

GRI #	Description		Location
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	●	Engineering & Innovation: Our Performance
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	●	Operations: Our Performance
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	●	Code of Ethics
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	●	Governance and Ethics: How We Manage

Social: Labor Practices and Decent Work

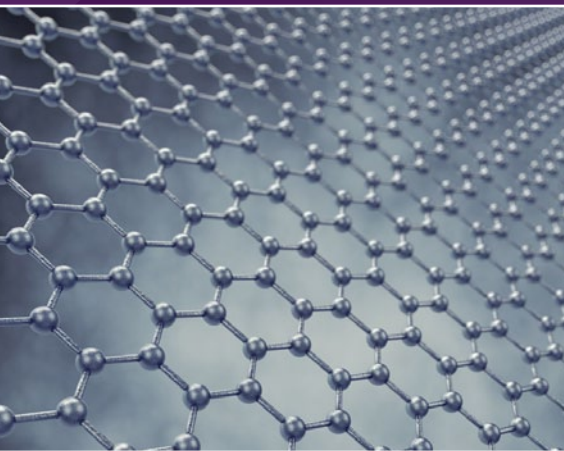
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	●	Diversity and Inclusion: Our Performance
LA2	Total number and rate of new employee hires and employee turnover by age group, gender and region.	●	Diversity and Inclusion: Our Performance
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	●	Safety and Wellness: How We Manage
LA4	Percentage of employees covered by collective bargaining agreements.	●	Diversity and Inclusion: Our Performance
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	●	Governance and Ethics: How We Manage
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	●	Safety and Wellness: Our Performance
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases.	●	Safety and Wellness: Our Performance
LA10	Average hours of training per year per employee by gender, and by employee category.	●	Governance and Ethics: How We Manage
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	●	Diversity and Inclusion: Our Performance
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	●	Diversity and Inclusion: Our Performance
LA15	Return to work and retention rates after parental leave, by gender.	●	Diversity and Inclusion: Our Performance

Social: Human Rights

HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	●	Governance and Ethics: How We Manage; Sustainable Sourcing: Our Performance; Efforts to Eradicate Human Trafficking within the Supply Chain
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	●	Governance and Ethics: How We Manage; Sustainable Sourcing: Our Performance
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations.	●	Governance and Ethics: How We Manage
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	●	Governance and Ethics: How We Manage; Sustainable Sourcing: Our Performance; Efforts to Eradicate Human Trafficking within the Supply Chain
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	●	Governance and Ethics: How We Manage; Sustainable Sourcing: Our Performance; Efforts to Eradicate Human Trafficking within the Supply Chain

Propelling Responsible Growth

15 Governance and Ethics
20 Engineering & Innovation



10

COMPANY LEADERS
STEER THE NEWLY
LAUNCHED CORPORATE
SUSTAINABILITY COUNCIL



Governance and Ethics

Lockheed Martin's commitment to ethics and integrity is governed by our core values: Do What's Right, Respect Others and Perform with Excellence.

Our 120,000 global employees, from the CEO down, bring those values to life through sustainable business practices—the everyday actions that contribute to environmental protection, community resiliency and responsible business growth. Maintaining the highest standards of ethical and sustainable conduct is a business priority for our leadership and employees and a key issue for many of our stakeholders, including customers and stockholders.



Integrity

In our annual employee survey, Ethics and Integrity was the highest rated element of our organizational health, and saw the largest increase for the second year in a row, up two points from 2011.



Innovation

Creating solutions for our customers' most critical needs requires trust that we've built through ethical practices.



Security

The proprietary nature of our products and services and the heavy scrutiny of our design and manufacture require the utmost attention to ethics to ensure responsible data sharing and product sales.

What happened in 2012

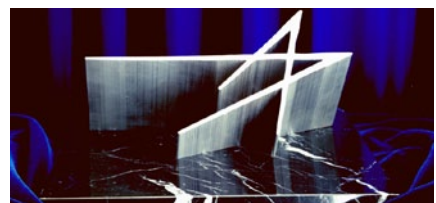
We expanded our ethics and governance activity by engaging our supply chain in a pilot mentoring program to advise and enhance their own ethics and compliance programs. We also formalized our commitment to a company-wide sustainability effort by broadening our Ethics & Business Conduct organization, creating an Office of Corporate Sustainability led by the Vice President, Ethics & Sustainability.

600+

EMPLOYEES
in Australia now have access to their first in-country Ethics Officer.

500K+

TRAINING COURSES
in Business Conduct and Compliance completed in 2012. Employees fulfilled 100 percent of their training commitments.



Did You Know?

Our NOVA awards (pictured above) recognize employees that "set the standard" for business conduct and integrity. In 2012, Maryland-based engineer Asad Faizi was honored for immediately notifying management after a subcontractor offered him money to help the subcontractor's headhunting firm land business and get on Lockheed Martin's approved vendor list. An investigation led to the subcontractor's removal.

« **Far Left Image:** We're applying nanotechnology to create materials that are 50 times stronger and 10 times lighter than steel. **Far Right Image:** Intelligent Microgrids provide an efficient, reliable and secure energy system for critical forward operations.

Our Performance

Objective

Foster a workplace environment in which employees speak up when they see workplace ethical misconduct and do not fear retaliation for reporting it.

Ethics Helpline

Reporting observed misconduct is a top priority of our ethics program. We maintain a confidential toll-free ethics helpline accessible to all Lockheed Martin employees and others who need to raise concerns or seek advice. Our helpline accommodates the hearing impaired, and we also offer a confidential e-mail address monitored by our ethics staff. Reported concerns that involve accounting, internal control or audit issues, or allegations of fraud involving management or other employees in significant roles are reported directly to the Audit Committee of our Board of Directors.

Our ethics office received 4,611 contacts in 2012 through sources including our helpline, corporate e-mail and our anonymous online reporting tool, Ask Us. Queries and concerns

Ethics Management Indicators	2010	2011	2012
Total Contacts	4,863	4,349	4,611
Absolute Change	-	(514)	262
Percentage Change	-	(10.57)%	5.68%
Total Cases/1000 Employees	8	6	5
Absolute Change	-	(2)	(1)
Percentage Change	-	(25)%	(16.67)%
Total Guidances/1000 Employees	37	27	32
Absolute Change	-	(10)	5
Percentage Change	-	(27.03)%	15.63%

investigations, and to achieve consistent implementation of our ethics program company-wide. Internal experts conduct the training using distance learning technology to accommodate employees deployed around the world. The training

including the F-35, C-130, PAC-3, Hellfire, MH-60, ACE-IT and Orion programs. In each case, we helped strengthen the supplier's in-house ethics program. Lessons learned from the pilot are being applied as we extend the program in 2013.

29,000+ suppliers have access to our Code of Conduct

raised in 2012 rose by 8.1 percent over 2011 when normalized for 1,000 employees. The increase (see table at top right) coincides with an increase in employee requests for guidance on ethics matters, which we view as a positive trend.

Our Ethics Officers delivered an efficient investigatory process in 2012, taking an average of 33 days to close cases, an 8.3 percent decrease from 2011.

New Ethics Officer Training Program

We implemented a comprehensive new training program in 2012 for our Ethics Officers to improve core job skills, such as active listening and specialized

program consists of 15 courses, and 79 people completed 707 courses during the year. All Ethics Officers also passed a skills and knowledge test.

Mentoring Suppliers

Working with suppliers is an increasing focus of our ethics program. Currently more than 29,000 suppliers have access to our Code of Conduct, our helpline and [resources to help](#) them establish and improve their own ethics program. In 2012, we piloted a new supplier mentoring program, matching six suppliers with the ethics office of the relevant Lockheed Martin business area. These suppliers work on a diverse set of programs

Partnerships

Our ethics program leadership acts as ambassadors of our vision and values through internal engagement and external presentations at industry conferences and universities. In 2012, we participated in more than 200 employee engagement activities and shared the success of our practices with industry partners. One key outreach effort involves the Defense Industry Initiative on Business Ethics and Conduct (DII), an association of U.S. defense companies committed to conducting business affairs at the highest ethical level. Lockheed Martin is leading this organization from 2012 through 2014 with our CEO as the steering committee chair and our Vice President of Ethics & Sustainability as the working group chair. We have strengthened DII's focus on supply chain engagement.

International Expansion

In 2012, we established a new ethics office in Australia, joining our ethics offices in the United Kingdom (UK) and Canada to create a strong international ethics presence. We also provide leadership to the International Forum on Business Ethical Conduct (IFBEC), which focuses on promoting responsible ethical business behavior around the world. Member organizations agree to follow IFBEC's global principles on business ethics, which include zero tolerance for corruption.

We also participated in Transparency International UK's new Defence Company Anti-Corruption Index. Defense companies are ranked on their anti-corruption practices, and

to enhance and clarify the authority of our Lead Director to include the power to call a special meeting of the Board at any time, at any place, and for any purpose; to approve all Board committee agendas, as well as the topics and schedules of Board meetings; to approve information sent to the Board; and to call a special meeting of the independent directors.

The Nominating and Corporate Governance Committee of the Board has created a process by which parties may communicate directly and confidentially with the Lead Director or with the non-management directors as a group. An individual or entity wishing to raise a question or concern may do so by contacting: Douglas H. McCorkindale, Lead Director, or non-management

For more information about our Board committees, composition and oversight, please see our [Proxy Statement](#) and [Corporate Governance Guidelines](#).

participating companies received an initial score based on publicly available information and a second score based on both publicly available and nonpublic information. We received a C and an A rating, respectively. Based on feedback from Transparency International, we are looking to further increase our transparency in the public domain.

Board Operations

In recent years, we have amended the [Corporate Governance Guidelines](#) to implement formally best governance practices and to enhance the efficient and effective operation of the Board. For example, in 2011, we raised the mandatory retirement age for directors from 72 to 75 in recognition of the contributions that experienced directors, with knowledge of the Corporation, bring to effective board oversight.

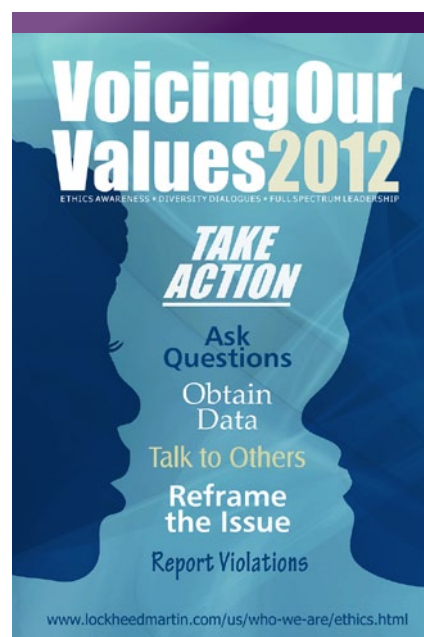
Since the beginning of 2012, our Board has amended Lockheed Martin's by laws

directors at Lockheed Martin Corporation 6801 Rockledge Drive, Bethesda, Md., 20817.

For more information about our Board committees, composition and oversight, please see our [Proxy Statement](#) and [Corporate Governance Guidelines](#).

Conflict of Interest Controls

In 2012, we introduced a mandatory conflict of interest (COI) certification for all salaried, non-exempt employees, allowing us to more effectively identify and mitigate any potential COI, including those arising from prior government employment, third-party employment and relationships, family and other significant relationships, personal work on particular U.S. government contracts and working with people with organizational COI interest restrictions. One of the scenarios offered in our annual Ethics Awareness Training program addressed personal conflicts of interest in procurement activities.



Employees receive thousands of hours of training covering a variety of topics on an annual basis: our culture, integrity, ethical behavior and treating all people fairly with respect and with dignity.

Recognition

- **Transparency International UK**
Transparency International UK awarded Lockheed Martin an "A" in its Defence Companies Anti-Corruption Index based on a combination of public and company-provided information.
- **Washington Business Journal®**
Gwendolyn S. King, Lockheed Martin Corporate Director, was honored by the Washington Business Journal with the Outstanding Directors Award for her commitment to the highest standards of corporate business ethics and accountability to stockholders.

How We Manage

Code of Conduct

Doing the right thing often means leading the way. We have a proud history of ethical conduct and anti-corruption controls, beginning with our Code of Conduct, which we have had in place since we were formed in 1995, well before it was required for stock exchange listing.

Our Code of Ethics and Business Conduct, “Setting the Standard,” applies to all employees and to our Board of Directors. It sets out clear policies and expectations in areas that include: our commitment to good citizenship including human rights; preventing corruption; promoting a positive and safe work environment;

all our businesses for risks related to corruption. We regularly assess publicly reported incidents of corruption involving businesses and countries around the world, and adjust our risk analyses, policies and procedures and training accordingly. We do not tolerate any corruption, and we aggressively investigate any allegation of such incidents involving our employees.

Stockholder Engagement

To promote good governance and excellent performance, we actively engage our largest stockholders, seeking their views on Lockheed Martin’s governance and our executive compensation program. This outreach program is separate from our Investor Relations function. Stockholders

regarding our lobbying expenses and the nature of our lobbying activities. As described in the Political Disclosure report provided on our website, the Ethics & Sustainability Committee of our Board, which is composed entirely of independent directors, monitors our advocacy efforts, government affairs activities and political spending, receives reports from management on these matters, supervises the policies and reviews the purposes and benefits of these activities.

Business Case

Doing the right thing is good for business. Employee productivity, recruitment and retention are improved when we operate an open, transparent and collaborative workplace. Our customers and other stakeholders also hold us to high standards of accountability for ethical behavior. We know that maintaining such standards contributes positively to our reputation and, ultimately, our bottom line. Our Ethics policy fosters a workplace environment across our global locations in which employees speak up when they observe misconduct without fear of retaliation for reporting it.

Companies, including their supply chains, are increasingly under public scrutiny. We recognize the importance of an ethical culture across our entire value chain and include our ethics policy statement on each purchase order we issue. We comply with U.S. government regulation on trafficking in persons (including FAR 52.222-50) and child labor, and ensure our employees and suppliers take appropriate steps to avoid the risk of human trafficking and slavery anywhere in our supply chain. We comply with Executive Order 11246 which prohibits federal contractors and subcontractors who satisfy certain thresholds from discriminating in employment decisions and requires them to take affirmative action to ensure that equal opportunity is provided in all aspects of their employment. With respect to collective bargaining in the U.S., we also include FAR 52.222-40 Notification of Employee Rights under the National Labor Relations Act in our corporate terms and conditions.



**Our Code is available in 16 languages.
Read our Code of Conduct.**

ensuring transparency in our public disclosures; avoiding conflicts of interest; protecting sensitive information, properly using company assets; complying with all laws; competing fairly; and operating with integrity in all that we do.

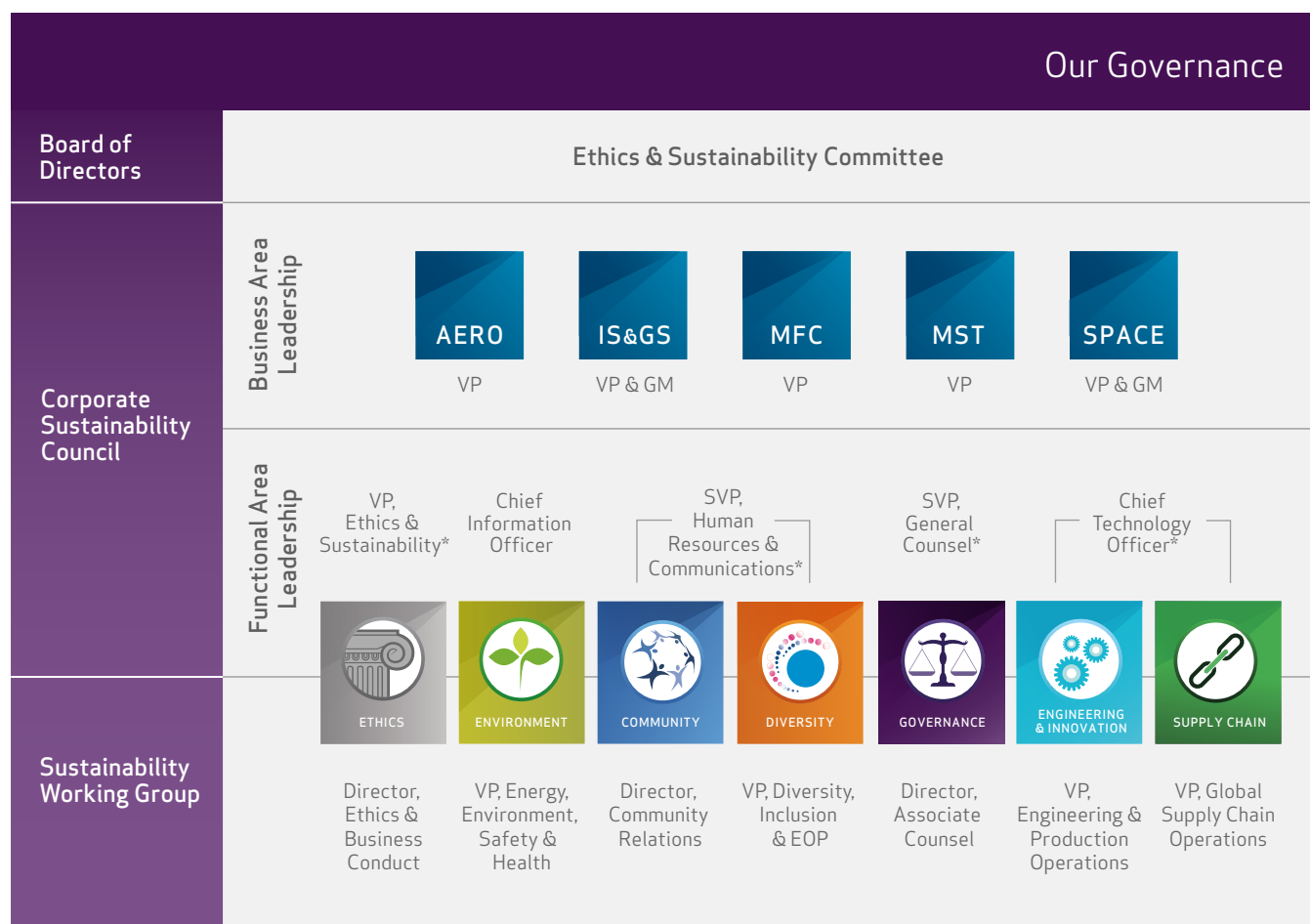
We devote significant resources to our business conduct compliance training program. All employees participate in annual ethics and compliance training, including an annual live training session for our Board of Directors. Relevant employees also undergo specific anti-corruption training.

Lockheed Martin maintains compliance with applicable labor and employment laws including any associated reporting obligations. We report fines or penalties in our SEC filings and in our submittals and certifications regarding responsibility matters in connection with U.S. government contracts, as required by law. There were no such reports in 2012. We had no legal actions for anti-competitive behavior or anti-trust and monopoly practices. We analyze

have the right to submit proposals for consideration by stockholders at our annual meeting. When we receive a proposal, we seek to work with the stockholder-proponent to address their concern other than through a stockholder vote. Past proposals have covered topics such as appointing an independent director to serve as chairman of the board and amending our governance documents to allow stockholders to act by written consent. Stockholder proposals for the 2013 annual meeting are contained in our 2013 proxy statement.

Advocacy

We disclose extensive information about our advocacy efforts and associated expenditures, and we subject our activities to comprehensive Board oversight. We provide a [Political Disclosure report](#) on our website and comply fully with all state and federal laws concerning the disclosure of our lobbying expenses. Our federal and state lobbying disclosure reports are publicly available and provide extensive detail



*Reports directly to CEO and President Marillyn Hewson, who is also on the Board of Directors

Office of Ethics & Sustainability

Ethics and sustainability are closely linked in our daily business conduct. In 2012, we formalized this link by creating an Office of Corporate Sustainability led by the Vice President of Ethics & Sustainability, who reports directly to the CEO and the Ethics & Sustainability Committee of the Lockheed Martin Board of Directors. Our Corporate Sustainability Council governs and directs our corporate-wide sustainability efforts to generate long-term environmental and social benefits for all our stakeholders. We consolidated by year-end the Ethics Steering Committee and the Executive Diversity Council to form into the Corporate Sustainability Council, which meets three times a year.

Additionally, each business area and each international region assigned to

a full-time Ethics Officer operates a steering committee to oversee its ethics and business conduct program. The business area and international steering committees are chaired by the senior executive of the business element and includes senior representatives of key business functions.

Where We Are Going

Doing what's right, respecting others and performing with excellence will continue to drive our efforts to implement

governance best practices across our business.

Since we rely on our employees to maintain our high standards we also are evaluating ways to build employees' awareness of the long-term business benefits that can flow from ethical and sustainable conduct. In addition, we are introducing processes and programs that assess and build capacity for robust ethics programs in our supply chain, as well as support international business development.

Doing what's right, respecting others and performing with excellence will continue to drive our efforts to implement governance best practices across our business.

Engineering & Innovation

Introducing sustainability, the science of citizenship, into our systems and products is the kind of challenge that our employees embrace. We are known for tackling difficult missions. Our 60,000 engineers, scientists and technologists work to innovate across a diverse spectrum: aerospace and defense, cyber security, health care, energy and integrated logistics. We collaborate with top scientific institutions to create advanced computing technologies for everything from aerospace modeling to medical imaging. We find ways to address logistical challenges caused by natural disasters. We develop solutions with our customers to provide the best value for their missions and take advantage of any sustainability opportunities we can, such as creating lighter, more efficient products.



Integrity

Safeguarding intellectual property requires choosing the right partners to work on technological advancements.



Innovation

Products that are smaller, lighter and use less power drive reductions in the total lifecycle environmental impact and cost of ownership of our portfolio.



Security

Expectations for mission success require durably and reliably engineered solutions that are second-to-none.



Did You Know?

We delivered \$54 million in energy savings incentives to utility customers through our Utility Energy Efficiency programs.

What happened in 2012

We expanded our portfolio of solutions and systems integration capabilities and forged new partnerships to address challenges in advanced materials, aerodynamics and software systems. We worked to optimize the overall performance of our products by improving energy efficiency, transformative advances in manufacturing systems engineering and security features.

90

MEMBERS

from the U.S. disaster relief community participated in the Disaster Response Integrative Logistics exercise at our [Center for Innovation](#).

0.5

INCHES TALL

the height of the small-scale microvane device designed to increase performance and reduce drag on aircraft, and potentially on missiles, ships and undersea vehicles.

Our Performance

Objective

We are focused on providing high-quality innovative solutions, support global security missions and complex challenges for the next generation.

A Fuel-Efficient Frontline

The U.S. military depends on operational energy to ensure aircraft are properly equipped to perform critical mission requirements. The leading cause of battlefield casualties relates to the delivery of fuel and water to troops, and the largest consumer of fuel in the battlefield is generator systems.

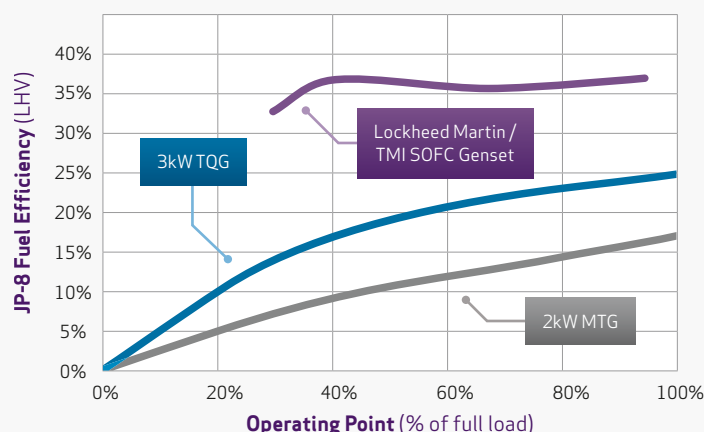
In 2012, the Office of U.S. Naval Research awarded Lockheed Martin a new contract to design and develop a Solid Oxide Fuel Cell (SOFC) generator that can be integrated with solar panels, providing the power to perform missions while using dramatically less fuel. The goal is to reduce overall fuel usage required for tactical electrical generation by 50 percent or more. (see chart at right)

Our SOFC generator system operates directly on JP-8 jet fuel and reduces fuel requirements by half. Additional operational benefits include a reduced thermal signature, fewer carbon, nitrous oxide and soot emissions, quieter operation and less maintenance requirements.

Simpler Software Architectures

We live in a world of big data. Exponential increases in software code size and complexity due to the increased capabilities and data-processing capacity of large-scale systems require multiple processors working in parallel to meet our customers' real-time requirements. While the size, weight, power and performance characteristics of multi-core processors make them well suited for implementation in complex systems, software optimized for such processors is more complex than software that is optimized for single-cores. Additionally, systems' legacy software must be reconfigured to run efficiently on multi-core processors.

Fuel Efficiency in Action



Our Solid Oxide Fuel Cell (SOFC) genset is more fuel efficient than the standard small gensets, such as the 3-kW Tactical Quiet Generators (TQG).

Working with the University of Illinois at Urbana-Champaign, we developed a technique for run-time optimization of single-core code for multi-core processors. It slashes the cost and schedule barriers to adopting multi-core processors by allowing for code reuse and new software simplification.

With fewer processing cards produced, sustainability benefits include reduced material waste, increased fuel efficiency of host platforms and less electronic waste generated during component production and system disposal due to the use of smaller and fewer components.

Nanotechnology

Nanotechnology can offer significant sustainability benefits by reducing materials use. Already, we are deploying carbon nano-materials to build stronger,

lighter and higher-performing structures with additional electrical and mechanical properties for use on the F-35® aircraft and the Juno spacecraft.

In 2012, we launched or joined a series of high-profile initiatives to further develop this transformational technology.

- We established an industry-led consortium that will work to accelerate the development of affordable, high-performance carbon nanostructure-enhanced materials and transition them into products and commercial markets. The Carbon Nanostructures Consortium is part of the Materials Genome Initiative (MGI), announced by the White House in an effort to double the speed and cut the cost of discovering and deploying new advanced materials and to revive and revolutionize American manufacturing.

50 Years of Weather Satellites

We operate the world's longest-running production satellite program for the U.S. Department of Defense's Defense Meteorological Satellite Program providing strategic and tactical weather-prediction services to aid in planning land, sea and air operations. Equipped with a sophisticated sensor suite, the satellite collects specialized global meteorological, oceanographic and solar-geophysical information in all weather conditions.

- We joined several companies to sponsor nanotechnology research at the University of Texas-Austin that could lead to advances in multi-scale nano-manufacturing, modeling and simulation.
- We announced a new collaboration with the London (UK) Centre for Nanotechnology, a world-class research hub, to develop transformational quantum and nanotechnologies.

Flight Line of the Future

Flight lines are the areas of an airfield where aircraft are parked and serviced. In 2012, we began working with cadet teams from U.S. service academies to develop innovative technologies that improve flight line logistics and sustainment while reducing waste and cost. Teams began using modeling and simulation to optimize a flight line set up for a bare-bones air base in a new environment.

Security Under the Sea

Our Marlin™ Autonomous Underwater Vehicle (AUV) conducted the oil and gas industry's first commercial unmanned off-shore platform and site inspections in the Gulf of Mexico, demonstrating its ability to help companies conduct faster, smarter and more frequent subsea inspections. The Marlin AUV successfully inspected fixed platforms, the surrounding seabed, and partially decommissioned work sites undergoing clearance activities.



“We see it as an opportunity.”

Dr. Ray Johnson, Senior Vice President and Chief Technology Officer, connects sustainability, engineering and innovation.

 [Watch online](#)

Operating from a small utility class vessel, the 10-foot long AUV logged more than 62 hours of submerged operations covering 72 miles of seabed. While at sea, the Marlin AUV generated accurate 3-D geo-referenced models of platforms and surrounding seabed, allowing operators to manage what they typically cannot see. This game-changing technology could bring significant benefits when hurricanes blow through the Gulf of Mexico. Typically, it can take energy companies more than a week to inspect their rigs and pipelines before returning production levels to normal.

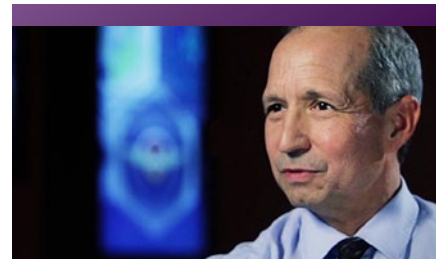
How We Manage

Lockheed Martin invests in leading-edge technologies that strengthen our current portfolio and address our customers' emerging mission needs. Our Corporate Engineering & Technology initiatives develop capabilities that drive business growth. In addition to supporting our core markets, our technology investments provide a strong foundation for entering markets such as energy, health care, advanced materials and cyber security.

Within Engineering we focus on five domains: Electronics Engineering and Packaging; Integration Test & Evaluation; Mechanical Engineering & Manufacturing; Software; and Systems Engineering & Architecture. Each includes a business leader and a cross-business area team that manage collaborative efforts and training resources.

In developing engineering products, services and packaging, we seek to maximize opportunities for efficient use of materials and energy. We partner with several academic, customer and industry-oriented stakeholders to raise awareness of innovative engineering practices of all aspects of a product—from materials and manufacturing, to use, maintenance and disposal. These include:

- American Institute of Aeronautics and Astronautics® (AIAA®)
- Aerospace Industries Association (AIA)
- American Council on Renewable Energy (ACORE)



Grand Prize Winner Video

Aeronautics' Charles Chase won the \$25,000 top prize in our 2012 Innovate the Future Challenge. In this video, he describes the technology behind his winning concept for electrical power from low-wind speed and what it was like to be selected as grand prize winner.

 [Watch online](#)

- Institute of Electrical and Electronics Engineers (IEEE®)
- International Council on Systems Engineering (INCOSE)
- King Abdullah University of Science and Technology® (KAUST®)
- Massachusetts Institute of Technology Energy Initiative (MITei)
- US Manufacturing Competitiveness Initiative (USMCI)

Business Case

Sustainability is increasingly an issue for our customers. Lockheed Martin works closely with customers early in the product lifecycle to make the most efficient design decisions while keeping product quality in mind. We also understand, and seek to mitigate, the strategic challenges posed by limited natural resources. By forging technological advances in the energy market and increasing the efficiency of our solutions, we can help enable secure, sustainable development in many parts of the world.

In 2012, we had no cases of non-compliance with regulations and voluntary codes concerning either health and safety impacts of our products and services during their lifecycle, or their information and labeling.

Where We Are Going

Staying at the leading edge of science and engineering is critical to Lockheed Martin's future. As we embed sustainability, the science of citizenship, more deeply into the development and delivery of our products and services, we will look to increase environmental and social benefits without sacrificing quality.

The process also means applying our ingenuity to new global security challenges, such as fresh water availability. Competition for access to clean drinking water poses instability and potential state failure in multiple regions. To bolster water security, our engineers are developing a patented process to filter seawater.

The process enables water filter makers to produce thin carbon membranes with regular holes about a billionth of a meter wide, which allows water to pass through while blocking the salt molecules in seawater. It takes much less energy to

push seawater through our filter—meaning underdeveloped countries wouldn't need expensive pumping stations.

Nano-Bio Manufacturing Consortium

We actively pursue innovative fields of science and engineering that offer potentially significant sustainability benefits. For example, in early 2013, the U.S. Air Force Research Laboratory announced that the FlexTech Alliance of San Jose, Ca., which leads a team including Lockheed Martin's Advanced Technology Laboratories, will receive a \$5.4 million award. The team will form a consortium to build prototypes to remotely monitor the health and performance of their systems in real time. The Alliance will launch a new manufacturing initiative with world-class researchers that will operate at the junction of nanotechnology, biotechnology, additive manufacturing and flexible electronics.

Defending Energy Grids

As utilities evolve at an unprecedented rate, we are using our cyber security expertise to help them protect the grids, networks and systems that power our daily lives. Palisade® is our cyber security solution tailored to the growing complexity of the energy industry and the increased burden that it places on IT and Operations Security personnel. The Palisade® system provides advanced tools that allow security professionals to manage ever-increasing smart grid complexity and respond to new, more sophisticated cyber security threats.

Facilitating More Plug-In Parking

Utilities and system operators are increasingly turning to demand response as a cost-effective and environmentally responsible way to serve peak-load energy needs. At the same time, customers are increasingly looking to such programs to help manage their energy costs. Our SEElload® Demand Response Management System facilitates demand response energy management by implementing precise load relief at the system, substation or feeder level, providing utilities with unprecedented control of their distribution networks. The SEElload system also helps utilities manage distributed energy resources, such as plug-in electric vehicles, when these assets need to be managed via demand response.

Recognition

- First recipient of the U.S. Clean Energy Education and Empowerment (C3E) Initiative Award.
- Honored in the U.S. National Institute for Occupational Safety and Health inaugural award program for Mine Safety and Health Technology Innovations.
- Recognized by TIME Magazine as one of the top 25 inventions of 2012, the Mobile Fish Pen has minimal footprint on our oceans. It uses technologies developed for defense-related applications to create an environmentally sound method for meeting the growing demand for healthful and protein-rich seafood.

Protecting the Environment

25 Operations
32 Sustainable Sourcing



749 M

GALLONS OF WATER
REDUCED FROM
OPERATIONS IN 2012
COMPARED TO 2007



Operations

Applying the science of citizenship begins at home with our operations. We set meaningful goals and work systematically from the inside out to reduce carbon emissions, energy use, landfill waste and water use from our products and operations. We also efficiently manage environmental remediation efforts and prioritize regulatory compliance. Together, these focus areas increase productivity and the quality of the work environment, reduce our environmental footprint, build resilient communities and decrease business costs and risks.



Integrity

We are transparent about our environmental performance, which fosters trust with employees and allows community partners to see us as open and honest neighbors.



Innovation

Applying our core competencies in engineering breeds new discoveries in operational efficiencies while also improving energy and environmental performance.



Security

Some of the root causes of instability and insecurity around the world stem from the planet's finite resources. We're conserving to reduce our operational footprint.

What happened in 2012

We achieved our multi-year environmental performance goals ahead of schedule, further integrated environmental considerations into our operational footprint and set aggressive new targets for carbon, energy use, waste and water.

93/100

SCORE

on Carbon Disclosure Project for systematically reducing carbon emissions.

\$20.6 M

REINVESTMENT OPPORTUNITY achieved due to energy and water use reductions in 2012 compared to 2007.



Did You Know?

30 percent of the total electricity consumed in Lockheed Martin operations is derived from renewable sources including solar, wind, biogas and small-scale hydropower.

« **Far Left Image:** We designed the A2100 satellite bus to be free of ozone-depleting materials. We've launched over 40 satellites to support telemedicine, teleconferencing, high-speed internet access and multimedia services.

Far Right Image: Tremendous potential exists for clean energy in waves and tides. We're optimizing tidal power systems that convert that energy into electricity.

Our Performance

Objective

Balance environmental issues including the use of natural resources, energy and land development while contributing to a more sustainable future for our employees, communities and stockholders.

Targets

For decades, we have demonstrated a strong commitment to environmental stewardship. In 2008, we established the Go Green initiative to track our environmental performance and measure progress against three specific targets: 25 percent absolute reductions in carbon emissions, water and waste by the end of 2012 over 2007 levels. Through employee initiatives and innovative projects, we met or exceeded each of these goals in early 2012, nearly

purchases. Reducing emissions and costs in areas like lighting can bring additional benefits such as improved visibility, longer lived fixtures, reduced potential injuries and increased profitability.

We also purchased 491 million kWh of green power in 2012, nearly doubling our 2011 purchase of 274 kWh.

For more detailed information on our greenhouse gas (GHG) management program and specific reduction projects, please see our [2012 Investor CDP Report](#).

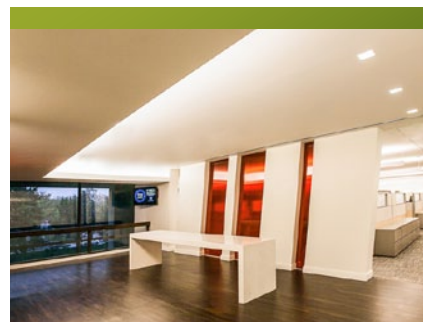
Reducing Air Emissions in California

Our Aeronautics manufacturing facility in Palmdale, Ca., uses volatile organic compounds (VOCs) that generate fumes. The plant eliminated the VOCs through a Thermal Oxidation System (TOS) that cleaned fumes from the building with 98 percent efficiency. However, this



New Thermal Oxidation System

Our Aeronautics facility in Palmdale, Ca. has a new Thermal Oxidation System that cleans fumes from the building with 98 percent efficiency.



LEED Certified Facilities

Our facility in Gaithersburg, Md. is being renovated to meet LEED standards. At the end of 2012, we had 27 LEED certified facilities.



See our [2012 Investor CDP Report](#) for information on specific reduction projects

a year ahead of schedule. Management commitment to tracking performance and funding capital improvements was a key factor in this achievement.

Regulatory Compliance & Requirements

In 2012, we did not receive a significant environmental Notice of Violation (NOV) related to our environmental performance, an improvement from 2011 when we received one such notice. Our operations had no incidents of significant spills or releases.

Energy

Reducing energy use is a key element of our environmental protection strategy. We exceeded our Go Green goal for energy by 6 percent, achieving a 31 percent drop in 2012 carbon emissions from our operations compared to 2007 levels. We did this through a range of initiatives, including lighting upgrades, heating, ventilation and air conditioning (HVAC) equipment improvements, building retrofits, data center consolidation efforts, strategic procurement and renewable energy

old-fashioned technology also burned large amounts of natural gas virtually 24 hours per day, generating GHGs. The plant's managers responded with a five-year project to implement equipment to concentrate VOCs without having to burn natural gas continuously. This technology reduces energy costs by up to 87 percent (or \$1.25 million annually) and maintenance costs by up to 60 percent (or \$200,000 annually). It also cuts GHG emissions by up to 87 percent (or 6,448 million tons of CO₂ equivalent per year), accounting for nearly 10 percent of the site's 25 percent carbon emissions reduction goal.

Smart Energy Savings

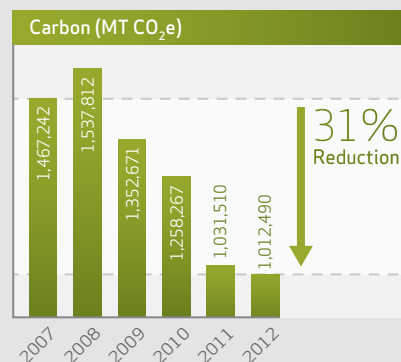
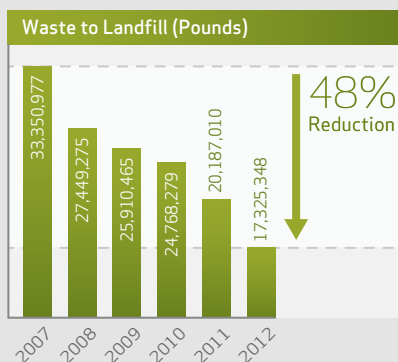
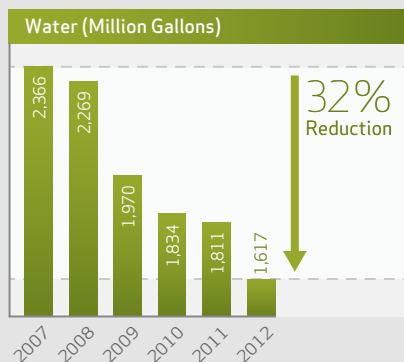
By thinking smartly about how we store data and design energy solutions for ourselves and our customers, we are generating significant cost and carbon savings. Our business areas are working to consolidate data centers, which in our Enterprise Operations organization alone resulted in a reduction of nearly one million kWh of energy use in 2012.

Our Lockheed Martin Australia operation complies with the Australian Tax Office Green IT Standard and Data Centre Optimization Policy Targets. Other energy-saving data center improvement projects include installing variable frequency drives and flow-control optimization software.

A Smarter Facilities Footprint

We are leading the way in state-of-the-art smart buildings. In over 150 buildings at more than 40 Lockheed Martin sites, we use expanded utility metering to provide actionable energy data to facility managers. To do this we use the Smart Energy Enterprise View (SEView®) system, one of the tools in our SEEsuite® and smart grid system

Go Green 2012 Results



Go Green metrics are reported from Nov. of the previous year through Oct. of the current year. Carbon data is reported for our largest 84 facilities in the U.S., UK, Canada and Mexico. Water data is reported for our largest 44 facilities in the U.S. Waste data is reported for our largest 48 sites in the U.S.

implementation services, which is also available to customers like NRG Energy. The SEEsuite® system provides real-time energy monitoring and control by integrating legacy systems and rich new functionality that transforms utilities into flexible and responsive smart grid-enabled organizations.

Through the end of 2012, Lockheed Martin had 27 facilities certified as Leadership in Energy and Environmental Design (LEED). LEED certification, or credit in an equivalent non-U.S. green building rating system, is required for all our new construction, as well as retrofits and future renovations. Additionally, we require environmental risks and potential liabilities to be identified and evaluated before we approve any business and/or real estate transaction.

Water

We exceeded our Go Green water goal by 7 percent, decreasing our operational water usage by 32 percent from 2007 levels in 2012, a feat that saved more than 700 million gallons. To achieve this progress, we upgraded heating and cooling equipment at many of our sites and instituted landscaping projects that reduce or remove the need for irrigation water.

Every Drop Counts

Our Mission Systems and Training facility in Orlando, FL, has almost halved its water use in five years. An array of projects designed to exceed Go Green water use

goals included identifying and repairing leaking pipes and fixing a malfunctioning condenser, saving more than five million gallons of water. Using more efficient kitchen equipment and retrofitting bathrooms with low-flow fixtures and sink aerators led to further reductions of 232,000 gallons of water per year.

These repairs, upgrades and projects, in concert with employee awareness initiatives, have allowed the facility to

set a company-wide leadership example, reducing water use by an impressive 48 percent from 2007 levels.

And we're not stopping there. The water-conservation project pipeline includes a plan to optimize the chillers, cooling towers and chilled water storage tanks that service a majority of the campus. These adjustments will allow real-time data to drive system operation, rather than operating at almost full capacity 24/7.

31% Carbon Emissions Reduction

Since 2008, we've reduced annual carbon emissions by 454,752 metric tons of carbon dioxide (CO₂) equivalents*, an amount equal to the use of:



94,740
passenger vehicles annually



50,981,166
gallons of gasoline



68,077
homes for one year

*Includes the purchase of Renewable Energy Credits. Comparisons are generated using the U.S. EPA's GHG Equivalencies Calculator.

Waste

In 2012, we reduced waste sent to landfill by more than 16 million pounds across our operations. As a result, we beat our Go Green target by a spectacular margin, achieving a 48 percent reduction since 2007. Our comprehensive approach to waste reduction made this possible. It includes wide-ranging recycling programs, innovative processes that reduce packaging for large aircraft parts, waste-to-energy projects and cafeteria composting programs.

Our waste functional procedure ensures the responsible management of waste leaving our facilities. It includes the requirement that all waste shall be managed in accordance with the applicable laws of the country in which it is generated. All waste generated in countries outside of North America must be disposed of in-country unless there is no acceptable disposal capability within that country.

Electronic Waste Stewardship

In 2012, we announced new commitments to e-waste stewardship through the Corporate EcoForum at the Rio +20 UN Conference on Environment and Development. Much of the world's e-waste is shipped to developing

countries for recovery of valuable materials such as aluminum, copper, iron and rare earth elements, reducing the need to mine virgin sources. Many Lockheed Martin products use aluminum, terbium and copper. Proper disposal of e-waste is critically important for local environments and human safety. When e-waste is discarded into open dumps or burn pits rather than recycled, there are serious impacts to ground water, soil, air quality and the health of those in the surrounding communities.

Lockheed Martin's e-waste stewardship strategy now includes:

- Improving Internal Processes: We have instituted vigorous e-recycling vendor



requirements and enhanced monitoring of compliance with our requirements. By June 2013, we expect all our e-recycling vendors will be certified e-Stewards who have committed: to not dispose

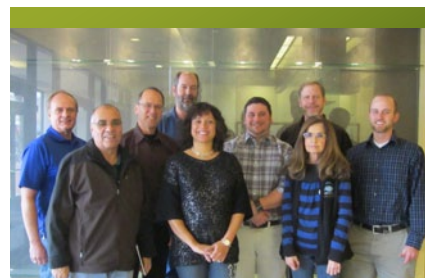
Recognition

- In 2012, our Corporate Headquarters in Bethesda, Md., recycled 92 percent of all waste, sending only 91,530 lbs. to landfills, compared to 344,000 lbs. in 2008. The effort to reduce waste not only helped limit our impact on the environment, it also caught the attention of Maryland's Montgomery County. For the past three years, the county has recognized our headquarters with its Excellence in Recycling Award, which celebrates companies that recycle at least 50 percent of their waste.
- We were listed #7 in the U.S. EPA's Green Power Ranking National Top 50 List as of January 2013 and received one of twelve 2012 Green Power Leadership Awards.
- The Essex (Md.) Middle River Civic Council awarded us the Chesapeake Gateway Chamber of Commerce 2012 "People's Choice Award" for our contributions to the Middle River communities.
- We were named to the Carbon Disclosure Project's (CDP) Carbon Disclosure Leadership Index and Carbon Performance Leadership Index for the second consecutive year. CDP highlighted our corporate-wide efforts to monitor and reduce carbon emissions.



Glass Half Full

At Sandia National Solar Thermal Test Facility, recycling efforts turned 5,000 mirrored glass facets into paved roads.



Waste Leadership At Space Systems

Recycling Team in Colorado from left to right: Ken Disney, James Torres, Victor Taggart, Mike Herald, Tracie Newton, Sean Van Gorder, Louise Quintana, Bruce Olson and Seth Christensen. Not pictured Stan Merritt.

of e-waste in landfills or incinerators, not to ship waste from developed to developing countries, not to use prison labor in recycling practices and to protect and monitor recycling workers in all countries.

- Educating Employees: We are enriching our sustainability and citizenship culture by educating employees to make smarter, better informed decisions about e-waste.
- Educating Externally through STEM Outreach: We are developing e-waste K-12 educational material for STEM-related programs to inform the next generation of consumers and engineers.

Waste Leadership At Space Systems

In four years, the dedicated infrastructure services recycling team at our Space Systems facility in Waterton, Co., eliminated or diverted from landfill more than two million pounds of on-site waste. Between 2009 and 2012, the site reduced waste to landfill tonnage by 68 percent from 2007 levels. Approximately 40 tons of materials are now being recycled at the plant each month.

The site's comprehensive waste-reduction activities include eliminating 70 percent of the campus roll-off dumpsters, conducting monthly bin audits, wood composting, asphalt and concrete recycling and classified shred composting. In addition to site efforts, community events were held where vendors allowed employees to recycle home electronics, batteries and paper. The team, pictured to the left, was named one of the Mountain Region's top recyclers by their recycling vendor.

Glass Half Full

Our businesses are finding creative uses for specialized waste streams. A team from the National Solar Thermal Test Facility at Sandia National Laboratories, which is managed by Lockheed Martin, developed an innovative way to dispose of 5,000 mirrored glass facets. The waste-reduction team worked with colleagues to use the glass in material for road base on Sandia's paved roads and paths instead of disposing of the mirrors after their 30-year lifetime. The recycling effort kept the glass from landfill and saved \$153,000.

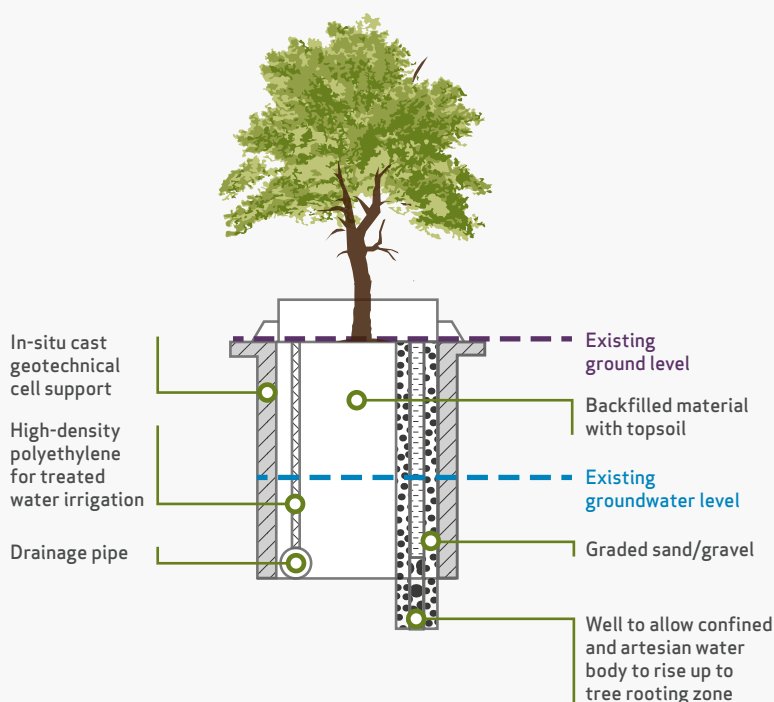
Chemical Sustainability

We have an ongoing chemical sustainability initiative that maps the chemical footprint of our operations and processes and seeks opportunities to eliminate or reduce hazardous chemicals. For example, in 2011 and 2012, our facility in Newtown, Pa., eliminated or successfully substituted all Class-I Ozone Depleting Substances (ODS) with the exception of fire-suppression and HVAC refrigerant ozone depleters in manufacturing processes.

The eliminations/substitutions included:

- Eliminated from inventory due to non-use: Minus 62 instant chiller 1669-15S, 30S (Dichlorodifluoromethane [CFC-12])

Getting to the Root of the Problem



Through a process called phytoremediation, trees are planted over groundwater impacted by pollutants. Contaminants within the root zone are removed into the trees, where they are contained, biodegraded and/or volatilized. In some instances, the combination of hydraulic gradient and root activity pulls water from deeper underground into the root zone.

- Substituted with a non-ODC option: MS-240AS Anti-static quik freeze dichloro (difluoromethane [CFC-12])

We will continue to seek corporate-wide opportunities to eliminate and/or reduce hazardous chemicals.

Remediation

Lockheed Martin is committed to mitigating the environmental liabilities we have inherited from past operations of several companies, operations that typically date back to the 1940s and 1950s. Our goal is to protect human health and the environment and to remediate in the most effective, efficient and affordable manner possible.

We work closely with regulatory agencies, citizens and community groups, environmental and conservation organizations and other stakeholders to ensure we fully meet our environmental

obligations in a collaborative manner. In 2012, remediation efforts included:

- Planted Black Poplar trees, an endangered species, to clean contaminated sites with minimal environmental impact and enhance the long-term sustainability of groundwater (see graphic above)
- Injected treated groundwater to help remove contaminant mass in groundwater
- Injected treated groundwater to maintain wetlands
- Implemented on-site enhanced biological treatment technologies
- Monitored remedial actions to ensure efficiency and efficacy

For financial information on our environmental liabilities, please review our quarterly and annual SEC filings or visit www.sec.gov. A list of our remediation projects is available.

How We Manage

Our Vice President of Corporate Energy, Environment, Safety & Health chairs the cross-business area Environment, Safety & Health Leadership Council, which develops strategy, initiatives and programs to meet the company's goals in critical operational areas. The Council's strategic focus areas include:

- Voluntary reductions in carbon, energy, waste-to-landfill and water use
- Workplace safety
- Regulatory compliance
- Environmental remediation
- Operational efficiencies

In 2012, we expanded Council membership to leaders from Global Supply Chain Operations, Engineering, Legal, Enterprise Risk Management and Corporate Sustainability, with the goal of better integrating business practices and promoting collaboration. We also launched a more formal risks and opportunities process to align with our Enterprise Risk Management program.

Environment, Safety & Health Regulatory Compliance

We place a high priority on meeting all applicable environmental, safety and health (ESH) regulations. We closely track, monitor and respond to ESH notices of violation (NOVs) involving our activities. We consider an ESH NOV “significant” when it is reportable to the following:

- The Federal Awardee Performance and Integrity Information System (FAPIIS), which requires reporting of proceedings in connection with U.S. government contracts that either carry civil fines of \$5,000 or more and a finding of fault, or that result in a criminal conviction.
- The U.S. Securities and Exchange Commission (SEC), which requires reporting of proceedings under environmental law that involve fines of \$100,000 or more.

Key elements of our environment, safety and health regulatory compliance program include:

- Assessing corporate-wide trends for violations, including evaluating root causes

- Evaluating incidents to identify corrective actions
- Providing in-house training and webinars on top compliance focus areas
- Performing peer assessments by internal experts to identify opportunities for improvement
- Conducting rigorous annual audits

Our ESH audit program follows a risk-based yearly audit plan approved by our Board of Directors. The plan tests for conformance with our ESH management system and internal policies and procedures. Findings are tracked to closure and reported to senior management, including our Chief Financial Officer.

Business Case

Pursuing environmental compliance brings clear business as well as good citizenship benefits. By reducing resource use, operating more efficiently and making smart utility decisions, we have cut overhead costs. Simply by using less electricity, natural gas and water, we reduced consumption costs by \$20.6 million in 2012 compared to 2007, which was reinvested back into the business.

We are poised to do much more. As a global manufacturer and service provider of products with lifespans of decades, responsible for 120,000 employees and 77 million square feet of facility space, we see many opportunities for sustainable solutions. We're proud of our progress in energy, water, waste, habitat protection and remediation, and the new multi-year Go Green 2020 goals we've established.

Where We Are Going

Applying the science of citizenship to our products, services and operations is an ongoing endeavor. We seek to create and extend long-term value for our company by further integrating sustainability into our global business strategy. We also recognize, along with our stakeholders, that some of our business activities may face future sustainability challenges if not well managed. Possible problem areas might include the natural resource makeup of some products, energy use in manufacturing and the ability to nurture U.S. science and engineering talent in our operations and supply chain.

In late 2012, we launched a process to prioritize more than 40 key business issues that may influence the decisions, actions and performance of our stakeholders and



Aligning with Customer Sustainability Goals

Our Go Green 2020 goals closely mirror the environmental footprint reduction targets of our largest customer, the U.S. Department of Defense.

[View online](#)

U.S. Environmental Protection Agency (EPA) Scorecard

We monitor how our performance compares to the EPA's sustainability goals.

[View online](#)

business management. We are now refining how sustainability fits with the most critical issues and evaluating related performance goals and measurements. As we move forward, we will continue to consider the views and insights of our stakeholders.

In early 2013, we formed an Environmental Sustainability program office to complement the Corporate Sustainability organization and provide technical support and expertise on environmental stewardship.

In 2012, we launched new environmental sustainability goals, which commit us to achieve the following reductions from 2010 levels by 2020. We will begin reporting against these targets in 2013.

By 2020, we will reduce:

- Carbon emissions by 35 percent
- Facility energy use by 20 percent
- Waste to landfills by 35 percent
- Water use by 10 percent



Our Go Green 2020 targets will help shape our future sustainability strategies, programs and projects for our business operations. These goals closely mirror the environmental footprint reduction targets of our largest customer, the U.S. Department of Defense.

U.S. Executive Order 13514 requires all Federal agencies to establish environmental reduction targets and develop strategies and initiatives to meet those targets. This approach underlines our

performance. We recently completed an analytical framework using a combination of LCA techniques to understand and prioritize environmental issues in our supply chain and our own facilities.

Our Go Green 2020 targets will help shape our future sustainability strategies, programs and projects for our business operations

dedication to helping customers meet their environmental sustainability challenges and makes good business sense.

2013 Focus Areas

We will continually assess our goals and performance against our Go Green targets while also closely monitoring industry sustainability trends and stakeholder expectations, including customers' sustainability goals. Areas we expect to expand upon in 2013 include:

- Eliminating and reducing hazardous chemicals under our chemical sustainability initiative, which maps the chemical footprint of our operations and processes and seeks opportunities to use alternate materials wherever possible. See more about managing chemicals in [Sustainable Sourcing](#).
- Life Cycle Assessment (LCA), an approach that helps us meet customer expectations for evaluating product sustainability while improving product

Key findings included:

- The most significant issues for our business are associated with energy use and its climate change impacts.
- About 2 percent of the total environmental impact is directly associated with Lockheed Martin activities; the balance is elsewhere in the value chain.
- Waste and water did not rank in the top 10 factors that accounted for 96 percent of our environmental impact.
- An estimated 35 percent of our earnings before interest and taxes are associated with energy-related commodities across the supply chain.

Based on what we learned, we are exploring approaches such as integrating LCA into engineering design and our overall business lifecycle.



Desert tortoise enjoys a protected home.

Wildlife Habitat Protection

At our site in Helendale, Ca., we have an active habitat conservation program in place for the threatened desert tortoise. The facility borders on a critical tortoise habitat, and we submit annual surveys recording any adverse tortoise incidents to the U.S. Fish and Wildlife service. We also provide annual training to all site employees and to frequent visitors.

The desert tortoise population has flourished next to our secured and fenced nine square mile facility. In a 2012 survey, biologists found the population thriving like nowhere else in the Mojave Desert.

There are designated endangered or threatened species at approximately 40 of our U.S. sites. We also have approximately 40 sites that are adjacent to designated wetlands. In each case, we have filed the required permits and follow the appropriate mitigation and monitoring plans.

Sustainable Sourcing

Having a strong, reliable network of suppliers is critical to the success of our operations and to the security capabilities of our products and services—and it is also a key component of our sustainability goals. We work with more than 29,000 first tier suppliers in the United States and 67 other countries to reinforce the science of citizenship and implement our global sustainability strategy.

Our customers and other stakeholders, such as investors, have a growing interest in sustainable sourcing issues. By increasing transparency and addressing sustainability in the supply chain, we enrich customer trust, reduce costs, secure continuity of supply and add value to our brand. Collaboration with our suppliers also encourages innovation, which leads to more sustainable products for our customers.



Integrity

We expect our suppliers to meet the same high standards of ethics, business conduct and human rights that we apply to our own employees and operations.



Innovation

By working with suppliers to improve our products' energy efficiency, reduce waste and incorporate sustainably sourced materials at the design phase, we will save money and achieve higher performing solutions.

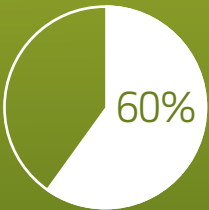


Security

The mission success expectations we support demand reliable manufacturing partners, component suppliers and logistics providers.

Did You Know?

We spend on our supply chain an amount equivalent to roughly 60 percent of our annual sales.



What happened in 2012

We enhanced our business approach to measure environmental and social supply chain performance standards based on deeper risk and opportunity analysis.

29K+
ACTIVE FIRST TIER SUPPLIERS

23%
LOCALLY SOURCED
Nearly 1/4 of our supply chain expenditures are made to suppliers within 30 miles of our significant sites of operation.

Our Performance

Objective

We will partner with our extended supply chain to minimize adverse environmental impacts and promote human rights, health, safety and ethical behavior, driving responsible growth, raising standards and building sustainable supplier capabilities.

produces 97 percent of all rare earth elements, have caused global concern especially in the U.S. and Japan, where demand is highest.

In response, we performed a high level risk analysis of the rare earth elements we use: Neodymium, Samarium, Yttrium, Erbium and Cerium. While we found some vulnerability, we have accepted the risk of

we monitor relevant suppliers through assessment, assurance and stakeholder engagement. A company-wide working group leads this effort and includes representatives from Global Supply Chain Operations; Legal; Washington Operations; Corporate Sustainability; Communications; Corporate Engineering and Technology; Energy; Environment; Safety & Health and Internal Audit.

We comply with all applicable laws, including REACH, in our European operations and business relationships

Complying with European Chemicals Phase-Out

In 2007, the Registration, Evaluation, Authorisation and Restriction of Chemicals regulation, better known as REACH, became law in the European Union, and is also followed by the non-EU countries of Iceland, Liechtenstein and Norway. REACH set a rolling timetable for phasing out chemicals “of very high concern”. We comply with all applicable laws, including REACH, in our European operations and business relationships. Our Global Supply Chain Operations organization has developed a stringent implementation process to ensure compliance throughout Lockheed Martin and our supply chain. In 2012, we created an internal obsolescence repository, where employees can post chemical obsolescence notices, and all users are alerted when a new notice is entered. We also issued a REACH authorization letter to effected suppliers, creating awareness of future enforcement actions by regulators.

In addition, we co-chair the U.S. Aerospace Industries Association’s REACH Working Group, which discusses concerns and advocates for the continued availability of needed industry chemicals.

Rare Earth Elements

Rare Earth Elements make up 17 elements of the periodic table and are used in a vast array of materials in commercial and aerospace and defense applications. Recent export limitations and price increases by China, which

potential shortages and short-term price increases, based on our understanding of the industrial marketplace and U.S. government analysis of the situation.

Toward a Sustainable Supply Chain

In 2012, we developed a governance model, vision, strategy and performance indicators to measure our success in environmental and social supply chain performance. We included guidance and requirements for suppliers in the following areas.

Human Trafficking

In 2012, we expanded disclosure on our efforts to eradicate human trafficking and slavery throughout our global supply chain. We also posted company information that addresses the intent of the California Supply Chain Transparency Act. We will not knowingly do business with suppliers who engage in human rights violations or use child or forced labor. Our [Eradicate Human Trafficking webpage](#) has more information.

Conflict Minerals

In August 2012, the U.S. Securities and Exchange Commission adopted a rule mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act to require companies to publicly disclose their use of conflict minerals originating in the Democratic Republic of Congo or a neighboring country. Named minerals included tin, tantalum, tungsten and gold. Some of our products contain these minerals. To comply with the rule,

Working group plans include:

Assessment

- Developing a corporate-wide conflict minerals policy addressing supply chain due diligence and reporting requirements
- Educating our suppliers and our Global Supply Chain Operations professionals about conflict minerals
- Implementing contract language for subcontracts and purchase orders to address supplier requirements for due diligence on conflict minerals
- Working with the Organization for Economic Cooperation and Development (OECD) Pilot Program to implement its Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas
- Engaging with our industry through trade associations to share strategy and best practices
- Coordinating with the Office of Corporate Sustainability to ensure our conflict minerals policy is compatible with other aspects of supplier conduct assessments and reporting

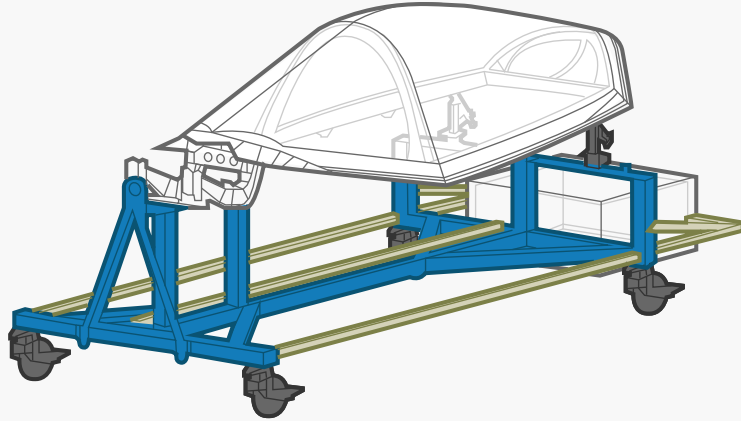
Assurance

- Requesting key suppliers identify products in their supply chain that contain tin, tantalum, tungsten and/or gold and validate the country of origin of these minerals
- Partnering with third-party auditors on establishment of common supplier expectations; from 2016, seek independent audits to prove company compliance

Stakeholder Engagement

- Benchmarking and sharing with aerospace and other industry manufacturers
- Coordinating with upstream materials suppliers that are implementing due diligence processes for conflict minerals

F-35® Canopy Fights Waste



By using returnable and reusable containers and fixtures in making and shipping the canopy for our F-35® fighter aircraft, we significantly lowered labor time and labor costs. Unlike disposable packaging, the materials were returned to the original location or supplier for reuse. Workers spent less time receiving, packaging and shipping product parts and components, and the use of reusable materials supports a seamless, sustainable production cycle.

Greener, Leaner Operations

What do sustainable operations mean at Lockheed Martin? Put simply, leaner and greener. We are seeking to increase productivity, while implementing safer practices, improving quality, reducing harmful emissions and waste, preserving natural resources and meeting delivery schedules. Our suppliers have a big part to play in this. In 2012, we conducted two pilot programs that produced both

transportation, storage, inspection and repair work. Our research found that injury risks to employees during the flight control maintenance process could be significantly reduced by using a custom flight control lift tool.

Suppliers and Cyber Security

Cyber security attacks continue to increase in frequency and sophistication for the aerospace and defense industry.

- Building awareness of the threat within our supply chain community
- Working with our suppliers to ensure that the appropriate risk mitigations are in place to protect sensitive information

Preferred Supplier Program

Providing the best possible products to our customers and creating innovations depends on working with first-class suppliers. We will seek to expand our successful Preferred Supplier Program (PSP) and the benefits it brings.

Our Missiles and Fire Control (MFC) established the PSP in 1998 to recognize the “best of the best” suppliers who have contributed significantly to our business and our customers through outstanding performance and to promote their use across the company. The Preferred Supplier Team performs Supplier Assessment and Surveillance Audits (SASA) and Risk Based Assessment Tool (RBAT) assessments on each Preferred Supplier to ensure consistent performance. We promote their use by heightening their visibility on internal websites and identifying their commodities to procurement representatives and other key Lockheed Martin program

DESIGNING MORE
SUSTAINABLE
SOLUTIONS

See why we're designing more sustainable solutions with our partners

 [Watch online](#)

environmental benefits and operational efficiencies. We are now exploring ways to expand these programs across our business.

One such business case study showed bright prospects for achieving ergonomic and process efficiency benefits by using a custom-designed flight control lift tool. At our Greenville, S.C. site aircraft flight controls are frequently lifted, flipped and carried by hand for

Adversaries are targeting anyone who possesses sensitive information including the government, prime contractors and suppliers. It is imperative that our suppliers understand what's at stake and recognize our shared role in protecting sensitive information and intellectual property. We address this issue by:

- Understanding the cyber security posture of our suppliers

personnel. We also host trade shows, production line reviews and technical meetings for Preferred Suppliers and facilitate activities that foster continuous improvement, innovation and affordability in their operations.

Using our best suppliers brings comprehensive benefits. Companies that participated in our MFC PSP events

and processes to track and react to disruptions such as natural disasters, terrorist activities, labor strikes, criminal activity and fires. When evaluating risk levels, we prioritize suppliers based on criteria including how critical the products supplied are, whether the supplier is a sole source, the supplier's record of quality and the state of our supplier relationship.

We are working to incorporate broader sustainability principles into our supplier requirements.

Where We Are Going

By the end of 2013, we aim to release a Supplier Code of Conduct to all of our suppliers. Preferred suppliers who account for approximately 50 percent of our supply chain expenditures will also be requested to complete a sustainability assessment. The assessment will help us:

- Set clear expectations for our suppliers regarding environmental and social practices
- Evaluate suppliers' sustainability performance against our expectations
- Build capacity to help suppliers meet these expectations
- Gather data on key performance indicators from suppliers to evaluate and share with stakeholders

39% of our suppliers are classified as manufacturers

realized a 54 percent increase in 2012 purchase order dollars equating to \$24 million. For Lockheed Martin, our Preferred Suppliers increase affordability by collaborating on cost saving ideas, provide exemplary customer service, embrace continuous improvement, eliminate risk through flawless performance and deliver defect-free products on time to the end user.

How We Manage

Risk Management

We operate a vast global supply chain that brings with it both opportunities and risks. Minimizing risk across a wide range of businesses and locations is a difficult task. We need to consider factors including suppliers' financial and operational stability, the multiple interconnected levels of our supply chain, country solvency, cyber security, legislative activity, geopolitical events and the prospect of natural disasters.

To manage these complexities and uncertainties, we implement company-wide supply chain risk action plans, tools and mitigation processes, led by our Global Supply Chain Operations and Enterprise Risk Management departments. Key risk indicators and mitigation activities are evaluated quarterly and reported to the Board of Directors.

We use a risk management tool to evaluate the health of individual supplier companies, and our business areas deploy real-time incident management systems

Environmental and Social Performance

We give guidance to suppliers on our sustainability expectations. Our ethics policy statement is included on each purchase order we issue. We also send an annual letter to our suppliers stating our core values of ethics and integrity upon which Lockheed Martin's reputation is built. Our suppliers are required to meet environmental and human rights requirements in their dealings with us. We plan to expand our Greening the Supply Chain program to incorporate broader sustainability principles, with the goal of holding our suppliers to the same environmental and social standards as we hold ourselves.

Business Case

Business and society increasingly view sustainable supply chains as a key generator of business value, as well as an important element of overall corporate sustainability performance. Our customers and stakeholders are also voicing growing expectations for our supply chain and are seeking more supplier-related governance and performance information. Stakeholders want to know how we are managing our suppliers, what we expect of them, and how suppliers are performing against our expectations. It is therefore in our business interest to develop a sustainable supply chain.

In response, we will continue to work with our suppliers to manage both the sustainability risks and opportunities afforded by our global supply chain.

Supplier Excellence Plans

Lockheed Martin takes on difficult challenges which often involve cutting edge technologies, and we and our suppliers often face unforeseen challenges and technical obstacles. For all our large programs, we require that major subcontractors complete a Comprehensive Risk Assessment (CRA) which covers ten common risk areas. Subcontractors then develop a supplier excellence plan of action to mitigate any risks uncovered by the assessment. This process helps us and our suppliers execute programs successfully and on time, and is vital to the sustainable business health of our company.

Strengthening Communities

37 Safety and Wellness
41 Diversity and Inclusion
45 Community Relations
50 Supplier Diversity



\$228+

MILLION IN CORPORATE
AND EMPLOYEE DONATIONS
TO OUR PHILANTHROPIC
PARTNERS OVER
THE LAST 5 YEARS

Safety and Wellness

We strive to achieve and maintain a zero injury workplace and healthy workforce to enact the science of citizenship. In our industry, vigilance in workplace health and safety at all employee levels is also important to ensure mission success. We work with complex safety risks and know that the safest option is also always the smartest. We focus on wellness, education, management accountability and behavior-based safety processes for both manufacturing and office environments.



Integrity

An injury-free workplace fosters a better quality of life for employees and mission success for our customers.



Innovation

Our practical approach to improvement includes thoughtful analysis of safety hazards and at-risk behaviors.



Security

By providing a safe work environment and accessible employee care, we're securing the safety and health of our workforce.

What happened in 2012

We achieved year-over-year reductions in missed workdays from injuries, developed improvement plans for the five most frequent injury incident rates and introduced new ergonomic and hearing protection aids.

39%

DECREASE
in Severity (Lost Days)
Rates since 2011

35K

FLU VACCINES
administered at
on-site wellness
centers

Did You Know?

Our Heroes for Target Zero program recognizes our sites that demonstrate the most improved workplace safety performance.

TARGET ZERO

<< **Far Left Image:** Thirty-three cyclists on Team **Skunk Works**® participated in the Tour de Cure® raising more than \$23,000 for the American Diabetes Association. **Far Right Image:** Tomorrow matters. That's why we co-chaired National Engineers Week, to get the next generation of innovators excited about Science, Technology, Engineering and Mathematics.

Our Performance

Objective

To maintain a safe workplace, assess and control risks beyond compliance and encourage employee wellness.

Aiming For Target Zero

Leadership engagement and ownership of safety performance is critical to our strong health and safety program, Target Zero. In 2012, we targeted opportunities for improvement with each of our business teams by focusing on the five areas experiencing the most injuries. For each problem area, business teams developed improvement plans supported by improved safety communications to employees. We also launched pilot programs in ergonomics and hearing protection.

To reinvigorate our collective awareness of workplace safety and to prevent recurrence of injuries, managers are required to follow a one-over-one injured employee discussion process, which requires managers one level above an injured employee's manager to directly contact the injured employee following

an incident. This practice ensures leaders are fully engaged in and take ownership of creating a safe work environment for all.

In 2012, we launched the Heroes for Target Zero recognition program to foster employee engagement through competition. This program recognizes sites that continually progress to meet Target Zero objectives. Every six months, we rank our locations by the most improved safety performance. Winners receive Heroes for Target Zero banners to display on-site. We also hold regular events for different locations to share best practices and insights on how to identify risks and opportunities.

Target Zero Results

Our occupational health and safety data follows the injury classifications issued by the U.S. Occupational Safety & Health Administration and covers employees in our direct operations, except for those supporting military activities at forward operating bases (FOBs). While we do not report data on employees at FOBs, we track this closely to ensure visibility into the most dangerous work environments.

Recognition

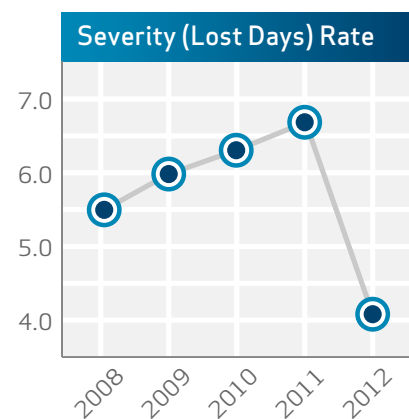
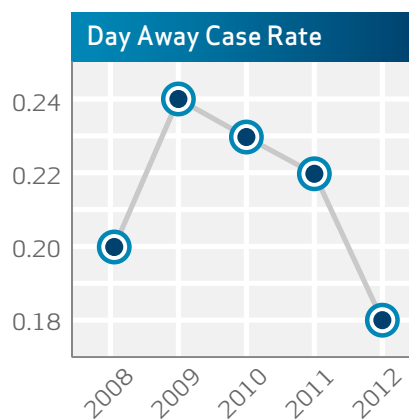
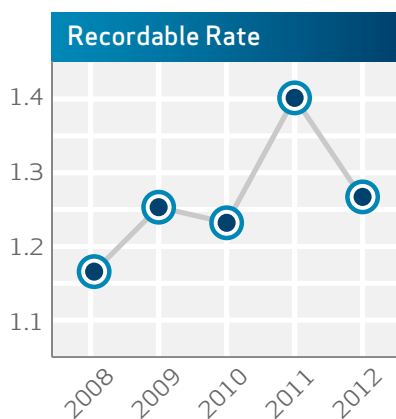
- The Arkansas Department of Labor recognized Lockheed Martin's Camden Operations for reaching the impressive milestone of three million labor hours worked without any lost time incidents.
- Our MFC site in Orlando, FL, received several safety awards from the U.S. National Safety Council during 2012, including an Occupational Excellence Achievement Award. Employees chalked up more than 14 million hours without a single day off due to injury, earning the site a Million Hours Award and a 12-month Perfect Record Award.

Our efforts to keep people safe extend to our subcontractors and visitors to our sites.

Since introducing our injury-free workplace program, Target Zero, in 2004, we have made great strides in reducing recordable and lost time injuries. From 2003 (baseline) to 2012, we experienced a 75 percent decrease in severity (lost days) rates, a 57 percent decrease in day away case rates and a 55 percent decrease in

5 fire departments are operating at Lockheed Martin sites in the U.S.

Workplace Safety



Each rate is calculated per 100 employees, working 40 hours per week for 50 weeks per year.

recordable rates. From 2008 to 2011 we documented a slight increase in severity (lost days) rates, but a renewed management focus and employee engagement in 2012 drove a 39 percent decrease from 2011 in the severity (lost days) rate (see opposite page).

How We Manage

The safety and security of all employees is paramount to our success as a business, and a strategic imperative for our organization. Our initiatives to increase safety and health awareness focus on high risk areas and assisting sites and areas of work with the highest rates of injury. Our Target Zero initiative motivates employees to embrace a “zero accidents” mentality.

Our businesses use a standard internal online reporting tool to document and thoroughly investigate injuries and illnesses from start to finish. The tool helps us analyze root causes and take corrective actions to prevent recurrence. A separate “close call” reporting tool allows us to identify and correct hazards before they result in injury or damage.

We encourage all staff to follow best health practices at work. ErgoSuite, an interactive tool that allows employees to conduct self-assessments, schedule expert ergonomics evaluations and request equipment, is available at all workstations. An internal ergonomics website offers best practices, activities and industry resources, as well as a networking forum of Lockheed Martin ergonomics practitioners to share lessons learned. Hourly employees receive training in ergonomics principles, hazards recognition and correction/prevention with certified ergonomics coaches.

Our Energy, Environment, Safety & Health organization oversees our occupational health and safety performance at Lockheed Martin. Monthly performance is reported to the Chief Information Officer, who reports to the Chief Financial

Officer. In 2012, we received a significant transportation Notice of Violation from the U.S. Department of Transportation which carried a \$60,000 fine. See the [Operations section](#) for our definition of significant violations and more on the processes we follow.

Our Human Resources organization oversees Health and Wellness programming and resources. Wellness Centers at 26 Lockheed Martin locations throughout the U.S. provide employees with complimentary health services such as immunizations, chronic health condition counseling and health education. Our comprehensive health and wellness plan, LM Health Works provides full- and part-time employees with many tailored options to maximize positive choices for their health. Visit [LMHealthWorks](#).

Accelerating Employee Health and Wellness

Employees joined our fitness program and walked over

46,015,560 MILES



96

round-trips to the moon



35,000

free flu vaccines
were administered



9,500

free employee
health screenings
were provided



850

auto external
defibrillators



14%

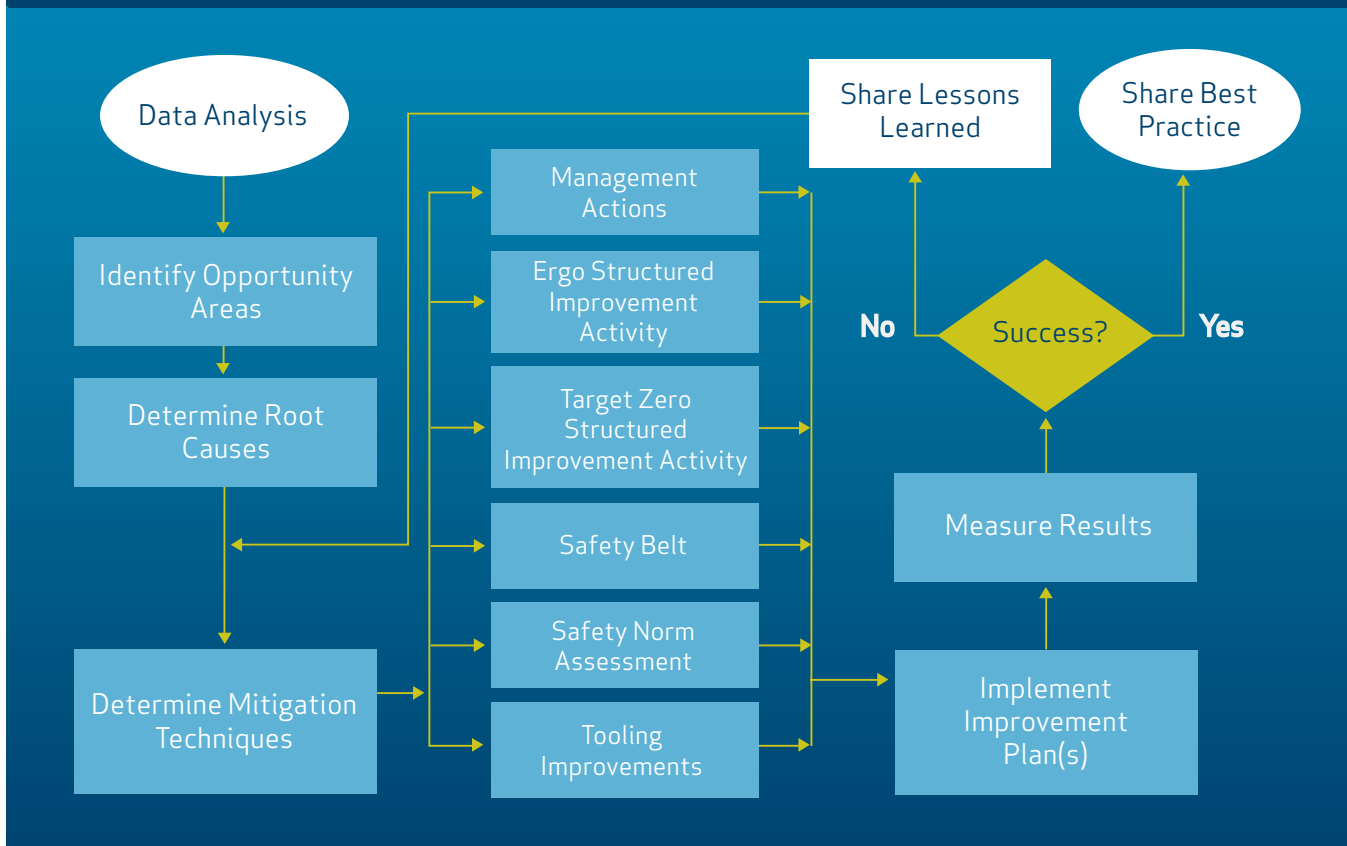
had urgent issues
that required
medical attention



LEED Lab Promotes Employee Health

Our Space Systems business' new Material & Thermal Sciences building in Palo Alto, Ca. will house 130 engineers, scientists and staff beginning in mid-2013. Designed to LEED Silver certification standards, the building will provide indoor air quality benefits and a host of environmental and energy savings.

Lockheed Martin Injury Reduction Process



Safety Moments

Watch an installment of Safety Moments, a video series of actual employees sharing personal stories of injuries or near misses. These candid commentaries reinforce ways to promote safety on the plant floor and in the office.



 [Watch online](#)

Business Case

Striving for an injury-free workplace requires everyone's vigilance, reaps rich rewards and offers a good return on investment. It results in a better quality of life for employees, higher job performance, product excellence and mission success for our customers.

We are committed to implementing programs that deliver the healthiest and safest possible workforce. Such programs include employee fitness tracking tools that use various incentives to get employees moving. Our fitness tracking tool offers a one-stop website for support, motivation and journaling so employees can track their physical activity progress and rewards.

Where We Are Going

We remain committed to building on our strong safety gains in 2012 by aligning our goal setting process with OSHA's Voluntary Protection Program (VPP). Based on a rolling average of our last three years of performance, we have established the following goals for 2013:

Recordable Rate = 1.30
Day Away Case Rate = 0.21
Severity (Lost Days) Rate = 5.71

To meet these goals we will identify the Top 25 "Most Improved" employee teams and ask them to capture and act on lessons learned for improved safety performance. We will also continue to strongly emphasize one-over-one manager notification and close tracking of all safety incidents.

Diversity and Inclusion

By building an inclusive work environment, we help ensure that Lockheed Martin is able to attract, develop and retain a diverse workforce that has the skills and capabilities needed to solve our customers' most challenging problems. Employees with diverse backgrounds, perspectives and skills contribute to our overall sustainability. At all levels, we are actively committed to promoting inclusion throughout our company.



Integrity

Ensuring our hiring, development and retention processes are fair and unbiased.



Innovation

Providing an inclusive environment that enables our employees, partners and suppliers to leverage their strengths and capabilities to foster innovation and creativity.



Security

Solving our nation's most critical challenges by leveraging the diverse strengths of our workforce.

What happened in 2012

The Executive Diversity Council established strategic priorities which included improving organizational health and workforce engagement and developing early/mid career leaders.

69%

PARTICIPATION RATE in our global employee survey, LM Voice, an increase from 68% in 2011. We increased the Organization Health Index to 73.7 from 72.2 in 2011.

+3

NEW LEADERSHIP FORUMS

added to promote development and engagement of leaders across the enterprise

Did You Know?

In 2012, three of our senior executives were named among *FORTUNE* magazine's 50 Most Powerful Women in Business: Marillyn Hewson, Chief Executive Officer and President (#19), Joanne Maguire, former Executive Vice President of Space Systems (#31), and Linda Gooden, former Executive Vice President of IS&GS (#34). Additionally, Rosalind Brewer, a Lockheed Martin board member, was named #13.



Our Performance

Objective

To embrace the diverse talents and perspectives of our people to power innovation and business success.

Improving Organizational Health and Workforce Engagement

Our comprehensive employee opinion survey, LM Voice, helps us to better understand our employees' views in four key areas: Employee Experience, Ethics and Integrity, Diversity and Inclusion, and Leadership Excellence. Participation in 2012, the second year of the survey, increased to 69 percent from 68 percent in 2011. The Organizational Health Index, which is generated from scores in the four key areas, increased to 73.7 from 72.2.

Developing Inclusive Leaders

Leaders play an integral role in our talent management strategy and the engagement of our workforce. As our global workforce becomes more diverse, leaders must possess the skills and insight necessary to foster an inclusive environment and allow their teams to reach full potential.

In 2007, we expanded our diversity and inclusion development efforts for senior executives with the launch of the Effective Leadership of Inclusive Teams (ELOIT) learning labs for Vice Presidents and above. These labs were implemented in response to survey and focus group data that indicated that our leaders needed to engage more fully in diversity and inclusion efforts. At the end of 2012, nearly 90 percent of senior executives had completed the lab curriculum and began applying lessons learned.

In mid-2012, we also launched four ELOIT Summit pilot sessions focused on developing diversity and inclusion skills for early and mid-career leaders. These were held around the United States (Bethesda, Md., Denver, Co., Fort Worth, Tx., and Orlando, Fl.) and championed by ELOIT executive alumni. Over 260 leaders took part, engaging peers and developing action plans to further their learning.

Diversity Leadership Forums

Our commitment to building a diverse and inclusive work environment includes providing opportunities for professional growth and development to all employees.

In 2002, we established our leadership forum program to promote professional development and retention among diverse employees. Each forum is chaired by an executive vice president or senior vice president. The African American Leadership Forum, Council of Asian American Leaders, Hispanic Leadership Council, and Women's Leadership Forum were joined by three new forums in 2012.

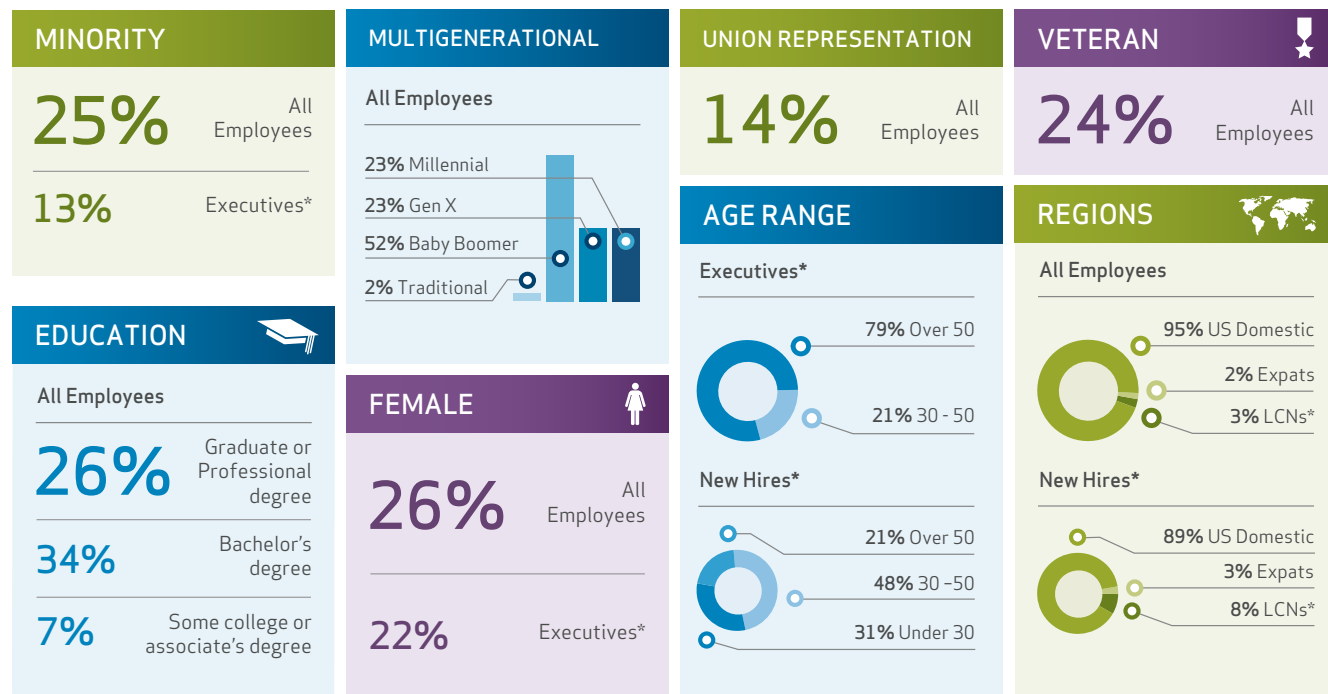
- Lesbian, Gay, Bisexual, Transgender (LGBT) Leadership Forum: In concert with this Forum, we joined the "It Gets Better"™ campaign organized by The Trevor Project®, which focuses on eliminating LGBT bullying and suicide.



[Watch online](#)

- People with Disabilities Leadership Forum: This Forum's inaugural conference encouraged employees to go "Beyond Limits." See one employee's inspiring story

Our Employees



*Executives are Vice Presidents and above. LCNs are Local Country Nationals. New Hires are employees hired in 2012.

of how engineering helped him overcome a life-changing accident.



[Watch online](#)

- Military/Veterans Leadership Forum: Veterans make a huge contribution to our company and culture. In 2012, they comprised 39.4% of our external hires. See our veteran appreciation video.



[Watch online](#)

How We Manage

For more than a decade, the Executive Diversity Council was responsible for creating and driving Lockheed Martin's diversity and inclusion strategy. In 2012, the Council identified strategic objectives designed to further enhance inclusion within our workforce. The Corporation also established a new Corporate Sustainability Council to focus on our strategic, company-wide sustainability efforts and ensure they result in long-term environmental and social benefits for all our stakeholders. At the end of 2012, the Executive Diversity Council transitioned to the Corporate Sustainability Council, whose responsibilities include providing strategic guidance on diversity and inclusion programs and initiatives. Our Senior Vice President of Human Resources & Communications, Chief Technology Officer and representatives from each of our business areas are members of the Corporate Sustainability Council. The Vice President, Diversity, Inclusion & Equal Opportunity Programs is

Recognition

- Ranked 48th in the 2012 DiversityInc Top 50 Companies for Diversity awards. We were commended for CEO commitment, active executive involvement with employee resource groups, and mentoring and training programs.
- Received a 100 rating on the Human Rights Campaign Corporate Equality Index (CEI) for the 5th consecutive year. The CEI is the national benchmarking tool on corporate policies and practices related to Lesbian, Gay, Bisexual, Transgender (LGBT) employees.
- Ranked 5th on the *Careers & the disABLED* magazine's Top 50 Employers list.
- Ranked 4th on *Woman Engineer* magazine's list of Top 50 Employers.
- Received honorable recognition from the Families and Work Institute's Work Life Legacy Military Award for our support of veterans and their families.
- Named among the Top Supporters of Black Engineering Schools by Historically Black Colleges and Universities.

accountable for development, integration and implementation of diversity and inclusion initiatives and is a member of the Sustainability Working Group.

Across Lockheed Martin, our business areas have established diversity councils that align their efforts with the strategic priorities established by the Executive Diversity Council and the Corporate Sustainability Council. For example, in 2012, IS&GS hosted six employee events promoting three pillars of inclusion: Building Trust, Managing Bias and Managing Change to Promote an Inclusive Culture. Select events were streamed live and later made available to employees across the U.S.

Business Case

Diversity in workforce recruitment was a top issue to emerge from our stakeholder engagement in 2012. When local talent pools support labor needs, our recruiting and development efforts support a healthy mix of local and non-local talent. We are keenly aware that to remain competitive in the global economy and to help preserve our nation's leadership as a technology innovator, we must ensure that we have the programs and initiatives in place to enable us to attract, develop and retain a highly-skilled workforce. Currently, 95 percent of our workforce

is based in the United States. As the U.S. continues to become more diverse, our future success will be dependent upon our ability to hire and motivate individuals from a variety of backgrounds and leverage their capabilities to fulfill our customers' missions.

Where We Are Going

Diversity, inclusion and equal opportunity employment will continue to be a key focus at Lockheed Martin, both from the top down and the bottom up. In late 2012, the Corporate Sustainability Council approved the formation of a Diversity and Inclusion Taskforce. Members include business area representatives, diversity and inclusion leaders and the Office of Corporate Sustainability. The taskforce will assess our current diversity and inclusion efforts and identify opportunities to strengthen this business imperative.

We track diversity and inclusion performance in multiple ways across the company. As we continue to evolve our human resources information systems, we will evaluate the opportunity to track and report data currently not available, such as return to work and retention rates after parental leave, and average hours of training by demographic.

Diversity Case Studies

Hiring Veterans

We know the value of military service. Over 24 percent of our employees are veterans, and we proactively seek to hire veterans. We also know that veterans tend to be highly trained, disciplined workers who bring experience, leadership and rock solid values to everything they do. In 2012, we attended 270 hiring events for veterans and transitioning military personnel and participated in more than 60 transition assistance programs at military bases across the country. Every month we hosted a Wounded Warrior virtual chat, in which U.S. veterans marketed their skills to our hiring managers and recruiters. In 2012 we hired more than 2,900 veterans, which represented 39 percent of our external hires.

Empowering Employees with Disabilities

We strive to make every effort to accommodate employees with disabilities. Employees can self-identify as a person with disability, a disabled veteran or a special disabled veteran during new employee orientation or at any time during their employment utilizing our online system. In 2012, we improved the self-identification process by updating the online system.

Our policy, Providing Reasonable Accommodations in the Workplace and for Applicants, is available to all existing and prospective employees. These efforts facilitate appropriate accommodations and provide an inclusive environment for all employees and applicants.

Celebrating Diverse Employee Talent

Lockheed Martin was the co-host of the 2012 Black Engineer of the Year Awards (BEYA) STEM (Science, Technology, Engineering and Math) Global Competitiveness Conference, which focuses on recruitment, networking and professional development.

Our employees shined during the awards ceremony, which recognized some of the nation's best and brightest engineers, scientists and technology experts. Thirty-one employees from across the Corporation received recognition.

Robert J. Stevens, currently Executive Chairman of our Board of Directors, gave the welcoming remarks at the event. "As one of BEYA's early supporters, and now the largest, Lockheed Martin is proud to be associated with this event and all that BEYA stands for. We have watched BEYA grow over the years to become the

nation's largest annual gathering of STEM professionals, committed to a strong and diverse technology workforce."

Showcasing Employee Engineering Talent

The 2012 Hispanic Engineer National Achievement Awards Conference (HENAAC) hosted by Great Minds in STEM showcased top Hispanic STEM talent. The organization aims to foster recruitment of high caliber students and address the challenges of nurturing the next generation of scientists, engineers and mathematicians.

Three of our employees were recognized for significant contributions to our industry, the field of science/engineering, our community and our nation. Robert J. Stevens accepted the Chairman's Award, one of the event's most prestigious honors. Ray Mellado, Chairman and Chief Executive Officer of Great Minds in STEM, said, "For over a decade Mr. Stevens has led one of the world's largest and most important aerospace, defense, security and advanced technology companies. During that span he's proved to be a champion not only for Great Minds in STEM, but for the Hispanic technical community as a whole."



2012 Hispanic Engineer National Achievement Awards Conference: Marillyn Hewson, CEO and President, presents the 2012 Engineer of the Year award to Dr. Steven P. Castillo of Sandia National Laboratories, managed by Lockheed Martin.



2012 Black Engineer of the Year Awards STEM Global Competitiveness Conference

Community Relations

Applying the science of citizenship includes using our skills, expertise and resources to make a difference beyond our business operations. We help to strengthen the quality of life in the communities where we live and work through giving programs and volunteering.



Integrity

We know that doing what's right means lending a helping hand and enriching civic consciousness.



Innovation

Our Science, Technology, Engineering and Math (STEM) education outreach helps ensure that the next generation makes new discoveries.



Security

Building more resilient communities contributes to economic growth and the well-being of intellectual capital and physical infrastructure.

What happened in 2012

We assessed our strategic philanthropic focus areas to increase the impact of our giving. We improved the responsiveness of our Employee Disaster Relief Fund program and tracking capabilities of our employee volunteerism activities.

\$108M

DONATED

through employee contributions over the last 5 years.

11M+

HOURS VOLUNTEERED

by employees in service to their communities since 2002.



Did You Know?

During the 2012 holiday season, Lockheed Martin employees stuffed more than 6,200 care packages for troops and donated more than 9,000 gifts, 2,000 pounds of food, and 650 meals for families in need.

Our Performance

Objective

To increase the impact of our giving by aligning it with key societal issues and our business strategy.

Strategic Alignment

In 2012, we initiated a wide ranging review of our charitable giving program. Our goal was to increase our positive impact in communities and ensure that our efforts align with key societal issues as well as our business strategy. We examined industry trends, interviewed executive management and surveyed external stakeholders.

Based on this assessment, we shifted away from a 50/30/20 giving strategy—50 percent to Education, 30 percent to

LOCKHEED MARTIN PHILANTHROPIC CONTRIBUTIONS

Year	Total Giving	Education	Customer	Community
2008	\$20.1M	50%	21%	29%
2009	\$24.6M	52%	23%	25%
2010	\$25.7M	54%	23%	23%
2011	\$25.2M	50%	29%	21%
2012	\$25.2M	48%	38%	14%

Customer and Constituent priorities and 20 percent to Community efforts—and now will primarily focus on two strategic giving priorities: STEM education, and

military and veteran causes. This approach will be implemented over three years and will allow flexibility for donations to other important local community needs.

EMPLOYEE GIVING

	2008	2009	2010	2011	2012
Employee Giving Totals*	\$22.3M	\$22.6M	\$20.4M	\$21.0M	\$21.6M

Employee Giving:

Our employee giving totals are comprised of three elements: employee contributions to annual charitable campaigns, contributions to our employee disaster relief fund and contributions to our university matching gift program.

Annual Charitable Campaigns: We host a variety of charitable giving campaigns to encourage employees to make one-time or recurring donations to charitable causes in their communities via payroll deduction.

Employee Disaster Relief Fund:

With offices around the world, our employees will inevitably be affected by natural or terroristic disasters. We established a standing relief fund to assist employees based on an objective needs assessment in federally declared disaster areas or in the case of certain other disasters. Employees are encouraged to make contributions to build up the funds in preparation for disasters.

University Matching Gift Program:

We sponsor a matching gift program for employee donations to colleges and universities. It recognizes the colleges and universities whose graduates contribute so greatly to our capability and growth. We match the tax-deductible portion of employees' contributions dollar for dollar.

* The employee giving totals reflect employee portions only and do not include our University Match.

EMPLOYEE VOLUNTEER HOURS

	2008	2009	2010	2011	2012
Volunteer Hours	1.4M	1.4M	1.3M	1.3M	1.1M

In 2012, we launched a new tool that allows employees to register volunteer hours. The tool offers increased reporting capabilities, but also requires details not previously required to track volunteer hours. As a result, total reported volunteer

hours slightly decreased compared to previous years. Based on employee feedback, the Community Relations team refined the tool to increase future usability. Our overall employee population also decreased.

Making a Difference in STEM

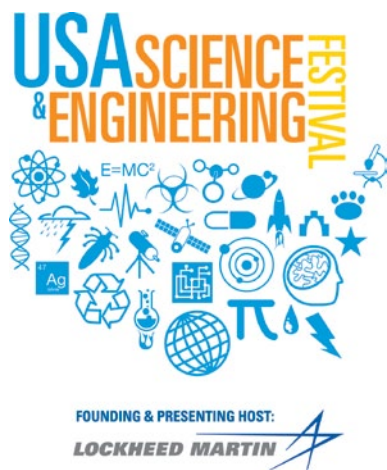
Tomorrow's scientists, engineers and technologists are today's middle- and high-school students. Lockheed Martin works to advance student interest in Science, Technology, Engineering and Math (STEM). We believe our own seasoned corps of engineers can get students excited about entering these critically important fields.

Our STEM outreach activities help students gain confidence through exploration, using visual, auditory and hands-on experiences. For more information, please visit the [STEM section](#) of our website.

In 2012, our activities included the following events and programs:

• USA Science & Engineering Festival

We were the founding and presenting host of the hugely successful USA Science & Engineering Festival, held in Washington, D.C., in April 2012. The event drew diverse crowds of all ages and had record-breaking attendance of more than 200,000 people over three days. Including pre-festival and satellite events, more than 550,000 people around the world took part. The Expo featured more than 3,000 hands-on activities and 150 live performances. Nearly 400 Lockheed Martin employees volunteered to support our 44 interactive exhibits.



• Innovate the Future Competition

We hosted two competitions in 2012 to recognize our 100th anniversary and the company's legacy of engineering and scientific excellence. In the United States, our Chief Technology Officer led a competition challenging employees to come up with ideas related to strategic needs in cyber security and health care. Over two months, nearly 700 ideas were offered by employees and then judged against criteria that included creativity and potential business impact. We also held a worldwide contest on how innovation can enable a more secure future for the planet.

Non-employee winners included:

- Moble Benedict, assistant research scientist in Aerospace Engineering at the University of Maryland, won the grand prize for his concept of an efficient vertical axis wind turbine for clean energy generation in urban environments. He will receive \$25,000.
- James Mutitu, researcher at the University of Delaware, placed second and will receive \$10,000 for his idea to enhance solar cell efficiency through improved light-trapping techniques.
- Raymond Canzanese, doctoral candidate at Drexel University, was a third place winner, receiving \$5,000 for a malware-detection technique that uses data fusion.
- Dick Dillon, representing Innovaision, LLC, won a third place for a concept that uses online avatars to provide counseling services.
- Tamara Monti, doctoral candidate at Italy's Universita' Politecnica delle Marche, won third place for a novel concept using photonic sensors to detect body tumors and identify the body's response to cancer therapies.
- **Nationwide Robotics Curriculum**
Robotics is a great way to engage young people in science. Since 2009, we have supported efforts with 4-H, a leading U.S. youth-development organization, to develop and launch the first comprehensive robotics curriculum

Recognition

- Ranked #1 in the Top 10 Corporate Philanthropist, Volunteerism, category of *The Washington Business Journal*
- Ranked #4 in the Top 10 Corporate Philanthropist, Philanthropy, category of *The Washington Business Journal*
- Named an Outstanding Corporate Partner by the Association of Fundraising Professionals,* D.C. Chapter



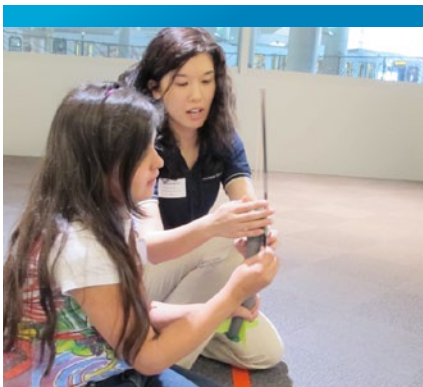
for youths aged 9 to 18. Our support from 2011 to 2012 enabled nearly 1,100 young Americans to join 87 new 4-H robotics clubs. In June 2012, we pledged a three-year \$1.5 million gift to support additional 4-H science programs, professional development and volunteer training. We plan to harness the expertise of our employees for 4-H mentoring efforts. We are also the proud sponsor of the 2012, 2013 and 2014 4-H National Youth Science Day, where hundreds of thousands of young people from across the country compete in a National Science Experiment.

In 2012, more than 350 of our employees mentored students and assisted teams for *FIRST* Robotics competitions. We supported 150 *FIRST* teams

representing all four competition levels: *FIRST* Robotics Competition, *FIRST* Tech Challenge, *FIRST* LEGO League and Junior *FIRST* LEGO League. Much more than a technical challenge, *FIRST* teaches students how to communicate with each other and with adults. They develop business plans and learn how “coopetition,” a blend of cooperation and competition, is critical to success.

• Engaging Girls in STEM

Our engineers helped to engage approximately 1,000 middle school girls in science by participating in the annual Girls Exploring Science, Technology, Engineering and Math event hosted by the Society of Women Engineers in Denver, Co. Employee volunteers led three hands-on workshops on exobiology (life on other planets), how math, science and engineering help defend the United States and hands-on mechanical engineering projects.



Helping Military and Veteran Causes

We are dedicated to improving the lives of military service members and their families by supporting programs that enhance their educational and training opportunities and honor their selfless duty to our country. With about one million service members expected to transition to civilian life in the next five years, we are particularly committed to programs that smooth this transition and address the challenges many will face.

In 2012, our activities included the following events and programs:



• Putting Heroes Back to Work

Established in 2011, the Institute for Veterans and Military Families at Syracuse University is the first U.S. organization founded specifically to conduct research and drive action on the social, economic, education and policy issues affecting veterans and their families.

We recently announced a commitment of \$500,000 over the next three years in support of the Institute and its

programs dedicated to helping veterans and military families transition to civilian life. We will also work directly with the Institute on industry and entrepreneurship training programs.

• Operation Mend

We are the lead corporate sponsor of Operation Mend. A program of the University of California, Los Angeles Hospital System, it provides reconstructive plastic surgery for severely burned and disfigured soldiers who have returned home from service in Iraq and Afghanistan.

• Operation Homefront

Operation Homefront® provides emergency financial and other assistance to wounded warriors and their families. Through our grant, Operation Homefront provided transitional housing at the Lockheed Martin Wounded Warrior DC Village to assist those wounded in Iraq or Afghanistan. In addition, service members participated in workshops and counseling to equip them for a return to civilian life.

Local Impact

We believe that creating a better world starts at the community level. Our employees work to strengthen their communities by giving their time to local civic, cultural, environmental and human services organizations.

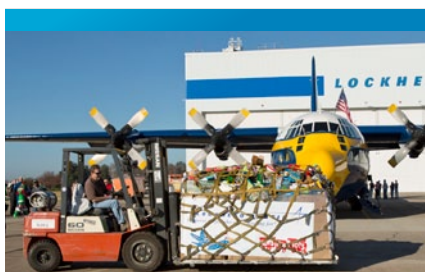
Scientists in Action

Engineers and scientists from our Space Systems site in Colorado introduced their real-world research to students from ten U.S. states at an event hosted with the Denver Museum of Nature and Science. The event was part of a K-12 learning program called Scientists in Action that links classroom students to science industry leaders over a live-feed video-conference system.



Volunteers Spread Holiday Cheer

More than 70 volunteers at our Space Systems site in Sunnyvale, Ca. packaged 150 holiday boxes for service men and women stationed overseas.



 [Watch online](#)

Delivered in a C130-J, holiday toys bring cheer to victims of Hurricane Sandy.

In 2012, our activities included the following events and programs:

• Changing Children's Lives

Systems engineer Manny Sanchez started volunteering when he joined Lockheed Martin 40 years ago - and he hasn't stopped. His tireless mentoring efforts have inspired children to pursue an education focused on science, technology, engineering or math. "My goal is to motivate, enlighten and let [students] know they have a choice, have opportunities, and I encourage them to do their best every day. They respond. Once children know their path, they get it," he says.

Manny works with disadvantaged youth in poor neighborhoods of Los Angeles, Ca., where he also grew up. He is dedicated to students of Manual Arts High School, where the average 9th grader begins

the year with a grade point average of only 2.2. In the 1990s, Manny helped establish the school's Imaging, Science & Technology Academy (ISTA), 98 percent of whose students go on to college. One graduate received the Bill Gates Millennium Scholarship.

• Employees Helping Employees

We have a standing relief fund to assist U.S. employees dealing with the aftermath of a federally declared disaster. Since 2006, employees have contributed millions of dollars to support one another in times of need through the Lockheed Martin Employee Disaster Relief Fund (LMEDRF).

One beneficiary is Ben Folk, a Lockheed Martin employee and father of five based in Valley Forge, Pa. Ben's home was destroyed after it caught fire during Hurricane Sandy. In the following days, Ben's colleagues and his children's school collected household items, toys and clothes for the family, and our employee fund helped them to settle into a rental home.

"We are in a much better place now, and it is due in large part to the overwhelming support from the good people at Lockheed Martin," he says.

How We Manage

We contribute to national, regional, and local programs and non-profit organizations that focus on STEM (Science, Technology, Engineering, and Mathematics) education and military and veteran causes. These community outreach activities reflect the caring nature of our employees and are intrinsic to our culture.

We use an online database to track charitable contributions, volunteer hours and matching gift programs. Our Corporate Contributions Committee must approve any grant valued at or above \$100,000. At the corporate level, all multi-year grants require annual impact assessments.

Our five business areas implement local engagement efforts to address the unique needs of their communities and employees.

Business Case

Supporting Military and Veterans: The link between our company and military service members and veterans is strong. Many of our products are put into use by U.S. service members and our allies, and 24 percent of our employees are veterans. This connection drives our passion for supporting charities that help service members and veterans and their families.

Supporting STEM Education: The United States must advance the size, quality, and diversity of its future engineering and technical workforce to fuel its economy, bolster national security, and further its global leadership. Few companies are better equipped to support this effort than Lockheed Martin. About half our employees—around 60,000 men and women—are scientists, engineers, and technologists. More than 80 percent of our future talent needs are for technical specialists in disciplines that drive our company's innovation, including systems engineering, computer science, electrical/mechanical engineering, and aerospace engineering.

It is our business interest to dedicate our giving and community outreach efforts to help create a workforce equipped for 21st century challenges and skilled in emerging disciplines such as information technology, cyber security, and advanced manufacturing.

Where We Are Going

In the year ahead, we will strengthen our philanthropic giving program to align with our new strategic focus areas of STEM education and military and veteran causes. We will also seek quality partnerships that continue to make measurable impacts.

Additionally, we plan to increase our employee engagement and volunteerism efforts. For example, we're enhancing an employee health and wellness campaign to get people involved in the American Cancer Society's Relay for Life®, the American Diabetes Association's Tour de Cure® and the American Heart Association's Heart Walk®. These events target the top health issues faced by our employees and encourage employees to engage in their local communities.

Supplier Diversity

Procuring from diverse suppliers is good corporate citizenship. It also makes sound business sense. Working with diverse suppliers supports job growth and human capital, brings agility and new perspectives to our products and services, and helps us identify ways to enhance performance.



Integrity

As the world's largest aerospace and defense government contractor, we want to lead by example when it comes to opening doors to opportunity and entrepreneurship.



Innovation

We seek diverse suppliers to collaborate on delivering high-quality, innovative products and services to our customers.



Security

Breakthrough technologies for mission assurance require that we invest deeply in identifying, qualifying and working with our diverse suppliers.

What happened in 2012

We offered practicable procurement opportunities to suppliers that are Small Businesses, Small Disadvantaged Businesses, Woman-Owned Small Businesses, Historically Underutilized Business Zone (HUBZone) certified, U.S. Veteran-Owned Small Businesses and Service Disabled Veteran-Owned Small Businesses.

11

PARTNERSHIPS

with protégé enterprises under the U.S. government's Mentor-Protégé program for disadvantaged small businesses.

108

CONFERENCES AND EVENTS

attended locally and nationally to meet small business and diverse suppliers.



Did You Know?

For the second consecutive year, we exceeded our Department of Defense supplier diversity goals and earned the U.S. Defense Contract Management Agency's highest rating for supplier diversity goals and performance.

Our Performance

Objective

We're committed to an inclusive supplier base that enhances our competitiveness, creates economic security and reflects corporate diversity goals and principles.

Strengthening Connections

We launched [Supplier Wire](#) to reach out to diverse suppliers. This new online educational resource offers free webinars, video tips and supplier testimonials to help small businesses sustain and expand their work with us. The site also identifies immediate procurement opportunities and provides information on Lockheed Martin purchases, including a list of corporate agreements with expiration dates and a calendar of our supplier diversity events.

Each year we stage unique supplier-engagement programs targeting small and diverse businesses. In 2012, we held four information and networking sessions for potential suppliers to engage one-on-one with our representatives. We also hosted three virtual sessions in which small business suppliers share information on their company, services, product lines, green initiatives and business strengths with procurement professionals and small business liaison officers. We cover all the technology and access costs of these events.

Mentoring Small Businesses

We actively support the federally-managed Mentor-Protégé Program, which helps small businesses compete for prime and subcontract awards by partnering with large companies under individual, project-based agreements. We provide training to protégé partners and host information sessions where they meet our small business liaison officers and procurement personnel. We also promote our small business partners to our five business areas.

These programs benefit Lockheed Martin, small businesses and our customers by:

Recognition

- Received 20 national and local industry recognitions for our supplier diversity program and efforts
- Named one of the Best 10 Corporations for Veteran-Owned Businesses by the National Veteran-Owned Business Association
- Honored as the first recipient of a Corporate Leadership award from the National Center for American Indian Enterprise Development
- Named among America's Top Corporations for Multicultural Business Opportunities by DiversityBusiness.com
- Received the first U.S. Navy People's Choice Award for our ongoing efforts to build the technology capabilities of small business suppliers. The award reflected a poll among 185 small companies in the Navy's Small Business Innovation Research (SBIR) program for technology transition.
- Mershelle Davis (pictured below on right), our Aeronautics Small Business Liaison Officer, won the 2012 Corporate Advocate Award from the U.S. Department of Veterans Affairs. She also earned accolades from the U.S. Small Business Administration and the Women of Color STEM Special Recognition Award for her advocacy on behalf of small businesses owned by veterans and disabled service members.



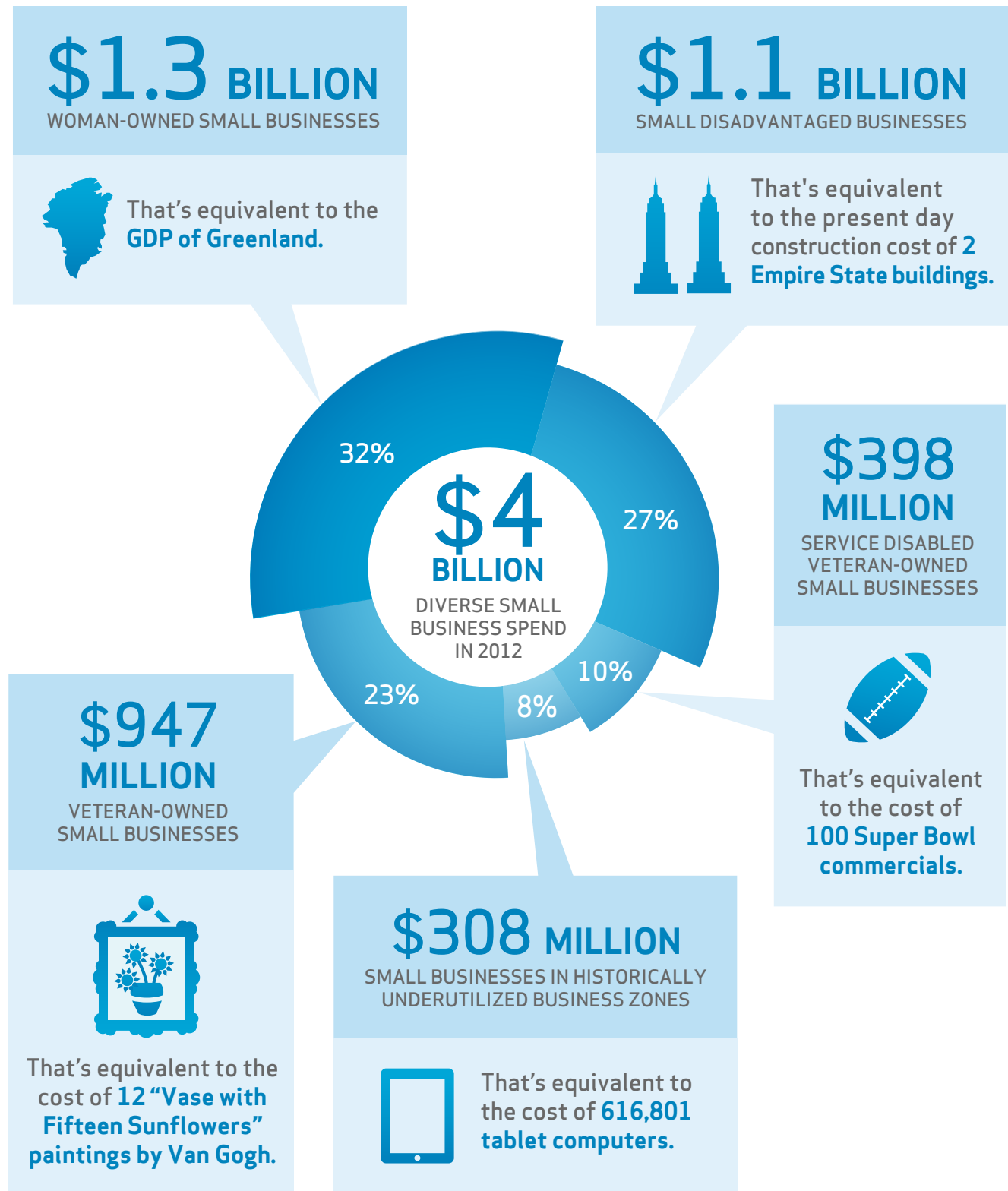
- Enhancing technical capabilities of both mentor and protégé
- Awarding non-competitive subcontracts/purchase orders to protégés
- Enabling faster insertion of new technology to our customers
- Expanding our base of innovative and qualified small businesses
- Establishing qualified sources at more competitive prices

An example is Sciaky, Inc., of Chicago, IL, a protégé partnership formed in 2012. Sciaky's electronic beam welding process can reduce the time it takes to cut metal forging by several months, which could benefit many aerospace products. Savings come from using less metal and reducing waste during machining of titanium, nickel alloy and other high-value metals.

Incubating Innovation

We help small businesses expand their technological potential by providing dedicated centers where firms that have won federal awards can collaborate with our employees. Lockheed Martin Technology Collaboration Centers located in San Diego, Ca., and Washington, D.C., focus on Naval surface platform tactical, communications and training applications and are open to small businesses free of charge. The Lockheed Martin Innovation Marketplace in Huntsville, AL, opened in 2012. It supports private sector and academic sector technologists participating in federally managed small business innovation research and technology transfer programs. Academic partners include Auburn University, Tuskegee University and the University of Alabama in Huntsville.

Diverse Small Business Spending





Lifetime Achievement Award

Ken Hilderbrand (pictured above on right) exemplifies our supplier diversity efforts. With 27 years of field experience, he is the Supplier Diversity lead of our Aeronautics' Marietta, Ga. location. He served on the advisory board that developed the Department of Defense's groundbreaking Comprehensive Subcontracting Program and its Mentor-Protégé Program. He was also Board Chair of the Georgia Minority Supplier Development Council and Board member of the Greater Women's Business Council. In 2012, the Alliance of Supplier Diversity Professionals presented Ken with the first Murray Schooner Lifetime Achievement Award.

Joining Forces with Veteran Entrepreneurs

During 2012, our Supply Chain leadership team launched several efforts to connect small businesses owned by veterans or disabled service members to our procurement opportunities and buyers. These initiatives included:

- Highlighting procurement opportunities for veteran businesses on our immediate needs e-bulletin board
- Targeting training opportunities for existing and potential veteran firms to enhance program performance and the ability to win government contracts
- Holding exclusive supplier information sessions that match veteran small enterprises with all Lockheed Martin buyers

- Creating a dedicated section for veteran businesses on our internal employee discount program website
- Adapting a procurement process that promotes competition to service-disabled, veteran-owned small businesses

Recognizing Supplier Excellence

Lockheed Martin annually recognizes small businesses in the United States for their outstanding support and quality in goods and services. We also celebrate employees who make exemplary contributions toward small business initiatives through awards and recognition events. In 2012, our Missiles and Fire Control and former Global Training and Logistics operations held an awards ceremony to recognize

18 suppliers. Aeronautics also held an awards luncheon in Fort Worth, Tx. to honor three outstanding suppliers.

How We Manage

Our supplier diversity program provides maximum exposure to subcontracting and development opportunities for many kinds of small businesses.

Spending with diverse suppliers is tracked and reported quarterly to the Vice President of Global Supply Chain Operations, but it is not published publicly for proprietary reasons. Small business participation on government contracts is subject to customer reviews and formal audits. Since 2008, our spending with small businesses has increased, although it fell slightly in 2012 due to consolidation of the total procurement base.

Sourcing managers and supply chain professionals receive and process on average 600 supplier inquiries a month. Across all business areas, 40 small business officers help to identify, develop and nurture an array of diverse suppliers. These representatives also actively participate in their communities by serving on more than 25 local boards and councils across the country.

We set an annual small business spending goal on U.S. Department of Defense (DoD) work as a percentage of total spending which requires approval by the DoD. For other programs, small business supplier spending targets are set on an individual program basis by our customers.

Business Case

Our diverse supplier base adds a competitive advantage in delivering mission-critical applications of advanced technology. Our supplier diversity program is anchored by our desire to advance product performance and economic development in the communities where we operate.

Identifying opportunities to work with qualified small businesses requires significant effort given the sensitive nature of much of our work. There are

heightened certification requirements for quality and other management systems (such as AS9100 (rev C), AS 9120, ISO 9001) for work performed on government contracts. Additionally, changes to the U.S. Small Business Administration's classification of Historically Underutilized Business Zone (HUBZone) locations impacts the demographics of our supplier base and how we evaluate meeting our HUBZone commitment.

Where We Are Going

Despite meeting or exceeding all our customer targets, we are strongly committed to further expanding opportunities for diverse suppliers.

Potential budget cuts for the U.S. Department of Defense due to

sequestration would cause significant disruption to ongoing programs and initiatives leading to facility closures and personnel reduction. With nearly 60% of our program costs in the supply chain, our suppliers would be significantly affected, especially small businesses and niche technology providers.

We will use our new [Supplier Wire](#) website to engage with more qualified small businesses and increase the number of registrants for our information webinars. Given U.S. federal budget fiscal pressures, we will also seek to raise awareness of

how thousands of small businesses help us to support our customers' missions. Major fiscal impasses could greatly complicate our ability to increase business opportunities to firms owned by minorities, women, veterans and people living in disadvantaged areas.

To further support veteran-owned small businesses, we plan to offer additional informal e-learning programs and recruit more companies for listing in our employee discount program website, available to Lockheed Martin employees and retirees.



Check out our new [Supplier Wire](#) website

The contents of this report reflect our sustainability commitment:

**Fostering innovation, integrity and security to protect the environment,
strengthen communities and propel responsible growth.**

Learn more:

To view our online report with interactive features, visit www.lockheedmartin.com/2012-sustainability-report. To stay informed about our progress and provide feedback on how we can further enhance our sustainability reporting, we encourage you to visit our website at www.lockheedmartin.com/sustainability or follow us on:

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Your comments and ideas are always welcome at sustainability.lm@lmco.com.

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,” and similar expressions are intended to identify forward-looking statements. Statements and assumptions with respect to achievement of goals, anticipated actions to meet goals, allocation of resources, planned or anticipated actions by others, performance of technology, success of remediation or other efforts are also examples of forward-looking statements.

Forward-looking statements are based on our current expectations and assumptions and are not guarantees of future performance and 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 retained 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 association 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, 2012 and our 2013 Quarterly Reports on Form 10-Q which may be obtained at the Corporation’s website: www.lockheedmartin.com/investor.



www.lockheedmartin.com/sustainability

www.lockheedmartin.com/2012-sustainability-report



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